Upfront Guarantee Fee & Annual Fee

Single Family Housing Guaranteed Loan Program

Training Objectives

• Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555
• Learning Checks
• Resources
Guaranteed Loan Program Regulation

7 CFR Part 3555

• The regulation is the rule!
• 8 Subparts: A – H
• Appendix 1

3555.107 Application for and issuance of the loan guarantee.
   (a) Processing of applications.
   (b) Automated underwriting.
   (c) Manual underwriting.
   (d) Appraisals.
   (e) Environmental requirements.
   (f) Issuance of a conditional commitment.
   (g) Loan guarantee fee.
   (h) Annual fee.
   (i) Proper closing and requesting the loan note guarantee.
   (j) Issuance of the guarantee.
7 CFR Part 3555: 3555.107(g)

(g) Loan guarantee fee. The lender must pay a nonrefundable up-front guarantee fee, the cost of which may be passed on to the borrower. The up-front guarantee fee will not exceed 3.5 percent of the principal obligation. The current guarantee fee is available at any Rural Development office and may change periodically. Notice of a change in fee will be published as authorized in Exhibit K of subpart A of part 1810 of this chapter (RD Instruction 440.1, available in any Rural Development office) or online at: http://www.rurdev.usda.gov/rd_instructions.html. Once the guarantee has been issued, the fee will not be refunded.

7 CFR Part 3555: 3555.107(h)

(h) Annual fee. The Agency may impose an annual fee of the lender not to exceed 0.5 percent of the average annual scheduled unpaid principal balance of the loan for the life of the loan to allow the Agency to reduce the up-front guarantee in Sec. 3555.107(g). The annual fee will be applicable to purchase and refinance loan transactions. The annual fee may be passed on to the borrower by the lender. The Agency may assess a late charge to the lender if the annual fee is not paid by the due date, and the late charge may not be passed on to the borrower. Further administrative guidance is provided in the handbook.
Guaranteed Loan Program Technical Handbook

**HB-1-3555**

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters
HB-1-3555: Chapter 16

16.4 UP-FRONT LOAN GUARANTEE
A. Purchase Loans – Up-Front Loan Guarantee Fee
B. Refinance Loans – Up-Front Loan Guarantee Fee
C. Calculation of Loan Up-Front Guarantee Fee

16.5 ANNUAL FEE
A. Amount of Annual Fee
B. Calculation of Annual Fee
C. Due Date of Annual Fee
D. Payment of Annual Fee
E. Advance Notice, Billing and Reconciliation of Annual Fee
F. Lender’s Late Charge on Unpaid Annual Fee
G. Period Covered by Annual Fee
H. Duration of Annual Fee
I. Pro rata Payment of Annual Fee
J. Method of Payment of the Annual Fee
K. Nonpayment of the Annual Fee
USDA LINC: Online Calculator
https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do

Guaranteed Annual Fee Billing and Payment

Documentation & Resources
1. Guaranteed Annual Fee Calculation Methodology (PDF)
2. Guaranteed Annual Fee and Annual Fee Calculation (EXCEL)
3. Guaranteed Annual Fee Lender User Agreement (PDF)
4. Guaranteed Annual Fee Service Bureau User Agreement (PDF)
5. Guaranteed Annual Fee Implementation Guide (PDF)
6. Guaranteed Annual Fee Getting Started User Guide (PDF)
7. Guaranteed Annual Fee User Guide (PDF)

Online Calculator

Rural Development SFH Guaranteed Mortgage Loan Amortization Schedule
**Online Calculator**

**Rural Development SFH Guaranteed Mortgage Loan Amortization Schedule**

| Part No. | Due Date | Payment Date | Beginning Balance | Scheduled Payment | Total Payment | Principal | Interest | Ending Balance | Cumulative Interest | Average Annual UPS | Annual Fee on Any Annual UPS | Annual Fee on Monthly Amort. | Scheduled Monthly Payment | Scheduled Monthly Payment |
|----------|----------|--------------|-------------------|-------------------|--------------|-----------|----------|----------------|-------------------|--------------------|-----------------------------|----------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
| 1        | 1/1/2017 | 1/1/2017     | 196,626.00        | 797.79            | 797.79       | 645.50    | 152.29   | 196,480.21     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 2        | 2/1/2017 | 2/1/2017     | 196,480.21        | 797.79            | 797.79       | 645.50    | 152.29   | 196,327.92     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 3        | 3/1/2017 | 3/1/2017     | 196,327.92        | 797.79            | 797.79       | 645.50    | 152.29   | 196,175.63     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 4        | 4/1/2017 | 4/1/2017     | 196,175.63        | 797.79            | 797.79       | 645.50    | 152.29   | 196,023.34     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 5        | 5/1/2017 | 5/1/2017     | 195,973.34        | 797.79            | 797.79       | 645.50    | 152.29   | 195,821.05     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 6        | 6/1/2017 | 6/1/2017     | 195,769.05        | 797.79            | 797.79       | 645.50    | 152.29   | 195,616.76     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 7        | 7/1/2017 | 7/1/2017     | 195,563.29        | 797.79            | 797.79       | 645.50    | 152.29   | 195,409.50     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 8        | 8/1/2017 | 8/1/2017     | 195,323.01        | 797.79            | 797.79       | 645.50    | 152.29   | 195,166.72     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 9        | 9/1/2017 | 9/1/2017     | 195,062.32        | 797.79            | 797.79       | 645.50    | 152.29   | 194,909.03     | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 10       | 10/1/2017| 10/1/2017    | 194,809.64        | 797.79           | 797.79       | 645.50    | 152.29   | 194,652.35    | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 11       | 11/1/2017| 11/1/2017    | 194,546.35        | 797.79           | 797.79       | 645.50    | 152.29   | 194,389.06    | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |
| 12       | 12/1/2017| 12/1/2017    | 194,283.06        | 797.79           | 797.79       | 645.50    | 152.29   | 194,125.77    | 0.00               | 0.00               | 156,626.00                  | 98,326.00                 | 5.14                     | 46.98                    | 503.37                   | 797.79                   |

**Loan Summary**

- **Scheduled Monthly Payment**: $797.79
- **Scheduled Monthly Payment - Total**: 12 * $797.79 = $9,573.48
- **Total Annual Fee on Any Annual UPS**: $1,564.80
- **Total Annual Fee on Monthly Amort.**: $1,187.05
- **Total of All Monthly Annual Fee**: $65.85
Online Calculator

### SFH Guaranteed Annual Fee Schedule

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$150,040.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>4.25%</td>
</tr>
<tr>
<td>Loan Term (Months)</td>
<td>360</td>
</tr>
<tr>
<td>Upfront Guarantee Fee</td>
<td>$1,540.60</td>
</tr>
<tr>
<td>Total Annual Fee</td>
<td>$1,760.33</td>
</tr>
</tbody>
</table>

#### Year of Loan

<table>
<thead>
<tr>
<th>Year of Loan</th>
<th>Due Date</th>
<th>Monthly Payment</th>
<th>Average Annual UPD</th>
<th>Annual Fee</th>
<th>Annual Fee Due on 1st Payment</th>
<th>Scheduling Reference Year Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7/1/2016</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2017</td>
</tr>
<tr>
<td>2</td>
<td>1/1/2017</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2018</td>
</tr>
<tr>
<td>3</td>
<td>1/1/2018</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2019</td>
</tr>
<tr>
<td>4</td>
<td>1/1/2019</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2020</td>
</tr>
<tr>
<td>5</td>
<td>1/1/2020</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2021</td>
</tr>
<tr>
<td>6</td>
<td>1/1/2021</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2022</td>
</tr>
<tr>
<td>7</td>
<td>1/1/2022</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2023</td>
</tr>
<tr>
<td>8</td>
<td>1/1/2023</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2024</td>
</tr>
<tr>
<td>9</td>
<td>1/1/2024</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2025</td>
</tr>
<tr>
<td>10</td>
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<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
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<tr>
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<td>1/1/2026</td>
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<td>$81.20</td>
<td>$81.20</td>
<td>2027</td>
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<tr>
<td>12</td>
<td>1/1/2027</td>
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<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
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<tr>
<td>13</td>
<td>1/1/2028</td>
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<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2029</td>
</tr>
<tr>
<td>14</td>
<td>1/1/2029</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2030</td>
</tr>
<tr>
<td>15</td>
<td>1/1/2030</td>
<td>$13,785.94</td>
<td>$75.75</td>
<td>$81.20</td>
<td>$81.20</td>
<td>2031</td>
</tr>
</tbody>
</table>

### Fiscal Year

USDA Fiscal Year (FY):
- October 1st through September 30th
- Upfront and annual fee structures may change for each FY
- USDA publishes notification of FY fee structures
Fiscal Year and Conditional Commitments

• The date of Conditional Commitment issuance by USDA reflects the applicable fee structure

• The date of loan closing does not dictate the applicable fee structure

• All loans must close under the authorized terms of the issued Conditional Commitment

Example:
• FY 2016 fee structure: Upfront 2.75%, Annual .50%
• FY 2017 fee structure: Upfront 1%, Annual .35%

• Conditional Commitment issued: August 15, 2016
• FY 2016 fee structure applies
• Commitments are valid for a minimum of 90 days
• Loan closes: October 15, 2016 (fee structure does not change to FY 2017)
TIPS

• Underwriter = USDA Approved Lender
• USDA ≠ not an underwriter
• Research Rule & HB questions: Table of Contents
• Research Rule & HB questions: Control + F
Question Slide

“Topic”

• Question will be bulleted with scenario, or
• Include a statement/question

TRUE/FALSE or other answer options will be displayed

ANSWER SLIDE

“Topic”

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

• Additional guidance for clarification may be provided
Upfront guarantee fee and annual fee

The upfront guarantee fee is non-refundable once a Loan Note Guarantee (LNG) is issued by USDA.

A. TRUE    B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g) and HB 16.4

A. TRUE

• Once the LNG is issued, the upfront fee cannot be refunded
• Refinanced guaranteed loans are not eligible for a refund of any portion of the paid upfront guarantee fee

The upfront guarantee fee and/or annual fee are subject to change each fiscal year.

A. TRUE B. FALSE
Upfront guarantee fee and annual fee

**ANSWER:** 3555.107(g), (h), HB 16.4, and 16.5

A. TRUE

- Fiscal year is October 1 through September 30
- The date of Conditional Commitment issuance (Form RD 3555-18/18E) by USDA determines the applicable fees for the loan
- USDA announces fees through GovDelivery notices and published guidance

The annual fee percentage that is applicable may fluctuate year the loan is in repayment.

A. TRUE  B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h), HB 16.5

B. FALSE

• The Conditional Commitment will state the applicable annual fee for the life of the loan
• The annual fee is fixed at the time of loan closing
• If the loan is refinanced into a new USDA guaranteed loan, the applicable fee structure will apply for that fiscal year

Upfront guarantee fee and annual fee

The entire upfront guarantee fee must be financed into the total loan amount.

A. TRUE     B. FALSE
Upfront guarantee fee and annual fee

**ANSWER:** 3555.107(g) and HB 16.4 C 1, 2, and 3

B. FALSE

The upfront guarantee fee may be:
- Financed into the loan amount,
- Partially financed, or
- Paid in full, no portion financed

Under 7 CFR Part 3555, the upfront guarantee fee may not exceed _____%.

A. 2  B. 3.5
Upfront guarantee fee and annual fee

**ANSWER:** 3555.107(g) and HB 16.4

- B. 3.5 percent

- Maximum fee is in the Housing Act of 1949, as amended
- Congress must take legislative action to amend
- The fee structure ensures a subsidy neutral program = no tax payer dollars

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Upfront guarantee fee and annual fee

Under 7 CFR Part 3555, the annual fee may not exceed _____%.

- A. .50
- B. .30
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h) and HB 16.5

A. .50 percent

- Maximum fee is in the Housing Act of 1949, as amended
- Congress must take legislative action to amend
- The fee structure ensures a subsidy neutral program = no tax payer dollars

USDA may assess a late fee to the lender if the annual fee is not paid when due.

A. TRUE    B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h) and HB 16.5 F

A. TRUE

• Annual fee bills are typically sent to the lender/servicer electronically
• Lenders typically pay the annual fee electronically
• Lenders must ensure an authorized account is on file with USDA

Upfront guarantee fee and annual fee

The applicable upfront guarantee fee and/or annual fee may differ for a purchase and refinance transaction.

A. TRUE  B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g), (h), HB 16.4 and 16.5

A. TRUE

- USDA will publish fiscal year notices to announce the applicable fee structures
- Sign up for GovDelivery notices

Upfront guarantee fee and annual fee

The annual fee will cease to be collected when 80% loan to value (LTV) is achieved.

A. TRUE  B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h) and HB 16.5 H

B. FALSE

- The annual fee applies for the life of the loan
- At no time will the annual fee cease unless the loan is refinanced into a difference loan program

Upfront guarantee fee and annual fee

- Conditional Commitment issued: August 20th
- Loan closed: October 30th
- USDA changed fiscal year fee structures on October 1st
- The lender must ensure the new FY fee structure is utilized

A. TRUE       B. FALSE
Upfront guarantee fee and annual fee

**ANSWER:** 3555.107(g),(h) and HB 16.2

B. FALSE

- Conditional Commitment was issued August 20th
- The applicable fee structure for August 20th applies
- Receipt of Conditional Commitment in one fiscal year but closing in another fiscal year does not alter the fee structure
Regulations

GovDelivery Sign up
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