



Rural Development

May 8, 2019

Richard A. Davis  
Acting Administrator  
Rural Housing Service

1400 Independence Ave, SW  
Washington, D.C. 20250

TO: State Directors  
Rural Development

ATTN: Single Family Housing Program Directors

FROM: Richard A. Davis /s/ *Richard A. Davis*  
Acting Administrator  
Rural Housing Service

SUBJECT: Loan Approval Authority for the Single Family Housing  
Guaranteed Program

**PURPOSE/INTENDED OUTCOME:**

All new loan specialists working in the Single Family Housing Guaranteed Loan Program (SFHGLP) are expected to receive loan approval authority prior to officially issuing decisions on program applications. The process consists of initial training, mentoring support, proficiency-based tests, file reviews, and formal recommendation by the new specialist's supervisor. This document details the expectations to be followed by all Rural Development offices delivering the SFHGLP, with the exception of certain variances for the Auxiliary Processing Unit (APU) as described below.

**I. Training:**

- New specialists shall complete all approved Single Family Housing (SFH) University guaranteed training modules in the order required by the SFH University curriculum;
- The State and/or Area Office shall supplement the SFH University curriculum with on-the-job training, provided by an experienced loan specialist, covering not only the information presented in the SFH University modules, but also any local procedures/processes specific to the state where the program is being delivered.

EXPIRATION DATE:  
April 30, 2020

FILING INSTRUCTIONS:  
Housing Programs

## **II. Mentoring:**

- At the time the new specialist enrolls in the SFH University, the supervisor shall assign a mentor to assist the new specialist learn the requirements associated with the underwriting and review of SFHGLP applications;
- The assigned mentor shall prepare written quarterly reports to the new specialist's supervisor and/or Housing Program Director, outlining the progress and recommendations on areas needed for continued development;
- Mentoring is expected to last at least 12 months, but may be extended (in six-month increments) in the event the progress the specialist is making is not on par with his/her SFH University curriculum and the proficiency-based tests;
- The assigned mentor shall not be the new specialist's supervisor. The mentor's role is to help facilitate continued learning and to serve as a resource for technical questions and procedural guidance. Mentors will also provide objective feedback on the new specialists' progress to his/her immediate supervisor.

## **III. Proficiency Testing:**

- The proficiency-based tests are a key component of the loan approval authority process. All new specialists are required to pass the test after each training module is completed. This will indicate to the supervisor and mentor that the new specialist has an acceptable level of knowledge in that program area and can proceed to the next training module. The proficiency-based tests and scoring system are administered in accordance with the SFH University curriculum requirements;
- After the final module is completed the supervisor shall schedule a time for the specialist to take the final exam, which consists of questions generated from information presented in all the completed modules and will be used to assess the overall level of knowledge of the specialist;
- The minimum passing score for the proficiency test is 70. If new specialists fail the first attempt, they will be eligible to retake the test after a 30-day period has elapsed. Note: The first line supervisor may advise new specialists of which area (s) they need to focus on prior to retaking the test.

## **IV. File Review:**

- After a new specialist attains a passing score on the final test, the supervisor or designated mentor will complete a file review of each SFHGLP application file to evaluate and attest that the new specialist is working at a standard worthy of independent loan approval authority;
- The APU will have its own quality assurance process. Outside of the APU, first line supervisors in the Field will use the State Internal Review (SIR) Guide to review these application files, specifically the section for SFH Guaranteed loans. The National Headquarters will highlight the questions on the SIR Guide to be utilized for the loan authority approval file review each fiscal year. An Individual File Summary

form for the review will be provided to all states for use in documenting their findings;

- Once an acceptable level of review has been attained, the first line supervisor will submit a minimum of four (4) GUS ACCEPT and six (6) GUS REFER or REFER WITH CAUTION (full document) loan files for review by the State Housing Program Director or assigned reviewer.

#### **V. Supervisor Recommendation for Approval**

- Upon successful completion of the SFH University curriculum, proficiency tests, final exam, mentoring period, and file reviews, a letter will be prepared by the new specialists' supervisor to the State Director, through the Housing Program Director, recommending the designation of loan approval authority;
- The State Director or APU senior supervisor will review the recommendation and any supporting documentation and will grant or deny the designation of loan approval authority to the new specialist. The designation will be documented in writing and a certificate will be awarded to the specialist noting his/her approval status with USDA Rural Development.
- Note: In the event the State Director does not grant loan approval authority based on the recommendation of the supervisor, the State Director will request that an updated training plan should be developed by the supervisor and Program Director to assist the new specialist overcome identified deficiencies;
- The expected amount of time to complete this process may vary between 12 and 18 months. If more than 24 months have elapsed, the APU supervisor or the Housing Program Director and State Director will examine the reason(s) for the delay and will evaluate the potential plan of action.

#### **VI. Continued Training Process:**

Supervisors should continue to evaluate the quality of loan reviews by new specialists once they have been granted loan approval authority. Specific training might be required based on unusual application submissions.

#### **VII. Reinstatement of Approval Authority**

If a specialist's loan approval authority is revoked, RD Instruction 1901-A "Loan and Grant Approval Authorities" should be followed. Sections 1901.4(d) and (e) state that the "Administrator can make written restrictions or revocations of the authority given to any loan approval official" and a "State Director can make written restrictions or revocations, for not more than 6 months, of the authority given to a State Office or Field Office employees." Each state is granted the authority to determine what actions, training, and conditions are required to reinstate loan approval authority to a specialist.

<b>DELEGATION OF LOAN APPROVAL AUTHORITY</b>
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**TO:** [Name]  
[Title]  
USDA Rural Development  
[Location]

By the authority delegated to me as [state's name]'s State Director for USDA Rural Development, by RD Instruction 1901-A, I hereby make a delegation to the aforementioned employee:

- Loan approval authority for Single Family Housing Section 502 Guaranteed Loans described in 7 CFR Part 3555.

This delegation is effective immediately and will continue until the delegate leaves his/her position or until revocation or other change is made in writing.

[Date]

\_\_\_\_\_  
[Name]  
State Director

cc: [first-line supervisor]  
eOPF