

June 15, 2017

TO: State Directors
Rural Development

ATTENTION: Single Family Housing Program Directors,
Guaranteed Housing Specialists,
Area Directors and Area Specialists

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

SUBJECT: Single Family Housing Guaranteed Loan Program
Lender Eligibility Review

PURPOSE/INTENDED OUTCOME:

The purpose of this Unnumbered Letter (UL) is to clarify guidance of RD Instruction 3555, as it relates to performing reviews of previously approved lender and servicer (herein referred to as “lender”) eligibility files for the Single Family Housing Guaranteed Loan Program (SFHGLP). This UL also provides procedures for updating lender information in the Guaranteed Loan System (GLS).

The intended outcome of this UL is to review and document the eligibility of all lenders in accordance with regulatory and programmatic requirements and to ensure that lender record information is current.

EXPIRATION DATE:
June 30, 2018

FILING INSTRUCTIONS:
Housing Programs

USDA is an equal opportunity provider, employer and lender.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

BACKGROUND:

[OMB Circular A129, “Policies for Federal Credit Programs and Non-Tax Receivables.”](#) requires that Agencies review and document lender and servicer eligibility every two years. This Circular outlines the expectations for departments and agencies to protect the Government’s assets and to minimize losses in relation to social benefits provided. For the SFHGLP, this requires making sure that lenders and servicers participating in Federal credit programs meet all applicable financial and programmatic requirements.

IMPLEMENTATION RESPONSIBILITIES:

In order for Rural Development to meet the Circular requirements, headquarters and state offices must complete a full eligibility review of lender files. Lenders are required to submit information as outlined in Chapter 3 of Handbook 3555. Reviews should be completed within 180 days from the date of this UL.

The lender eligibility review does not replace lender and servicer program compliance reviews.

LENDER REVIEW IDENTIFICATION:

Headquarters has prepared a spreadsheet and posted to SharePoint in the [3555 One Stop Shop](#) identifying state approved lenders. State office staff should immediately begin an eligibility review of state-approved lenders where the approval date is greater than two years. Lenders approved in multiple states should be reviewed by the state where the lender’s headquarters is located.

Attached to this UL is a suggested notification letter.

LENDER FILE DOCUMENTATION:

We encourage state office staff to accept electronic lender eligibility file documentation and upload this information to Electronic Case File (ECF). Instructions on how to use this feature are available on the [SFHGLP SharePoint](#) page.

DO NOT PAY (DNP) PORTAL:

Rural Development has designated the Department of Treasury’s Do Not Pay (DNP) portal as the approved data verification system to comply with the [“Improper Payments Elimination and Recovery Improvement Act of 2012.”](#) The DNP portal provides free access to all the required databases to determine if an individual or entity is eligible to receive federal payments.

- State office staff must check the lender’s name and tax identification number and the name of each of the lender’s principal officers through the DNP portal. This search will return a result for the systems below:
 - (A) The General Services Administration’s Excluded Parties List System for Awards Management (SAM);

- (B) The Credit Alert System or Credit Alert Interactive Voice Response Verification Reporting System of the Department of Housing and Urban Development (CAIVRS); and,
- (C) The Debt Check Database of the Department of the Treasury (TOP Debt Check).

Authorized agency staff must have a DNP database token issued by the Department of Treasury to access the DNP portal. For a token request or further instructions on how to use the DNP portal access the [Rural Development DNP SharePoint site](#).

THE LENDER PARTICIPATION AGREEMENT (FORM RD 3555-16):

Agency staff should verify that the lender file contains either a fully executed Form RD 3555-16, or RD 1980-16 (applicable to lender approvals prior to December 1, 2014), "Lender Agreement for Single Family Housing Guaranteed Loan Programs," and if the lender agreement predates June 2006, Form AD 1047, "Certification Regarding Debarment."

Note: The language from Form AD 1047 is now part of Form RD 3555-16 and the old form is no longer required as part of the lender approval process.

In the case of a name change, corporate structure, or Tax Identification Number (TIN), a new Form RD 3555-16 must be executed by the lender.

LENDER TRAINING:

We encourage existing lenders to take the updated trainings located on [USDA LINC](#). New lender employees are required to take training located [USDA LINC](#). Please have lenders report name, title, and email address for completed training to your [state email box](#).

UPDATING GLS:

Upon completion of the eligibility review, state office staff must ensure that GLS records for all lender branches reflect the most current lender information. State office staff should use the Lender Maintenance Screen in GLS to update:

- Lender's legal name, TIN, and address as it appears on Form RD 3555-16;
- Telephone numbers, email and web addresses; and,
- "Lender Type" (ex. Mortgage Loan Company, Credit Union);

TERMINATION OF INELIGIBLE LENDERS:

- If the lender fails to provide evidence of continuing eligibility, a written notice including appeal rights terminating the lender's participation will be mailed to the lender at the last known mailing address. A sample termination notice is included at the end of this document.
- The lender will update GLS by removing the lender designation and any authorizations from all branches.

- Notifications returned with a forwarding address will be forwarded to the new address with an additional 30 day timeframe for the lender to respond.
- If the notice is returned as “undeliverable,” with no forwarding address, the returned envelope will be retained in the file as evidence that the lender was given notice.
- In addition to the GLS update, the lender and authorized users should be terminated from the Guaranteed Underwriting System.

HANDLING REQUESTS FOR CONDITIONAL COMMITMENT DURING THE APPEAL PERIOD:

If the Agency receives requests for Conditional Commitments during the appeal period, those requests will be held until the expiration of the period in which the lender has a right to request an appeal or, if the lender files an appeal, until a final decision has been reached on the appeal request. If the lender appeal is resolved in favor of the lender (i.e., if the lender is found to be eligible), Conditional Commitments will be processed as usual.

RETENTION OF TERMINATED LENDER FILES:

Terminated lender eligibility files will be marked as “Closed on month, day, year,” and retained indefinitely. We recommend that state office staff use ECF to electronically store files.

FOR FURTHER INFORMATION:

Questions may be directed to the Guaranteed Loan Division at (202) 720-1452, or by email to: sfhgld.lender@wdc.usda.gov.

Attachments:

Sample Termination Notice with Appeal Form

Lender Notification Letter and Recertification Checklist

SAMPLE TERMINATION NOTICE

Dear:

USDA Rural Development has determined that (*insert lender name*) does not or no longer meets our lender qualification criteria as found at 7 CFR 3555. Consequently, we are terminating your agreement as an approved or participating lender for the Rural Development Guaranteed Single Family Home Loan Program.

If you wish to appeal this decision, it must be in writing within 30 days from the date on this letter. See the attachment for the format of an appeal. You should mail or fax your written appeal to:

The National Appeals Division
Eastern Regional Office (**Correct Regional Office Required**)
8909 Purdue Road, Suite 240
Indianapolis, Indiana 46268
FAX: (317) 875-9674

Sincerely,

State Director
USDA Rural Development

Attachment

Appeal Format:

Appeal Request Form

I hereby request an administrative appeal regarding an adverse decision issued by the _____, agency, dated _____.

I have attached (1) a copy of the decision, and (2) a statement why I believe the agency determination is wrong. The date I received the determination was _____.

Signature: _____

Date: _____

REMINDER: You will lose your right to appeal if you do not file an Appeal within 30 days of the date of receipt of the adverse determination.

SUGGESTED NOTIFICATION LETTER

To Whom It May Concern:

The USDA Rural Development Single Family Housing Guaranteed Loan Program, in accordance with Circular Number A-129, "Policies for Federal Credit Programs and Non-Tax Receivables", requires Agencies to review and document lender and servicer eligibility every two years to determine approved lenders continued participation in the program.

In order to meet the Circular requirements, please follow the attached checklist and return the requested documentation to XXXXXX@XX.usda.gov within the next 45 days.

If you have any questions, please call XXX-XXX-XXXX or email XXXXXX@XX.usda.gov for assistance.

Sincerely,

SIGNATURE BLOCK

Enclosure

LENDER RECERTIFICATION

Lender Name: _____

Lender Tax ID: _____

Current Address: _____

Principal Officers (full name):

Titles:

CEO/President

COO

CFO

Mortgage/Lending Executive

Contact Person: _____

Title: _____

Contact Phone #: _____ Customer Service#: _____

E-mail address: _____

Please provide a recent copy of an approval letter from one of the below institutions:

_____ HUD-Approved Title II Direct Endorsement Lender

_____ VA-Approved Lender with Automatic Authority

_____ Fannie Mae Seller-Servicer

_____ Freddie Mac Seller-Servicer

_____ Approved to Participate in another USDA Program

_____ Evidence of Federal Oversight

_____ NCUA Charter number _____

_____ If your company is an originating lender, please submit a brief outline of your loan underwriting criteria from your internal loan policy manual.

_____ Please include a copy of your quality control plan. If your review services are outsourced to a 3rd party, provide an executed copy of the agreement along with the plan.

Signature Date

Print Name and Title of Certifying Official

Email this form and supporting documents to: XXXXX@XX.usda.gov