



United States  
Department of  
Agriculture

Rural Development



UTAH GRH STAFF

# Single Family Housing Guaranteed Loan Program

*7 CFR PART 3555 ORIGINATION OVERVIEW*

# ATTENTION!

You remain responsible to:

- Read 7 CFR Part 3555
- Read HB-1-3555 (all chapters)
- Sign up for GovDelivery notices

<https://public.govdelivery.com/accounts/USDARD/subscriber/new?preferences=true>

- Always reference the most recent USDA publications available online
- Please sign up for both the National Office and Utah

# 7 CFR Part 3555

- 7 CFR Part 3555
  - The regulation is the rule!
  - 8 Subparts: A-H
  - Appendix 1
- Handbook: HB-1-3555
  - Updates/revisions will be issued as new chapter pages
    - Available online
  - Provides guidance to support the regulation
  - HB is not the rule
  - 20 Chapters
  - Consolidated HB

<https://www.rd.usda.gov/publications/regulations-guidelines/handbooks>
- USDA LINC, “Training and Resource Library”

<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

# Guaranteed Staff

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USDA United States Department of Agriculture Rural Development

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**Utah**

**ALERT: GRH loan review**

Check current turn times at:

<https://www.rd.usda.gov/UT>

# Applicant Eligibility Characteristics

## Occupying the Property

Agree to occupy the property as a principal residence throughout the life of the loan.

# Applicant Eligibility Characteristics

## Immigration / Naturalization Check

(The applicant indicated they are not a U.S. citizen. Immigration/Naturalization information must be provided.)

Alien Identification Number

Card Number

Document Expiration Date

SAVE Case Number

3528344130446VG

SAVE Initial Verification Submitted

12/10/2014

Verification Results

LAWFUL PERMANENT

RESIDENT-EMPLOYMENT AUTHORIZED

Qualification Status

ELIGIBLE

Case Status

CLOSED

# Applicant Eligibility Characteristics

## Owning a Dwelling

An applicant that owns a dwelling that they will retain is eligible to purchase another home if:

The current home is not financed by RD

The homeowner is financially qualified to own more than one house (one single family housing unit)

The homeowner will occupy the new home as a primary resident

# Applicant Eligibility Characteristics

## Owning a Dwelling

The current home no longer adequately meets the applicants' needs, such as

- \* disability of a permanent household resident that cannot be accommodated without major retrofitting
- \* relocating or being transferred for work
- \* Severe overcrowding which is defined as more than 1.5 residents per room existed for more than 90 days and will continue for at least nine months into the future. (Room count does not include bathrooms and hallways)



# Applicant Eligibility Characteristics

## Owning a Dwelling

In all cases, the lender must provide an additional explanation of the burden upon the applicant imposed by the status change both in the near and longer term, and also the reasons beyond homeowner convenience why the purchase of the property must be completed prior to the sale of the existing property. All documentation must be retained in the lender's permanent loan file.



# Applicant Eligibility Characteristics

Is there a need for a guarantee?

The applicant:

- \* has liquid asset funds of at least 20% of the purchase price
- \* can pay all closing costs
- \* can meet ratios of 28/36 after 20% down
- \* Applicant demonstrates qualifying credit for such a loan
- \* the loan is for 30 year fixed rate without private mortgage insurance

# Check on Learning

- Purchase Price: \$175,000
- What amount of eligible assets will indicate the household may qualify for conventional credit?
  - A. \$35,000
  - B. \$35,000 plus closing costs/etc.

# Check on Learning

**ANSWER: B. \$35,000 plus additional \$\$ for closings costs, etc.**

- $\$175,000 \times 20\% = \$35,000$
- Verify additional money for required costs
- Ensure applicant does not qualify for a conventional loan per current Fannie Mae and/or Freddie Mac guidelines

# Eligible Loan Purposes

Acquiring a site with a new or existing dwelling

Repairs and rehab on an existing dwelling

Reasonable and customary closing costs/lender fees

Refinancing under specific situations

Design features /equipment for Physical Disabilities

Connection, Assessment and Installment Fees

# Eligible Loan Purposes

Taxes and Escrow Accounts

Essential Household Equipment

Energy Efficiency Measures

Broadband

Site Preparation

# Prohibited Loan Purposes

## Loan Discount Points

- Only allowed to be financed to reduce interest rate
- Interest rate prior to reduction must meet 3555.104(a)(3)
- Cannot exceed 2 points for Streamline Assist refinances
- Discount points and origination fees must be itemized separately on settlement statement

# Prohibited Loan Purposes

## Buildings/Land

Purchase or improvement of land or buildings that are typically used principally for income-producing purposes

Purchase or construction of buildings which are largely or in part specifically designed to accommodate a business or income-producing enterprise

Minimal income producing activity is allowed (garden, not farm)



# Prohibited Loan Purposes

## Seller Concessions

Seller or other interested third party contributions are limited to 6% of the property's sale price

Contributions may be for financing/closing costs, escrow accounts, etc.

Closing costs/pre-paid's from lender through premium pricing are excluded in contribution limit

# Prohibited Loan Purposes

## Lender Fees



LAWFUL  
REMINDER!

Lender fees plus closing costs typically may not exceed 3% of total loan amount

**Adhere within guidelines of CFPB**

Upfront and annual guarantee fee are excluded from 3% calculation

## Realtor Fees

~~Fees charged to the borrower by the realtor are prohibited loan purposes.~~



Updated  
March  
15, 2017

# Loan Terms and Conditions

Loan term is 30 years

Loan to Value can exceed 100% of market value when the guarantee fee is financed

Interest rate cannot exceed 100 basis points over the Fannie Mae yield for 90-day delivery for a 30 year fixed rate conventional loan, rounded up to the nearest one-quarter of one percent

FY 2017 Guarantee Fee (Oct 1, 2016 – Sep 30, 2017)

Upfront Guarantee Fee is 1%

Annual fee is .35%

# Loan Terms and Conditions

Unacceptable loan terms:

Adjustable rate mortgages

Balloon mortgages

Mortgages for other than 30 years

Interest on interest or negative amortization

Prepayment penalties

# Property and Appraisal Requirements



ONLY COLOR  
PHOTOS

## Appraisal Requirements

Appraisal must meet HUD HB 4000.1

- Must be a definitive statement
- If repairs are needed, we can condition for a completion appraisal with the following exceptions.
  - The repairs affect livability.
  - If the property is over 50 years old, we need State Historic Preservation Office (SHPO) approval.

Include pictures of the attic (head and shoulder) and Condominium common areas.

Remaining Economic Life: Must meet or exceed the term of the proposed loan (30 years)

GUS entry (Additional Data):

- Verify the “Year Built” is entered correctly in GUS, or enter 0.
- “Purchase is”:
  - Existing
  - New Construction

# Property and Appraisal Requirements

## Combination Construction Permanent Loans :

- Condominiums and manufactured homes are ineligible
- Single–Close feature saves considerable closing costs
- USDA issues the loan note guarantee **PRIOR** to construction completion



YOU HEARD THAT  
RIGHT!!

# Property and Appraisal Requirements

## Site requirements

### Site standards

1. Site size must be typical for the area (see appraisal)
2. Cannot include income producing land or buildings to be used principally for income purposes

# Property and Appraisal Requirements

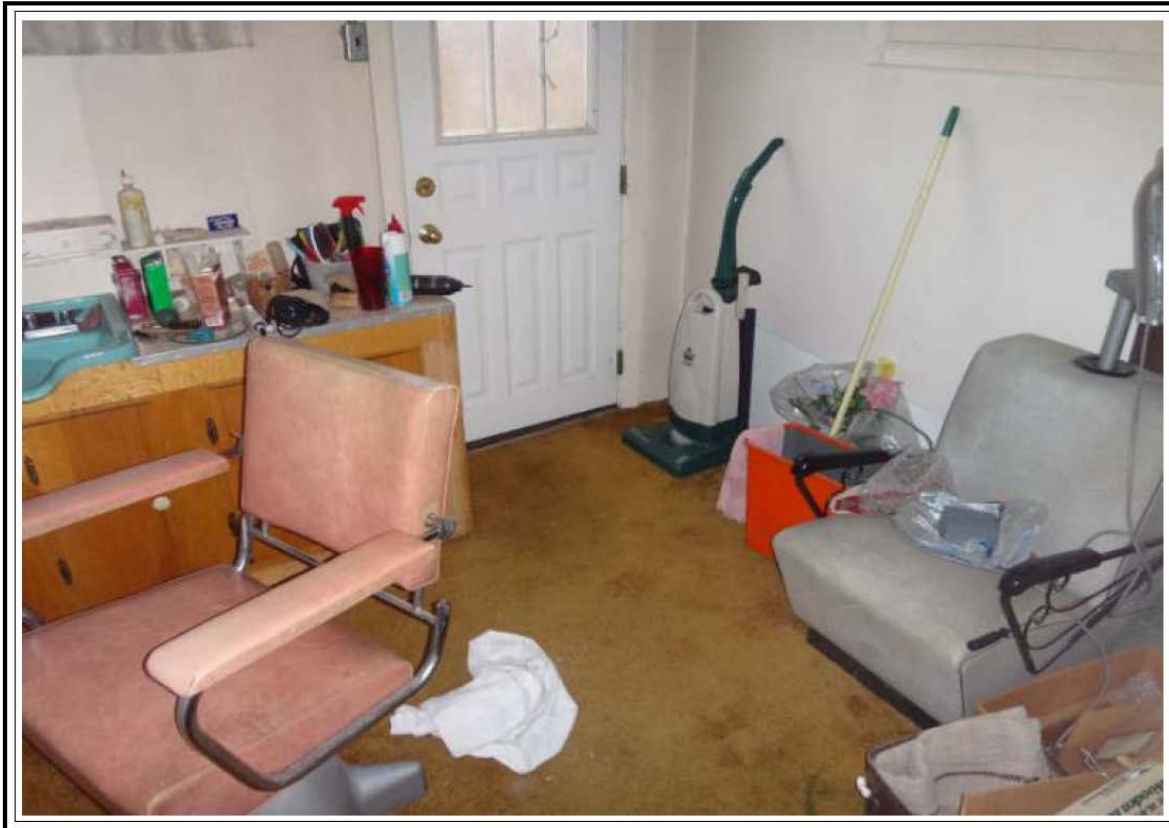
## **Buildings**

### Site Requirements

- No active farms or commercial enterprises
- Barns used for storage are permitted
- Home based operations (childcare, product sales) allowed



# Property and Appraisal Requirements



Den

# Property and Appraisal Requirements

## Appraisals

### Appraisal update

- One time extension of original appraisal: 240 days maximum (**120 days for original report** + 120 days for update)
- One time 30 day grace period may be requested from RD
- Updated appraisals are ineligible for a grace period

# Property and Appraisal Requirements

## Water Systems

### Existing or New Construction

- All well water must be tested no more than 120 days prior to issuing a conditional commitment. Test results must be submitted with the loan application.

# Property and Appraisal Requirements

## **Street Access and Road Maintenance**

### Access

- Shared driveways must have recorded easement
- Private streets must have recorded easement or be maintained by HOA

# Check on Learning

## Site requirements

- Subject property has 11 acres, non-income producing
- Comparable properties have 12, 8, and 13 acres
- Site is typical for the area

A. TRUE      B. FALSE

# Check on Learning

## Site requirements

**ANSWER: 3555.201(b) and HB 12.4**

B. TRUE

- There is no maximum acreage limitation
- Site must not be income producing (gardens are allowed)
- Appraisal supports site as typical for the area
- Property must be predominately residential in use, design, and character

# Check on Learning

## Site requirements

- The dwelling below is residential in use, design, and character.  
A. TRUE      B. FALSE



# Check on Learning

## Site requirements

**ANSWER: 3555.201(b) and HB 12.4**

B. FALSE

- The dwelling would be ineligible due to:
- Active crop production (more than a garden)
- Multiple farm service buildings are present



# Check on Learning

## Site requirements

- The dwelling below is residential in use, design, and character.

A. TRUE      B. FALSE



# Check on Learning

## Site requirements

**ANSWER: 3555.201(b) and HB 12.4**

A. TRUE

- SFH dwelling that is residential in design, use and character
- No crops/land used for agricultural commodities
- Storage buildings/workshops are acceptable

# Check on Learning

## Site requirements

The buildings below will render a SFH dwelling ineligible.

A. TRUE      B. FALSE



# Check on Learning

## Site requirements

**ANSWER: 3555.201(b)(2) and HB 12.4**

B. FALSE

- Residences are allowed to have garages, storage buildings, non-commercial workshops, etc.
- The presence of these buildings does not indicate the property is ineligible

# Check on Learning

## Site requirements

- Applicants have a few horses for their own pleasure
- They wish to purchase a SFH dwelling with this building
- The property is eligible

A. TRUE      B. FALSE



# Check on Learning

## Site requirements

**ANSWER: 3555.201(b)(2) and HB 12.4**

A. TRUE

- Homeowners are allowed to have horses
- The building is not a business/income producing

# Property and Appraisal Requirements

## Exterior and Interior Repair Escrows:

Remaining work cannot affect habitability, health or safety

1. Cost is not greater than 10% of final loan amount
2. Escrow account funded to complete work (minimum 100% cost of work)
3. Executed contract to complete within 180 days of loan closing (may be granted an extension)



**NEW!**

# Property and Appraisal Requirements

## Exterior and Interior Repair Escrows:

Executed contract is waived (borrower method) if:

1. Cost to complete work is less than 10% of total loan amount
2. Escrow amount is less than or equal to \$10k, and
3. Lender has determined borrower has skills to complete work



**NEW!**



# Property and Appraisal Requirements

## **Flood Hazards:**

Existing properties located in SFHA's are ineligible unless:

- Flood insurance through FEMA's NFIP program is available

**REMOVED: Flood elevation certificate is not required**

# Property and Appraisal Requirements

## Flood Hazards:

New or proposed homes in SFHA will not be guaranteed unless:

- Lender obtains LOMA to remove property from SFHA
- Lender obtains LOMR to remove property from SFHA **or**
- FEMA flood elevation certificate confirms lowest habitable floor (including basement) for dwelling and all related improvements is at or above the 100 year flood plain elevation

# Property and Appraisal Requirements

## **Flood Insurance:**

Flood Hazards: Existing or New

Coverage must include:

- Residential structures located in SFHA (any part: including decks, carports, etc.)
- HFIAA of 2014: Flood insurance is not required for additional detached structures from primary residence, additional structures on property (sheds, garages, etc.)

# Property and Appraisal Requirements

## Condominiums:

- Guidelines for self-certification
- Condo rider must supplement mortgage or deed of trust



**MORE  
INFO!**

# Property and Appraisal Requirements

## Eligibility Website

<http://eligibility.sc.egov.usda.gov>



Home Tutorials

Single Family Housing Guaranteed

Single Family Housing Direct

Multi-Family Housing

Rural Business

Water and Environmental

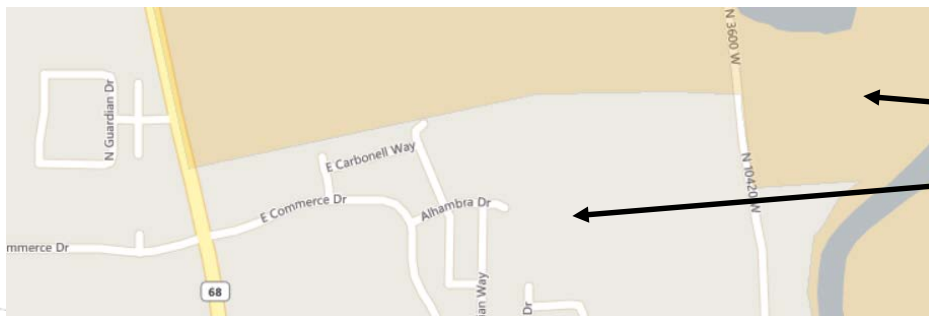
Property Eligibility

Previous Eligibility Areas

Income Eligibility

Income Limits

Loan Basics



Shaded area = not eligible

Grey area = eligible

# Check on Learning

## Existing dwelling requirements and escrows

Existing dwellings are considered structurally sound and functionally adequate when the current HUD Handbook minimum property requirements are met.

A. TRUE      B. FALSE

# Check on Learning

## Existing dwelling requirements and escrows

**ANSWER: 3555.202(b), HB 12.9 A**

A. TRUE

- Lender determines eligible party to verify HUD Handbook minimum property requirements
- Certification is accepted by USDA

# Check on Learning

## **Existing dwelling requirements and escrows**

Existing dwellings are defined as:

- A. Completed for 12 months
- B. Completed for less than 12 months but previously occupied
- C. All of the above



# Check on Learning

## Existing dwelling requirements and escrows

**ANSWER: 3555.202(b), HB 12.9 A**

C. All of the above

This includes:

- Existing dwellings well over 12 months old
- Spec homes completed for 12 months or more with no occupancy
- Homes less than 12 months old but previously occupied

# GUS & Data Tolerances

## Established Data Tolerances

Tax and Insurance Escrows: **THE ONLY TOLERANCE**

- Enter realistic data estimates
- New construction: Use estimate for completed dwelling, not lot taxes
- No correction required: Final PITI and TD ratios increase only 2% or less
- RD monitors abuse of this tolerance

# Refinance

## Refinance Types

- Streamlined: Guaranteed loans and Direct loans that have never received subsidy
- Non-Streamlined: Direct and Guaranteed loans
- Streamlined-assist: Direct and Guaranteed loans

**7 CFR Part 3555: 3555.101(d)**

# Refinance

Matrix provided in Handout

<b>GUS REFER, REFER WITH CAUTION UW RECOMMENDATION AND MANUALLY UW LOAN</b>			
<b>Loan Documentation</b>	<b>Non-streamlined</b>	<b>Streamlined</b>	<b>Streamlined-assist</b>
<b>Form RD 3555-21</b>	X	X	X
<b>Final GUS UW Findings Report</b>	X	X	N/A
<b>Underwriting analysis</b>	X	X	\$50 net tangible benefit may documented on this form (optional).
<b>Evidence of qualified alien, if applicable</b>	X	X	X
<b>Appraisal</b>	X	Only for a direct loan that have received subsidy.	Only for a direct loan that have received subsidy.
<b>Credit report</b>	X Review credit and verify mortgage payment history.	X Review credit and verify mortgage payment history.	Not required, but credit report may be used to document previous 12 month payment history of mortgage. No additional credit review is required.
<b>Credit report for Non-purchasing spouse, if applicable</b>	X	X	N/A

# Refinance

Matrix provided in  
Handout

<b>Credit waiver</b>	X If applicable	X If applicable	N/A
<b>Debt ratio waiver</b>	X	X	N/A No debt ratio calculations
<b>Uniform Residential Loan Application</b>	X	X	X
<b>Full Income Documentation for all adult household members (includes 4506-T)</b>	X	X	X
<b>Asset documentation</b>	X If applicable	X If applicable	X If applicable

# Check on Learning

## **Refinance opportunities**

Which refinance option(s) cannot be processed in GUS?

- A. Streamlined
- B. Non-Streamlined
- C. Streamlined-assist

# Check on Learning

## Refinance opportunities

**ANSWER: 3555.101(d)(i), HB 6.2 D 3**

### C. Streamlined-assist

- Loans must be manually underwritten
- Submit loan documentation electronically to USDA for review

# 3555-21 (Page 1)

Current revision (06-15)

Household/Dependents (matches GUS/page 3)

Interest rate lock date/expiration date

Form RD 3555-21 (Rev. 06-15) UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT RURAL HOUSING SERVICE Form Approved OMB No. 0575-0179

**REQUEST FOR SINGLE FAMILY HOUSING LOAN GUARANTEE**

Approved Lender:	Approved Lender Tax ID No.:
Contact:	Approved Lender E-Mail:
Phone Number:	Fax Number:
Third Party Originator (TPO):	TPO Tax ID No.:

Please issue a Conditional Commitment for Single Family Housing Loan Guarantee in the following case:

<b>Applicant Information (Please complete, circle, or mark as appropriate)</b> Name: _____ SSN: _____ Date of Birth: _____ U.S. Citizen: <input type="checkbox"/> Yes <input type="checkbox"/> No Permanent Resident/Qualified Alien: <input type="checkbox"/> Yes <input type="checkbox"/> No Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No Disabled: <input type="checkbox"/> Yes <input type="checkbox"/> No Gender: <input type="checkbox"/> M <input type="checkbox"/> F First Time Homebuyer: <input type="checkbox"/> Yes <input type="checkbox"/> No Ethnicity: (Check only One Box) <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino (Check as many boxes as applicable) Race: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried The applicant <input type="checkbox"/> has <input type="checkbox"/> does not have a relationship with any current Rural Development employee. Explain: _____ Applicant's Credit Score: _____ <input type="checkbox"/> No Score CAIVRS #: _____ GSASAM Exclusion: <input type="checkbox"/> Yes <input type="checkbox"/> No (Check Yes if any party is excluded, otherwise check No) Date GSASAM Checked: _____	<b>Co-Applicant Information (Please complete, circle, or mark as appropriate)</b> Name: _____ SSN: _____ Date of Birth: _____ U.S. Citizen: <input type="checkbox"/> Yes <input type="checkbox"/> No Permanent Resident/Qualified Alien: <input type="checkbox"/> Yes <input type="checkbox"/> No Veteran: <input type="checkbox"/> Yes <input type="checkbox"/> No Disabled: <input type="checkbox"/> Yes <input type="checkbox"/> No Gender: <input type="checkbox"/> M <input type="checkbox"/> F First Time Homebuyer: <input type="checkbox"/> Yes <input type="checkbox"/> No Ethnicity: (Check only One Box) <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino (Check as many boxes as applicable) Race: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried The applicant <input type="checkbox"/> has <input type="checkbox"/> does not have a relationship with any current Rural Development employee. Explain: _____ Co-Applicant's Credit Score: _____ <input type="checkbox"/> No Score CAIVRS #: _____ Date GSASAM Checked: _____
--	--

**ANY ADDITIONAL APPLICANTS MUST BE FULLY DOCUMENTED ON A SEPARATE FORM.**

Property Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_ County: \_\_\_\_\_

Is this a Refinance Loan?  No  Yes If Yes, refinanced loan is an RD Single Family Housing  Guaranteed Loan  Direct Loan

1a. Number of persons in the household: \_\_\_\_\_ 1b. Number of dependents under age 18 or full-time students: \_\_\_\_\_

2a. Current annual income for the household is: \_\_\_\_\_ 2b. Current adjusted income for the household is: \_\_\_\_\_  
(See page 3 for documentation of annual income)

3. PITI ratio: \_\_\_\_\_ TOTAL DEBT ratio: \_\_\_\_\_

4. We propose to loan \_\_\_\_\_ for 30 years at \_\_\_\_\_ % per annual with payments (P&I) of \_\_\_\_\_ per month.

5. The interest rate is based on the \_\_\_\_\_ Prime Rate on \_\_\_\_\_ (required to be completed).  
The interest rate is locked in until \_\_\_\_\_  
The interest rate will float until loan closing (documentation of lock date will be required w/ loan closing report).

NOTE: If the interest rate increases at loan closing, the loan must be re-underwritten and this document must be re-certified.

6. The applicant understands that Rural Development approval of guarantee is required and is subject to the availability of funds.

7. The applicant is unable to secure the necessary conventional credit without a Rural Development guarantee upon reasonable rates, terms, and conditions in which the applicant could reasonably be expected to fulfill. (See 7 CFR 3555 HB-1-3555 Chapter 5 and 6 for conventional credit definition).

8. Loan funds will be used for the following purpose(s): \_\_\_\_\_

Purchase / Refinance Amt: \_\_\_\_\_

Financial Loan Closing Costs: \_\_\_\_\_

Repairs/Other: \_\_\_\_\_

Guarantee Fee: \_\_\_\_\_

Total Request: \_\_\_\_\_

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0179. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Page 1 of 7

SAM (current, within 30 days)

Complete, matches GUS (include closing cost if financed)



# 3555-21 (Page 2)

Complete Lender Certification



Form ID 3555-21  
(Rev. 06-15)

Applicant: \_\_\_\_\_ Co Applicant: \_\_\_\_\_

## Certifications

CERTIFICATION:

### Approved Lender Certification

In order to induce the Agency to issue the requested guarantee, we certify that we have originated the loan in compliance with all Agency loan requirements. This form contains or is supplemented with all information required by 7 CFR § 3555.107(e) and further clarified in Chapter 15 of HB-1-3555 of 7 CFR 3555.

**Warning**

\_\_\_\_\_  
Lender's Authorized Representative Signature / Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Authorized Representative

\_\_\_\_\_  
Title/Company

### Applicant(s) Acknowledgments and Certifications

**CERTIFICATION:** As the applicant, I certify to the best of my knowledge and belief, (1) I am not presently debarred, suspended, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency; (2) I have not within a three year period preceding this proposal been convicted or had a civil judgment rendered against me for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state, or local) transaction or contract under a public transaction; or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statement, or receiving stolen property; (3) I do not have an outstanding judgment lien on any property for a debt in favor of the United States which was obtained in any Federal court other than the United States Tax Court; and (4) I am not delinquent on any outstanding debt to the Federal Government (excluding any Federal Tax debt).

I (we) acknowledge this loan will be subject to payment of an annual fee by the Lender. The Lender may pass this fee on to me (us). I (we) understand that the annual fee for the first year is calculated when the loan is closed based upon the loan amount. Thereafter, the annual fee is calculated every 12 months based upon the average scheduled amortized unpaid principal balance. Billing for the annual fee will begin 12 months from the closing of the loan.

I AM (WE ARE) unable to provide the housing I (we) need on my (our) own account, and I am (we are) unable to secure the credit necessary for this purpose from other sources upon terms and conditions which I (we) can reasonably fulfill. I (we) certify that the statements made by me (us) in this application are true, complete and correct to the best of my (our) knowledge and belief and are made in good faith to obtain a loan.

**Warning:** Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any Department or Agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Each of the undersigned hereby acknowledges having read all pages of this document as it relates to information regarding the PRIVACY ACT and a NOTIFICATION TO APPLICANT ON USE OF FINANCIAL INFORMATION FROM FINANCIAL INSTITUTION.

\_\_\_\_\_  
Print Applicant's Name

\_\_\_\_\_  
Applicant's Signature

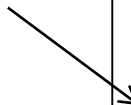
\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Co-Applicant's Name

\_\_\_\_\_  
Co Applicant's Signature

\_\_\_\_\_  
Date

Applicant's name, signature and date





# 3555-21 (Page 4)

Enter dependent deductions



Form ID 3555-21  
(Rev. 06-15)

Applicant: \_\_\_\_\_ Co Applicant: \_\_\_\_\_

**ADJUSTED INCOME CALCULATION** (Consider qualifying deductions as described in HB-1-3555, Paragraph 9.5)

7. Dependent Deduction (\$480 for each child under age 18, or full-time student attending school or disabled family member over the age of 18) - # _____ x \$480	\$ 0
8. Annual Child Care Expenses (Reasonable expenses for children 12 and under) Calculate and record the calculation of the deduction in the space below.	\$
9. Elderly/Disabled Household (1 household deduction of \$400 if 62 years of age or older, or disabled and a party to the note)	\$
10. Disability (Unreimbursed expenses in excess of 3% of annual income. See HB-1-3555, Paragraph 9.5 D for eligibility) Calculate and record the calculation of the deduction in the space below.	\$
11. Medical Expenses (Elderly/Disabled households only. Unreimbursed medical expenses in excess of 3% of annual income. See HB-1-3555, Paragraph 9.5E for further information.) Calculate and record the calculation of the deduction in the space below.	\$
12. Total Household Deductions (Enter total 7 through 11)	\$ 0
13. Adjusted Annual Income (Item 6 minus Item 12) income cannot exceed Moderate Income Limit to be eligible for SPVGLP	\$ 0

Moderate Income Limit: \_\_\_\_\_ State: \_\_\_\_\_ County: \_\_\_\_\_

Page 4 of 7

Adjusted Annual Income must match GUS



# 3555-21 (Page 5)

Form RD 3555-21  
(Rev. 05-15)  
Applicant: \_\_\_\_\_ Co Applicant: \_\_\_\_\_

**MONTHLY REPAYMENT INCOME CALCULATION** Consider stable and dependable income of parties to the note as described in HB-1-3555, Paragraph 9.8 through 9.9.)

14. Stable Dependable Monthly Income (Parties to note only) Calculate and record how the calculation of each income source/type was determined in the space below. Identify income type by party to note.

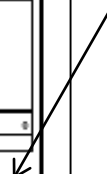
	Borrower	Co-Borrower	Total
Base Income	\$ _____ Calculation of Base Income:	\$ _____ Calculation of Base Income:	\$ _____
Other Income	\$ _____ Calculation of Other Income:	\$ _____ Calculation of Other Income:	\$ _____
Total Income	\$ _____	\$ _____	\$ _____

15. Monthly Repayment Income (Enter total of 14)  
\$ \_\_\_\_\_

Complete and sign



Repayment Income must match GUS



Don't forget your Taxing ID



# 3555-21 (Page 6 & 7)

Form RD 3555-21  
(Rev. 06-15)

Applicant: \_\_\_\_\_ Co Applicant: \_\_\_\_\_

## NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

The information requested on this form is authorized to be collected by the Rural Housing Service (RHS), Rural Business Cooperative Services (RBCS), Rural Utilities Service (RUS) ("the agency") by title V of the Housing Act of 1968, as amended (42 U.S.C. 1471 et seq.) or by the Consolidated Farm and Rural Development Act (7 U.S.C. 1621 et seq.), or by other laws administered by RHS, RBCS or RUS.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Identification Number, may result in a delay in the processing of an application or its rejection. Information provided may be used outside of the agency for the following purposes:

1. When a record in its file, or in conjunction with other records, indicates a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule, or order issued pursuant thereto, disclosure may be made to the appropriate agency, whether federal, foreign, state, local, or tribal, or other public authority responsible for enforcing, investigating or prosecuting such violation or charged with enforcing or implementing the statute, or rule, regulation, or order issued pursuant thereto. If the information disclosed is relevant to any enforcement, regulatory, investigative, or prosecutive responsibility of the receiving entity.
2. A record from this system of records may be disclosed to a Member of Congress or to a Congressional staff member in response to an inquiry of the Congressional office made at the written request of the constituent about whom the record is maintained.
3. Rural Development will provide information from this system to the U.S. Department of Treasury and to other Federal agencies maintaining debt servicing systems, in connection with overdue debts, in order to participate in the Treasury Offset Program as required by the Debt Collection Improvement Act, Pub. L. 104-134, Section 302(f).
4. Disclosure of the name, home address, and information concerning default on loan repayment when the default involves a security interest in that subject or trust land. Pursuant to Commission Decision Federal Affordable Housing Act of 1980 (42 U.S.C. 17701 et seq.), litigation may be pursued only after offering to transfer the account to an eligible tribal member, the tribe, or the Indian Housing Authority serving the tribe(s).
5. Referral of names, home addresses, social security numbers, and financial information to a collection or servicing contractor, financial institution, or a local, state, or federal agency, when Rural Development determines such referral is appropriate for servicing or collecting the borrower's account or has provided for in contracts with servicing or collection agencies.
6. It shall be a routine use of the records in this system of records to disclose them in a proceeding before a court or adjudicative body, when: (a) the agency or any component thereof; or (b) any employee of the agency in his or her official capacity; or (c) any employee of the agency in his or her individual capacity where the agency has agreed to represent the employee; or (d) the United States is a party to litigation or has an interest in such litigation; and by court order, the agency determines that the records are both relevant and necessary to the litigation; provided, however, that in such cases, the agency determines that disclosure of the records is a use of the information contained in the records that is compatible with the purpose for which the agency collected the records.
7. Referral of name, home address, and financial information for selected borrowers to financial consultants, advisors, lending institutions, packaging agents, and private or commercial credit sources, when the agency determines such referral is appropriate to encourage the borrower to refinance that RUS indebtedness as required by title V of the Housing Act of 1968, as amended (42 U.S.C. 1471) or to assist the borrower on the sale of the property.
8. Referral of legally enforceable debts to the Department of the Treasury, Internal Revenue Service (IRS), to be offset against any tax refund that may become due the debtor for the tax year in which the referral is made, in accordance with the IRS regulations and under the authority contained in 31 U.S.C. 3703A.
9. Referral of information regarding indebtedness to the Defense Manpower Data Center, Department of Defense, and the United States Postal Service for the purpose of contacting computer matching programs to identify and locate individuals receiving Federal salary or benefit payments and who are delinquent in their repayment of debts owed to the U.S. Government under certain programs administered by the agency in order to collect debt under the provisions of the Debt Collection Act of 1982 (5 U.S.C. 5514) by voluntary repayment, administrative or salary offset procedures, or by collection agencies.
10. Referral of names, home addresses, and financial information to lending institutions when Rural Development determines the individual may be financially capable of qualifying for credit with or without a guarantee.
11. Disclosure of names, home addresses, social security numbers, and financial information to lending institutions that have a lien against the same property as the agency for the purpose of the collection of the debt by Rural Development or the other lender. These liens can be under the deed and guaranteed loan programs.
12. Referral to private attorneys under contract with either the agency or with the Department of Justice for the purpose of foreclosing and possession actions and collection of past due accounts in connection with the agency.
13. It shall be a routine use of the records in this system of records to disclose them to the Department of Justice when: (a) the agency or any component thereof; or (b) any employee of the agency in his or her official capacity where the Department of Justice has agreed to represent the employee; or (c) the United States Government, is a party to litigation or has an interest in such litigation; and by court order, the agency determines that the records are both relevant and necessary to the litigation and the use of such records by the Department of Justice is therefore deemed by the agency to be for a purpose that is compatible with the purpose for which the agency collected the records.
14. Referral of names, home addresses, social security numbers, and financial information to the Department of Housing and Urban Development (HUD) as a record of location utilized by Federal agencies for an automatic credit processing system.
15. Referral of names, home addresses, social security numbers, and financial information to the Department of Labor, state wage information collection agencies, and other federal, state, and local agencies, as well as those responsible for verifying information for eligibility to qualify for federal benefits, to conduct wage and benefit matching through manual or automated means, for the purpose of determining compliance with federal regulations and appropriate servicing actions against those not entitled to program benefits, including possible recovery of improper benefits.
16. Referral of names, home addresses, and financial information to financial consultants, advisors, or underwriters, when Rural Development determines such referral is appropriate for developing packaging and marketing strategies involving the sale of Rural Development loan assets.
17. Rural Development, in accordance with 31 U.S.C. 3711 (a)(5), will provide to consumer reporting agencies or commercial reporting agencies information from this system indicating that an individual is responsible for a claim that is current.
18. Referral of names, home and work addresses, home telephone numbers, social security numbers, and financial information to escrow agents (which also could include attorneys and title companies) selected by applicant or borrower for the purpose of closing the loan.

Form RD 3555-21  
(Rev. 06-15)

Applicant: \_\_\_\_\_ Co Applicant: \_\_\_\_\_

## NOTIFICATION TO APPLICANT ON USE OF FINANCIAL INFORMATION FROM FINANCIAL INSTITUTION

Pursuant to Title X, section 1113(j) of Public Law 95-630, your application for a government loan or loan guaranty authorizes the Agency, in connection with the assistance you seek, to obtain financial information about you contained in financial institutions. No further notice of subsequent access to this information shall be provided during the term of the loan or loan guaranty.

As a general rule, financial records obtained pursuant to this authority may be used only for the purpose for which they were originally obtained. However, they may be transferred to another Agency or department if the transfer is to facilitate a lawful proceeding, investigation, examination, or inspection directed at the financial institution in possession of the records (or another legal entity not a customer). The records may also be transferred and used: (1) by counsel representing a government authority in a civil action arising from a government loan, loan guaranty, or loan insurance agreement; and (2) by the Government to process, service or foreclose a loan or to collect on an indebtedness to the Government resulting from a customer's default.

The Agency reserves the right to give notice of a potential civil, criminal, or regulatory violation indicated by the financial records to any other agency or department of the Government with jurisdiction over that violation. Such agency or department may then seek access to the records in any lawful manner.

# INCOME ANALYSIS

# Income Analysis

Lender must ensure that the applicants meet income eligibility criteria for the SFHGLP

**Annual Income:** income of all adult household members

**Adjusted Annual Income:** annual income minus certain qualified household deductions

**Repayment Income:** stable and dependable income used to calculate debt ratios

# Income Analysis

## Income of Temporarily Absent Family Members

Full-time students are included as a HHM if:

- Student lives or proposes to live in the dwelling at any time during the coming 12 months or
- Property is listed as student's permanent address
- Count only the first \$480 of earnings if a HHM



# Income Analysis

## Verification Requirements

- Documents cannot be greater than 120 days old at loan closing
- Divorce decrees, income tax returns are unaffected by time
- Lenders must verify income for all HHM's for previous 2 years

# Income Analysis

## **Gift Funds**

### Verification Requirements:

- In bank account / provided at loan closing
- Considered applicant funds
- Chapter 9, page 9-15,16 for details on gifts

# Income Analysis

## Review Documents and GUS Entries

### Monthly Gross Income For All Household Members <sup>(P)</sup>

(Annual income of household members to determine income eligibility)

	Applicant(Borrower with highest income)	Other Household Members
Base Employment Income	\$4,400.00	\$1,587.10
Overtime	\$0.00	\$0.00
Bonuses	\$41.67	\$0.00
Commissions	\$0.00	\$0.00
Dividends/Interest	\$3.45	\$0.00
Other	\$0.00	\$0.00
Net Rental	\$0.00	\$0.00

Does this figure match the Income from Assets calculated on the income worksheet (3555-21, page 3)?

All Other Monthly Income Received by Adult Members of the Household:

Income Category <sup>(P)</sup>

Moderate

[Income Category Lookup](#)

Which Income Category should I choose?

Check Income Eligibility

### Results from Checking Income Eligibility

#### Income Eligibility is

Total Household Income	\$72,384.00
Allowable Adjustments	\$960.00
Adjusted Household Income	\$71,420.00

Does this figure match the Annual Income calculated on the income worksheet (3555-21, page 3)?

# Income Analysis

## Review Documents and GUS Entries

3555-21: page 3

**ANNUAL INCOME CALCULATION** (Consider anticipated income for the next 12 months for all adult household members as described in HB-1-3555, Paragraph 9.3. Website for instructions/administrative notices: <http://www.rurdev.usda.gov/RegulationsAndGuidance.html>)

<p>1. Applicant (Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.). Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p><b>Base pay \$2200.00 semi-monthlyx24=\$52,800, Bonus 2016 \$500.00</b></p>	<p><b>\$53,300.00</b></p>
<p>2. Co-Applicant (Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.). Calculate and record how the calculation of each income source/type was determined in the space below.</p>	
<p>3. Additional Income to Primary Income (Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment.) Calculate and record how the calculation of each income source/type was determined in the space below.</p>	
<p>4. Additional Adult Household Member (s) who are not a Party to the Note (Primary Employment from Wages, Salary, Self-Employed, Additional income to Primary Employment, Other Income). Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p><b>2016 \$18,227.67 plus Dec \$817.58 total \$19,045.25 (Highest yr)</b></p>	<p><b>\$19,045.25</b></p>
<p>5. Income from Assets (Income from household assets as described in HB-1-3555, Chapter 9). Calculate and record how the calculation of each income source/type was determined in the space below.</p> <p><b>\$4141.29x1%=41.41</b></p>	<p><b>\$41.41</b></p>
<p><b>6. Annual Household Income (Total 1 through 5)</b></p>	<p><b>\$72,386.66</b></p>

Show the calculations.

This figure should match the data entry in GUS.

# Check on Learning

## Annual income

- Applicant household includes 19 year old, full time student
- The 19 year old has part time job at Starbucks
- Current annual earnings: \$12,500
- Which amount must be included in annual income

A. \$480

B. \$12,500

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(5)(i), HB 9.3 A**

A. \$480

- Income that is never counted: Earnings of a full-time student 18 years of age, or older, in excess of \$480 unless the student is a spouse or head of household
- The student also qualifies as a dependent per 3555.152(c)(1)= \$480 annual income deduction
- The final amount in annual income will be \$0

# Check on Learning

## Annual income

The annual income calculation is based on \_\_\_\_ earnings.

A. Net

B. Gross

# Check on Learning

## Annual income

**ANSWER: 3555.152(b), HB 9.3 B**

### B. Gross

The gross amount before payroll deductions:

- Base wages/salaries, overtime pay, commissions, fees, tips, housing allowances and other compensation for personal services of all adult members of the household.



# Check on Learning

## Annual income

- Applicant due to receive wage increase
- Increase will occur before loan approval by USDA (issuance of conditional commitment)
- The increase must be included in annual income

A. TRUE      B. FALSE

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(2), HB 9.3 B**

A. TRUE

- Annual income is based on upcoming 12 months
- Wage increases prior to commitment must be included

# Check on Learning

## Annual income

- Applicant receives social security benefits for their minor child
- The social security benefit must be included in the annual income

A. TRUE      B. FALSE

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(4), HB 9.3 B**

A. TRUE

- The full amount of periodic payments received from Social Security including payments received by adults on behalf of a minor must be included

# Check on Learning

## Annual income

- Joe has annual income of \$125,000
- He has a business loss of \$45,000
- Joe's adjusted annual income with consideration of the business loss is:  
A. \$80,000   B. \$125,000

# Check on Learning

## Annual income

**ANSWER: 3555.152(b), HB 9.3 B and 9.3 E 1**

B. \$125,000

- Business losses are treated as zero for annual income

# Check on Learning

## Annual income

Lender retains the following income documentation:

- Applicant: Written VOE plus recent paystub with YTD figure
- Household member: Recent paystub with YTD figure
- The file is properly documented

A. TRUE      B. FALSE

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(2), HB 9.3 E 1**

B. FALSE

- Household members must be documented at the same level as an applicant
- Applicable IRS 4506-T requirements must also be met: HB 9.3 E 6



# Check on Learning

## Annual income

- Jennifer was awarded in court \$600 monthly child support in January 2014
- Payments were received for 6 months and ceased after June 2014
- The child support must be counted in annual income

A. TRUE      B. FALSE

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(2), HB 9.3 B**

B. FALSE

- Documentation of non-payment and legal actions to collect= the amount is not included in annual income

# Income Analysis

## Cash Reserves

How can you determine the reserves?

- Review the **recent 2 month average balance** of liquid accounts (i.e. checking/savings) or VOD
- The **lessor** of the two month average balance or the actual balance reported on the most recent statement should be used
- Assets are not required to be entered into GUS or the 1003 but must be considered in the annual income calculation

# Income Analysis

## Calculating Income from Assets

### Non-Retirement Assets that must be considered:

Cash on hand

Earnest money

Stocks, bonds, CD's, money market funds, other investment accounts, rental property

Sales proceeds of real property

Trust funds that are available to household

Interest on inheritances, capital gains, lump sums

# Income Analysis

## Calculating Income from Assets

### Assets that are not considered:

Retirement and pension plans, IRAs, 401(k), Keogh accounts


Cash value of Life insurance policies

Personal property such as furniture, cars, etc.

Irrevocable trust funds

# Income Analysis

## Calculating Income from Assets

- Gift funds are not included in reserve total
- **Do not overvalue assets:** GUS will be released due to misrepresentation/unsupported underwriting recommendation 

Cash reserve  $\neq$  Funds to close

# Income Analysis

## Calculating Income from Assets

Methods of Calculating :

1. Cash Value of \$5000 or less, no need to calculate
2. Cash Value over \$5000

See page 9-25 for more details and examples of calculating interest income

**\*\*If assets are listed in GUS and over \$5000, you will need to complete 3555-21 page 3, block 5\*\***

# Income Analysis

More than \$5,000

Asset income is the greater of :

- actual income from the asset(s)
- Imputed income from the asset(s)
  - Calculated by multiplying the total cash value by a local-passbook savings rate
  - Determined & documented by lender



# Income Analysis

## Calculation Tip

Passbook savings rate of .25%

$$.25\% = .0025$$

Example:  $\$12,500 \times .0025 = \$31.25$

**NOT:**

$$\$12,500 \times 25\% = \$3,125$$



5. Income from Assets (*Income from household assets as described in HB-1-3555, Chapter 9*). Calculate and record how the calculation of each income source/type was determined in the space below.  
Savings Account:  $\$12,500 \times .0025 = \$31.25$

\$31.25

GUS Dividends/Interest entry = \$2.60

# Check on Learning

## Annual income

- Checking: \$2,500
- Savings: \$1,000 (earns 1.25% annually)
- What amount of income must be added to annual income:  
A. \$15.50                      B. \$0

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(4), HB 9.3 B**  
B. \$0

- Assets are below \$5,000

# Check on Learning

## Annual income

- Checking: \$12,500 (non interest bearing, local passbook savings rate is .25%)
- Savings: \$1,500 (earns .85% annually)
- What amount of income must be added to annual income:  
A. \$31.25                      B. \$44

# Check on Learning

## Annual income

**ANSWER: 3555.152(b)(4), HB 9.3 B**

B. \$44

- Assets are \$5,000 or greater
- Include the greater of actual income earned or calculation based on a passbook savings rate
- $\$12,500 \times .25\%$  (passbook) = \$31.25
- $\$1,500 \times .85\% = \$12.75$
- $\$31.25 + \$12.75 = \$44$

# Income Analysis

## Expiration of Credit Documents

- No more than 120 days old on the date the note is signed
- Credit documents include loan application, employment verification, income, assets, credit report, etc.

# Income Analysis

Utah Income Limits  
(Moderate) provided  
in handout

## ADJUSTED ANNUAL INCOME

### **Adjusted annual income determines program eligibility!!**

Adjusted income is calculated by subtracting any of five deductions below that apply to the household from the annual income calculation:

Dependent deduction

Child Care Expenses

Elderly Household Deduction

Deductions for the care of household members with disabilities

Deduction for Medical Expenses (Elderly Families Only)

# Income Analysis

## ADJUSTED ANNUAL INCOME

### **Dependent Deduction:**

- A \$480 deduction from annual income is made for each household member who qualifies as a dependent
- Full time college students (age 18 and up) may provide documentation from school to support address
- Unborn children are not household members
- Custodial parents (per IRS Publication No. 502) are allowed to claim the child as a household member



# Income Analysis

## ADJUSTED ANNUAL INCOME

### **Child Care Deduction:**

- Private/relative provided care must include evidence of payment
- Anticipated care for non-attending children/ unborn child is ineligible
- Child support and private tuition paid for kindergarten through minor children up to 12 years of age is ineligible
- Preschool “tuition” (prior to Kindergarten) is eligible
- Must allow a family member to work, to seek work or to further a member’s education

# Income Analysis

## ADJUSTED ANNUAL INCOME

### **Elderly Household Deduction:**

- A single \$400 deduction is subtracted from annual income for an elderly household member. Must be a party to the note, must be 62 years of age or older, or a person with a disability

# Income Analysis

## Review Documents and GUS Entries

### Monthly Gross Income For All Household Members <sup>(P)</sup>

(Annual income of household members to determine income eligibility)

	Applicant(Borrower with highest income)	Other Household Members
Base Employment Income	\$4,400.00	\$1,587.10
Overtime	\$0.00	\$0.00
Bonuses	\$41.67	\$0.00
Commissions	\$0.00	\$0.00
Dividends/Interest	\$3.45	\$0.00
Other	\$0.00	\$0.00
Net Rental	\$0.00	\$0.00

All Other Monthly Income Received by Adult Members of the Household:

Income Category <sup>(P)</sup>

[Income Category Lookup](#)

Which Income Category should I choose?

### Results from Checking Income Eligibility

#### Income Eligibility is

Total Household Income	\$72,384.00
Allowable Adjustments	\$960.00
Adjusted Household Income	\$71,420.00

Does this figure match the Annual Income calculated on the income worksheet (3555-21, page 4)?

# Income Analysis

## Review Documents and GUS Entries

3555-21: page 4

Show the calculations.

ADJUSTED INCOME CALCULATION (Consider qualifying deductions as described in HB-1-3555, Paragraph 9.5)	
7. Dependent Deduction (\$480 for each child under age 18, or full-time student attending school or disabled family member over the age of 18) - # <u>2</u> × \$480	\$ 960.00
8. Annual Child Care Expenses (reasonable expenses for children 12 and under). Calculate and record the calculation of the deduction in the space below.	\$
9. Elderly/Disabled Household (1 household deduction of \$400 if 62 years of age or older, or disabled and a party to the note)	\$
10. Disability (Unreimbursed expenses in excess of 3% of annual income. See HB-1-3555, Paragraph 9.5 D for eligibility.) Calculate and record the calculation of the deduction in the space below.	\$
11. Medical Expenses (Elderly/Disabled households only. Unreimbursed medical expenses in excess of 3% of annual income. See HB-1-3555, Paragraph 9.5E for further information.) Calculate and record the calculation of the deduction in the space below.	\$
12. Total Household Deductions (Enter total 7 through 11)	\$ 960.00
13. Adjusted Annual Income (Item 6 minus item 12) Income cannot exceed Moderate Income Limit to be eligible for SFHGLP	\$ 71,426.66
Moderate Income Limit: \$76,500.00      State: UT      County: Sevier	

This figure should match the data entry in GUS.

# Check on Learning

## Adjusted annual income

Applicant household members:

- Karen, applicant age 35
- John, applicant age 37
- Michael, age 10, Kimberly, age 7, John Jr., age 3, expecting child #4 in six months
- This is a household of six

A. TRUE

B. FALSE

# Check on Learning

## Adjusted annual income

**ANSWER: 3555.152(c)(1), HB 9.5 A**

B. FALSE

- They are a household of 5
- Unborn children are not included in the household member count

# Check on Learning

## Adjusted annual income

Applicant household members:

- Greg, applicant, employed
- Mary, applicant, non-employed
- 2 children ages 12, and 6
- Child age 12 attends an afterschool program: \$150 per month
- Household qualifies for 2 dependent deductions and afterschool program deductions

A. TRUE      B. FALSE

# Check on Learning

## Adjusted annual income

**ANSWER: 3555.152(c)(1), HB 9.5 A**

B. FALSE

- Eligible for 2 dependent deductions
- The afterschool program is ineligible for deduction unless Mary is seeking work or attending education classes



# Check on Learning

## Adjusted annual income

Adjusted annual income limit: \$99,500

Household: 5

Current annual income: \$110,000

- Three eligible dependents:  $\$480 \times 3 = \$1,440$
- Full time childcare: \$12,600 per year
- The household is eligible

A. TRUE      B. FALSE

# Check on Learning

## Adjusted annual income

**ANSWER: 3555.152(c)(2), HB 9.5 A and B**

A. TRUE

- $\$110,000 - \$1,440 - \$12,600 = \$95,960$
- \$96,060 is below the adjusted annual income limit of \$99,500

# Income Analysis

**Repayment Income=Stable and Dependable Income**

# Income Analysis

## Stable and Dependable Income:

- Reminder: GUS does not evaluate the stability and dependability of repayment income = Lenders do
- Verify full 2 year history of income
- 12 months or less with current employer or recent pay increase = high risk
- Establish anticipated amount of income to be received for next 3 years
- Unable to verify = ineligible for repayment

# Income Analysis

## **Stable and Dependable Income:**

- Second jobs, full 2 year history
- Unearned income, 3 year continuance
- Self-employed applicants, 2 year history

# Income Analysis

**CAUTION**

## Stable and Dependable Income

- Social Security received by adults on behalf of minors/received by minors intended for their own support
- Minor must be a member of the household
- Recent pay increase/new salary, significantly higher than historical earnings
- Second job/OT/Bonus/Commission, less than 2 year history
- Job gaps

# Income Analysis

## Tax Exempt Income

- May be grossed up 25% for repayment
- Do not gross up for annual income
- No other adjustments are authorized



No more tax  
tables!

# Income Analysis

## Stable and Dependable Repayment Income

Ineligible for repayment consideration:

- \* Payments for foster children and adults
- \* Supplemental Nutrition Assistance Program payments



# Income Analysis

## GUS Production Example

### Eligibility Income (Annual)

vs

### Repayment Income

Monthly Gross Income For All Household Members	
(At least one applicant must have some monthly income)	
	Applicant (Borrower with highest income)
Base Employment Income	<input type="text" value="\$2,128.53"/>
Overtime	<input type="text" value="\$0.00"/>
Bonuses	<input type="text" value="\$0.00"/>
Commissions	<input type="text" value="\$0.00"/>
Dividends/Interest	<input type="text" value="\$0.00"/>
Other	<input type="text" value="\$0.00"/>
Net Rental	<input type="text" value="\$0.00"/>

\* = Required to Save Page, P = Required for Preliminary Submission, F = Required for Final Submission

Income and Expenses		
Gross Monthly Income (P)		
(At least one applicant must have monthly income)		
		Total
Base Employment Income	<input type="text" value="\$2,128.53"/>	<input type="text" value="\$2,128.53"/>
Overtime	<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Bonuses	<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Commissions	<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Dividends/Interest	<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Other (enter details below)	<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Subtotal	<input type="text" value="\$2,128.53"/>	<input type="text" value="\$2,128.53"/>
Net Rental	<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Total	<input type="text" value="\$2,128.53"/>	<input type="text" value="\$2,128.53"/>

# Income Analysis

## GUS Production Example

Employment					
Current Employment Information					
Borrower Name	Employer Name	Self-Emp	Years on Job	Months on Job	Years in Profession
[REDACTED]	ARMSTRONG	No	0	3	8
Secondary/Previous Employment Information					
Del	Borrower Name	Status	Employer Name	Self-Emp	From Date
Del	Select One	Select One	[REDACTED]	No	
Del	Select One	Select One		No	
Del	Select One	Select One		No	
Del	Select One	Select One		No	

Note: 8 years in profession (same line of work)...no previous employers listed

# Income Analysis

## Review Documents and GUS Entries

### Income and Expenses

#### Monthly Repayment Income <sup>(P)</sup>

(Stable and dependable income of parties to the note)

		Total
Base Employment Income	\$3,570.67	\$3,570.67
Overtime	\$0.00	\$0.00
Bonuses	\$0.00	\$0.00
Commissions	\$0.00	\$0.00
Dividends/Interest	\$0.00	\$0.00
Other (enter details below)	\$0.00	\$0.00
Subtotal	\$3,570.67	\$3,570.67
Net Rental	\$0.00	\$0.00
Total	\$3,570.67	\$3,570.67

Does this figure match the repayment calculated on the income worksheet (3555-21, page 5)?

# Income Analysis

## Review Documents and GUS Entries

**MONTHLY REPAYMENT INCOME CALCULATION** Consider stable and dependable income of parties to the note as described in HB-1-3555, Paragraph 9.6 through 9.9.)

14. Stable Dependable Monthly Income (Parties to note only.) Calculate and record how the calculation of each income source/type was determined in the space below. Identify income type by party to note.

	Borrower	Co-Borrower	Total
Base Income	\$ 3,570.67 <i>Calculation of Base Income:</i> $\$20.60 \times 2080 = 42,848/12 = \$3,570.67$	\$ <i>Calculation of Base Income:</i>	\$ 3,570.67
Other Income	\$ <i>Calculation of Other Income:</i>	\$ <i>Calculation of Other Income:</i>	\$ 0
Total Income	\$ 3,570.67	\$ 0	\$ 3,570.67

15. Monthly Repayment Income (Enter total of 14)

\$ 3,570.67

Prepared by (Signature): \_\_\_\_\_

Name (Print): Larry Lender

Title: Underwriter

Lender: USA Bank

Date: 04-20-2016

Taxing ID:

123456789

3555-21: page 5

Show the calculation.

This figure should match the data entry in GUS.

Sign the form.

# Check on Learning

## Repayment Income

- Joe applies for a GRH loan in September
- Joe has worked at ABC Garage since June
- Joe was previously at XYZ Garage for 3 years
- Lender cannot use Joe's current income until he has 2 years with ABC Garage

A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a)(1) and (2), HB 9.10**

B. FALSE

- Joe has continuity of employment in same line of work
- Lender must analyze current earnings as compared to history of earnings in this position

# Check on Learning

## Repayment Income

- Joe applies for a GRH loan in September
- Joe has worked at ABC Garage since June
- Joe was previously at XYZ Garage for 3 years
- Lender can average Joe's income from XYZ Garage with current earnings from ABC Garage

A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a)(3), HB 9.10**

B. FALSE

- XYZ Garage is no longer Joe's employer, this income has ended
- Lender must analyze current earnings and determine likelihood of continuance



# Check on Learning

## Repayment Income

- Jack has been employed with Local #853 Plumbing and Pipefitters for 5 years
- Each year there is a 3 month interval where he collects unemployment
- Unemployment income cannot be utilized for repayment income

A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a), HB 9.10 A 3**

B. FALSE

- Unemployment compensation is associated with seasonal employment
- Jack has over 2 years history of these earnings

# Check on Learning

## Repayment Income

- Stuart is a truck driver and has unreimbursed business expenses
- His IRS Form 2106 lists total hotel and meal expenses of \$4,000
- Lender must deduct \$4,000 from repayment income

A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a), HB 9.10 A 19**

A. TRUE

- The total amount of unreimbursed employee expenses must be deducted from repayment income
- Money paid for employment without reimbursement = money not available to repay the mortgage
- Note: Lender would also deduct this amount from annual income

# Check on Learning

## Repayment Income

- Garth has been employed at USA Credit Union for 8 years
- For the past 4 months he also works at Pizza Planet
- He earns \$5.00 per delivery plus tips
- The lender may use the part time employment for repayment

A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a)(1), HB 9.10 A 3**

B. FALSE

- Second/part-time job/tips should have a two year history to be stable and dependable
- Note: second job income must be included in annual income calculation

# Check on Learning

## Repayment Income

- Penny receives monthly child support income of \$1,200 for her 2 children
- Amy is 11 years old and Leonard Jr. is 16 years old (his support ends at age 18)
- All child support may be used for repayment income  
A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a)(1) and (2), HB 9.10 A 7**

B. FALSE

- Amy is 11, support will continue for the next three years, it may be eligible
- Leonard Jr.'s support will end within the ensuing 3 years of the mortgage, therefore it must be excluded
- Lenders may exclude any support if it has not been received in a stable/timely manner



# Check on Learning

## Repayment Income

- April 29th YTD earnings: \$18,535.32
- Applicant began employment on January 1st, no previous employment
- Base wages: \$12,000 and Commissions: \$6,535.32
- This calculation is acceptable for repayment income:  
$$\$18,535.32 \div 4 \text{ months} = \$4,633.83 \times 12 \text{ months} = \$55,605.96$$

A. TRUE      B. FALSE

# Check on Learning

## Repayment Income

**ANSWER: 3555.152(a)(1),(2), and (3), HB 9.10 A 1 and 2**

B. FALSE

- Commission should be excluded due to lack of history
- Lender must also determine if they consider base earnings to be stable and dependable

# CREDIT ANALYSIS

# Credit Analysis

## Acceptable Credit Scores

640 or greater meets minimum credit reputation, provided indicators of unacceptable credit are not present:

- Foreclosure within 3 years
- BK with 3 years
- Late mortgage payments

**This does not establish a minimum fico requirement!**

# Credit Analysis

## Establishing The Applicant's Credit Reputation

**One applicant** whose income and assets are used for loan qualification must have:

- 2 trade lines that have existed for 12 months (they can be open/closed/authorized user)
  - A credit supplement may be used to verify
- GUS “Accept” recommendations that cannot meet these guidelines must be downgraded to “Refer”

# Credit Analysis

## Credit Underwriting Exceptions

### Document the circumstances of adverse credit

#### Temporary situation:

- Circumstances that caused credit problems were temporary in nature, beyond their control, and
- Circumstances have been removed and resolved for the 12 months prior to loan application
- The new loan reduces housing expenses by 50% to result in additional income to repay debts

# Credit Analysis

## Collection Accounts

GUS:

- UW considers unpaid collections and history of adverse credit, all open payments must be included on the “Asset and Liabilities” page
- UW documents reasons for approving a loan with unpaid collection accounts using the “Notes” section on “Asset and Liabilities” page
- Retain additional info in lender file

# Credit Analysis

## Collection Accounts

- Considered in credit score, but they are still adverse credit

Manually underwriting:

- UW documents mitigating circumstances
- Applicant provides LOE for each account
- UW documents their decision to approve the loan with open / unpaid accounts



# Credit Analysis

## Collection Accounts

### Capacity Analysis: GUS or manual

- Add up all collection accounts (adhere to CPS laws)
- Subtract medical collections and any charge off accounts
- Credit report must reflect medical notation for collections to qualify for subtraction

# Credit Analysis

## Collection Accounts

### Capacity Analysis: GUS or manual

Balance less than \$2,000:

- Approved lender underwriter determines if payment in full is required, document decision
- Applicants that demonstrate poor repayment of obligations should not be granted underwriting exceptions

# Credit Analysis

## Collection Accounts

### Capacity Analysis: GUS or manual

Balance equal to \$2,000 or greater, uw must:

1. Require payment in full, **or**
2. Verify payment arrangement with creditor and include monthly payment in debt ratios, **or**
3. Utilize 5% of each loan balance in debt ratios, no payment in full required

# Credit Analysis

## Judgments

- Federal judgments: must be paid, no exceptions
- Non-Federal judgments: May remain open IF there is evidence of repayment for 3 months prior to loan application. Prepayment of required 3 months is not allowed
- Adhere to CPS laws

# Credit Analysis

## Rent History Requirements for VOR

- 12 months previous rent history preferred
- Rented less than 12 months, verify any payments in last 12 months
- Private landlords may complete VOR
- No prior rental history does not disqualify an applicant

# Credit Analysis

## Disputed Accounts

### Production Example:

B B MBB	001	07/12	\$169	COLLECTION
91130002	COLL	08/11	\$169	0 0 0
		04/11	\$-	XP/EF
07/12: 99-99999999				
REMARK: ACCOUNT INFORMATION DISPUTED BY CONSUMER; ORIGINAL				
CREDITOR: MEDICAL PAYMENT DATA;\$169 PAST DUE				

Original Dispute in Progress – Adverse credit history associated with this account will not factor into credit score until resolved. GUS uses credit score in formulating u/w recommendation.

**Risk: U/W recommendation rendered with credit score that is susceptible to change pending outcome of dispute.**

# Credit Analysis

## Disputed Accounts

Accept U/W Recommendation downgraded to REFER unless:

- Tradeline has a zero dollar balance; or
- Tradeline is marked “paid in full” or “resolved”; or
- Tradeline has a balance owed of less than \$500 and is more than 24 months old.

This message is triggered on every GUS submission (default submission)

Note: Reviews have evidenced the downgrade is not always occurring

# Credit Analysis

## Authorized User Accounts

ACCEPT U/W Recommendation downgraded to REFER unless:

- Another applicant on application owns the tradeline; or
- Owner of the tradeline is the spouse of an applicant; or
- Applicant can show evidence they have been making payment for last 12 mo.; or
- 2 or more tradelines listed on credit report, with 12 months of payment history, are not authorized user tradelines (recent change)

This message is triggered on every GUS submission (default message)

**Note: Reviews have evidenced the downgrade is not always occurring**



# Credit Analysis

## Omitting Liabilities

Liabilities marked “Omit” on the “Asset and Liabilities” GUS application page must have the “Notes” data field completed with an explanation to support the exclusion of the debt.

Other Liabilities							
Omit	Paid by Close	Account Owner	Liability Type	Balance	Monthly Payment	Creditor Name	Notes
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Installment	\$642.00	\$183.00	EASTERN UTAH COMM	Paid off
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Installment	\$5,042.00	\$118.00	UTAH COMMUNITY FC	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Revolving	\$473.00	\$25.00	SYNCB/ACCC	
<input type="checkbox"/>	<input type="checkbox"/>	Select One	Select One	\$0.00	\$0.00		

# Check on Learning

## Credit Analysis

- GUS Accept
- Previous USDA loan, ended in foreclosure with a loss claim paid
- The approved lender must submit documentation to USDA to explain the reasons for the loss
- USDA will determine if the applicant is eligible for a new guaranteed loan

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i)(3)(iv), HB 10.2**

A. TRUE

- GUS will identify the loss in the findings report
- Lender must upload explanation and documentation to support the mitigating circumstances contributing the previous loss
- USDA will determine final loan approval

# Check on Learning

## Credit Analysis

An applicant with a delinquent non-tax Federal debt is ineligible for a guarantee loan?

- A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i)(5), HB 10.2 and 10.8**

A. TRUE

- Federal debts that are not satisfied = ineligible
- Federal tax debts will not render the applicant ineligible when a repayment plan is already underway

# Check on Learning

## Credit Analysis

GUS will validate the credit score used for the underwriting recommendation.

- A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.1, 10.5**

B. FALSE

- GUS does not validate the credit score
- An underwriter must ensure validation requirements are met
- One applicant, two tradelines, open for 12 months

# Check on Learning

## Credit Analysis

Applicant A: 720

Applicant B: 640

These scores are high enough and do not require validation.

- A. TRUE      B. FALSE



# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.5**

B. FALSE

- All scores must be validated
- Minimum tradelines/time open required

# Check on Learning

## Credit Analysis

- Applicant A: 720: 8 tradelines, 4 open 12 months +
- Applicant B: 0 score
- GUS Accept recommendation
- This file cannot retain the GUS Accept

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.5**

B. FALSE

- Only ONE applicant must meet 10.5
- Additional applicants are not required to meet specific traditional or nontraditional tradelines
- Adverse credit from additional applicants must be considered by the underwriter

# Check on Learning

## Credit Analysis

- Tradelines on the credit report must be open with a recent payment history to meet 10.5
  - Closed accounts are not eligible
- A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.5**

B. FALSE

- Tradelines on the credit report may be open, closed, and/or paid in full

# Check on Learning

## Credit Analysis

- Target Red Card: 6 months
- Auto Loan: 2 months
- Visa: 13 months
- Student Loan: 36 months, deferred
- 10.5 is met

- A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.5**

- B. FALSE
- There are not two eligible tradelines
- Deferred student loan has no repayment history
- Downgrade an “Accept”
- Supplement with VOR or two nontraditional tradelines

# Check on Learning

## Credit Analysis

USDA does not require consideration for medical collections

- A. TRUE      B. FALSE



# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i)(1), HB 10.9**

B. FALSE

Underwriters must consider all collections for acceptable credit reputation (a.k.a. ability/willingness to repay debts).

Manual UW: Credit Exception to meet 10.8 and Attachment 10-B

GUS Accept: UW decision

# Check on Learning

## Credit Analysis

- GUS Accept
- 700 middle credit score
- A VOR is not required for rent entered

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.13**

A. TRUE

- GUS Accept loan files do not require a VOR

# Check on Learning

## Credit Analysis

- GUS Accept
- 700 middle credit score
- File is downgraded by underwriter
- A VOR is required for rent entered

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB 10.13**

B. FALSE

- The credit score is above 680
- Accept loan files that are downgraded with acceptable credit scores do not require a VOR

# Check on Learning

## Credit Analysis

- Chapter 7 bankruptcy discharged less than 36 months
- GUS cannot render an Accept recommendation

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB Attachment 10-B**

B. FALSE

- GUS may render an Accept when additional compensating factors are identified
- Ensure Declarations are correctly entered

Manual UW: Underwriter may grant exception if

- Minimum 12 months discharged
- Credit exception documented per 10.8

# Check on Learning

## Credit Analysis

- Mike and Sara, divorce final 10/2013
- Sara awarded home, no refinance complete, late payments began 12/2014
- Short Sale completed 6/2015
- The Short Sale is adverse credit for Mike

A. TRUE      B. FALSE



# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i), HB Attachment 10-B**

B. FALSE

- Mortgage was current at the time of divorce
- Documentation must be retained for support

# Check on Learning

## Credit Analysis

- Jim had AT&T cell service for 8 months
- He switched to Verizon and has service with them for 8 months
- No gaps in service
- These tradelines are not 12 months each, therefore ineligible for consideration

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i)(6), HB 10.6**

B. FALSE

- 16 months cell service history, no gaps
- Tradelines represent similar service (cable/dish, insurance, etc.)

# Check on Learning

## Credit Analysis

- Evelyn rents from a private individual (not a relative)
- She must present 12 months of canceled checks/money orders to verify rent payment
- Private individuals cannot complete a VOR

A. TRUE      B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i)(6), HB 10.6**

B. FALSE

- Private individuals may complete a VOR
- Canceled checks may be preferred, but not required
- Relatives as landlords may not complete a VOR

# Check on Learning

## Credit Analysis

Medical collections, charge-off accounts and other collections are not required to be listed on the 1003 and/or GUS Asset and Liability application page.

A. TRUE    B. FALSE

# Check on Learning

## Credit Analysis

**ANSWER: 3555.151(i)(1), HB 10.9**

B. FALSE

- File must be accurately represented
- All open debts must be identified
- Omit and complete “Notes” data field as applicable in GUS

# Credit: Wrap Up

- Credit scores assess risk
- GUS utilizes score + scorecard + rules engine
- All scores must be validated
- Non-traditional credit can include many obligation sources
- Ensure all debts are represented



# Credit: Wrap Up

- Review current mortgage history = ensure USDA loans are paid in full prior to closing

## RURAL DEVELOPMENT'S REQUIRED CONDITIONS

### Prior To Final Submission

There are no USDA required conditions prior to final submission.

### Prior To Conditional Commitment

1. **542 - Existing Guaranteed Rural Housing (GRH) Loan:** GLS indicates the applicant is a borrower on an existing GRH loan. Confirm the property securing the existing loan has been sold and the guarantee has been terminated. The Agency may condition for the existing home to be sold and guarantee terminated, prior to issuance of a Loan Note Guarantee for subject property.

# Credit: Wrap Up

- Traditional and non-traditional tradelines may be combined to validate downgraded files
- Credit waivers should be reasonable
- GUS Credit Reports: If the report in GUS will exceed 120 days at loan closing, but a new report reveals no changes to credit, no resubmission/revision is required (5.3 M)

# RATIO ANALYSIS

# Ratio Analysis

## Debt Ratios

HB-1-3555 will define debt ratio parameters

- GUS can identify compensating factors, determine if ratio waiver is appropriate
- Manually underwriting loans, lender documents compensating factors to evidence the household has higher repayment ability

# Ratio Analysis

## Student Loans

### The Total Debt Ratio

- 1% of the outstanding loan balance **or** the fixed payment reflected on the credit report, *whichever is greater*
- A lesser payment must be supported by loan documents showing that the payment is fixed for the life of the loan.

# Ratio Analysis

## **Long term obligations**

### The Total Debt Ratio

Long term obligations with more than **10** months remaining must be included in TD

- Installment loans
- Child support/alimony/maintenance
- Student loans
- Other continuing obligations

## **Short-term obligations**

- Can be paid down to a balance of 10 months or less
- Can't exclude if a significant impact (5% or greater of monthly repayment income)

# Ratio Analysis

## Revolving Accounts

### The Total Debt Ratio

Balance reported on credit report but no payment:

- Use the greater of 5% of the balance or \$10
- Current statement amount due may also be used
- No balance = no payment included in TD

# Ratio Analysis

## **HB 11.2: The Ratios**

### **A. PITI: 29%**

- Principal
- Interest
- Real estate taxes
- Homeowners insurance
- Annual fee
- Additional assessments, HOA fees, etc. may also be applicable



# Ratio Analysis

## **HB 11.2: The Ratios**

### **B. Total Debt (TD): 41%**

- PITI
- Regular assessments
- Long-term obligations (10 months or more repayment)
- Revolving accounts
- 30 day accounts
- Alimony
- Garnishments

# Ratio Analysis

## **HB 11.2: The Ratios**

### **B. Total Debt (TD): 41%**

- Student loans
- Previous mortgage (divorce, sale, trade, transfer)
- Co-signed debts
- Business debts (not paid through the business)
- Non-Purchasing Spouse debts, as applicable
- Collections, as applicable

# Ratio Analysis

## **HB 11.2: The Ratios**

### **B. Total Debt (TD): 41%**

- Judgments
- Self-employed loss
- Auto allowance and expense payments
- Rental loss
- Short-term obligations (significant impact on repayment)
- Balloon
- Deferred payments

# Ratio Analysis

## Debt Ratio Waivers 101

- GUS Accept = no waiver required
- GUS Accept with full documentation = no waiver required
- GUS Refer, Refer with Caution, or manual UW = waiver required
- No USDA published form, use 1008/similar UW form

# Ratio Analysis

## **HB 11.3 A : Debt Ratio Waivers: Purchases Manual UW**

- All applicants = 680 credit score or higher
- Maximum ratios: 32% PITI / 44% TD
- 1 compensating factor with supporting documentation
  - Proposed PITI less than or equal to previous 12 months of verified housing cost with no late payments
  - 3 months or more of PITI in reserve post loan closing
  - All applicants employed with current employer for 2 years

# Ratio Analysis

## **HB 11.3 B: Debt Ratio Waivers: Refinances**

- Streamlined-Assist = no debt ratios calculated
- Streamlined and Non-Streamlined = ratios calculated

### Compensating factors:

- 680 credit score for all applicants
- Continuous employment with primary job
- Ability to accumulate savings
- 12 months mortgage paid as agreed

# Check on Learning

## Ratio Analysis

Student Loans on credit report:

- A. Balance \$6,000 Payment \$40 (fixed rate/term plan)
- B. Balance \$8,000 Payment \$65 (fixed rate/term plan)
- C. Balance \$12,000 Payment \$35 (income-based plan)

Which student loan payment(s) is not eligible to be utilized in the ratios?

# Check on Learning

## Ratio Analysis

**ANSWER: 3555.151(h)(1)(i), HB 11.2 B**

C. Balance \$12,000 Payment \$35 (IBR)

- An income based payment is not eligible, it is subject to change
- 1% of the loan balance documented on the credit report must be used, no additional documentation required
- A fixed payment loan is defined as: fixed payment, fixed interest rate, and fixed term with no future adjustments



# Check on Learning

## Ratio Analysis

- GUS Refer UW recommendation
- Ratios: 31/42
- Credit Scores: Applicant 1: 735 Applicant 2: 682
- Job Time: Applicant 1: 6 mo. Applicant 2: 4 years
- Current Rent (16 mo.): \$850 New PITI: \$783
- Loan is eligible for a ratio waiver

A. TRUE

B. FALSE

# Check on Learning

## Ratio Analysis

**ANSWER: 3555.151(h)(2), HB 11.3 A**

A. TRUE

- Ratios do not exceed 32% PITI / 44% TD
- Both applicants have 680 credit score or above
- New PITI is at or below the current rent paid for previous 12 months

# Check on Learning

## Ratio Analysis

- GUS Refer UW recommendation
- Ratios: 27/42
- Credit Scores: Applicant 1: 682 Applicant 2: 766
- Job Time: Applicant 1: 1 year Applicant 2: 1.5 years
- No current rent
- No reserves
- Loan is eligible for a ratio waiver

A. TRUE      B. FALSE

# Check on Learning

## Ratio Analysis

**ANSWER: 3555.151(h)(2), HB 11.3 A**

B. FALSE

- TD ratio exceeds 41%
- Both applicants have 680 credit score or above BUT
- They lack one eligible compensating factor: Job time is below 2 years, no reserves, and no current housing for comparison

# SUBMITTING A COMPLETE APPLICATION PACKAGE

# Submitting a Complete Application Package

## Electronic Signatures

- Use of electronic signatures is voluntary
- Lenders must meet ESIGN Act and applicable federal and state regulations (no script font, photos, or copy and paste of images)
- Lender assumes all responsibility for e-signatures

# Submitting a Complete Application Package

## **Chapter 15, Attachment 15-A:**

### Origination Stacking Order Checklist

- Want to submit a complete file?
- Wondering what a complete file includes?
- **USE THE CHECKLIST!**
  - Stack and upload documents as indicated
  - Ensure uploaded documents are legible
  - Only complete loan applications may be assigned for USDA review

# Submitting a Complete Application Package

## Attachment 15-A

### *File Stacking Order Checklist*

**Guaranteed Underwriting System (GUS) - Underwriting Recommendation: ACCEPT**

Please stack the credit package in the following document order:

<input type="checkbox"/>	<b>Form RD 3555-21, "Request for Single Family Housing Loan Guarantee"</b> <i>Note: Must be fully completed and executed by all applicants and lender. Must include income worksheet pages.</i>
<input type="checkbox"/>	<b>Final GUS Underwriting Findings and Analysis Report</b> <i>Note: Last final submission to be printed, retained in lender's permanent loan file.</i>
<input type="checkbox"/>	<b>FEMA Form 086-0-32, "Standard Flood Determination Form"</b> <i>Note: New construction properties located in 100-year flood plains will require additional documentation. Confirmation the base flood elevation (BFE) is below lowest floor of subject.</i>
<input type="checkbox"/>	<b>Evidence of qualified alien</b> <i>(If the applicant is not a US citizen)</i>
<input type="checkbox"/>	<b>Credit Report, Non-Purchasing Spouse</b> <i>(If the applicant or property is in a community property state – AZ, CA, ID, LA, NV, NM, TX, WA, WI)</i>
<input type="checkbox"/>	<b>Uniform Residential Appraisal Report (URAR)</b> <i>(FNMA 1004/FHLMC 70 or applicable Report)</i> <i>Note: 1004 MC (Market Conditions Addendum) must be part of report.</i>



# Submitting a Complete Application Package

## Attachment 15-A

<b>File Stacking Order Checklist</b> Manual Underwriting, GUS Refer/Refer with Caution Underwriting Recommendation, GUS Accept if Quality Control Lender Message on GUS Underwriting Findings and Analysis Report	
Please stack the credit package in the following document order:	
<input type="checkbox"/>	<b>Form RD 3555-21, "Request for Single Family Housing Loan Guarantee"</b> Note: Must be fully completed and executed by all applicants and lender. Must include income worksheet pages.
<input type="checkbox"/>	<b>Final GUS Underwriting Findings and Analysis Report, if applicable</b> Note: Last final submission.
<input type="checkbox"/>	<b>Underwriting Analysis, confirmed and executed by Underwriter</b> (FNMA 1008/FHLMC 1077 or similar) Note: Include credit waiver and/or repayment ratio waiver request in comment section. A GUS ACCEPT with quality control message does not require credit or repayment ratio documentation/justification. Include supporting documentation when credit package includes a buy down.
<input type="checkbox"/>	<b>Uniform Residential Loan Application</b> (URLA – FNMA 1003/FHLMC 65) Note: URLA must be executed by the interviewing lender and applicant(s).
<input type="checkbox"/>	<b>Income Verification Documentation: For all household members</b> Verification of Employment (VOE) + (1) earning statement OR verbal VOE + (2) earning statements (30 days) + W-2's (2 years) OR computer generated verification + W-2's (2 years) + verbal VOE Self-Employment: income tax returns/ all schedules (2 years) + profit / loss, balance and income/expense statements Child support, pensions, disability, Social Security, retirement annuity award(s)
<input type="checkbox"/>	<b>Tax return information as a result of IRS 4506-T: Request for Transcript of Tax Return</b> Note: Required for all adult members of the household
<input type="checkbox"/>	<b>Asset Verification Documentation: For all household members</b> Verification of Deposit, bank statements, gift letter etc.
<input type="checkbox"/>	<b>Credit Report, Non-Traditional Report and all credit supplements, as applicable</b> Note: Include adverse credit explanation and documentation used in credit waiver.
<input type="checkbox"/>	<b>Credit Report, Non-Purchasing Spouse (If the applicant or property is in a community property state – AZ, CA, ID, LA, NV, NM, TX, WA, WI)</b>
<input type="checkbox"/>	<b>Verification of Rent, as applicable. See Section 10.13 of Chapter 10 for further guidance.</b> Note: Applicable to manually underwritten loans with credit scores less than 680. A GUS "Accept" subject to a fully documented file does not require a Verification of Rent.
<input type="checkbox"/>	<b>FEMA Form 086-0-32, "Standard Flood Determination Form"</b> Note: New construction properties located in 100-year flood plains will require additional documentation. Confirmation the base flood elevation (BFE) is below lowest floor of subject.
<input type="checkbox"/>	<b>Sales Contract, all pages and amendments</b>
<input type="checkbox"/>	<b>Evidence of qualified alien (If the applicant is not a US citizen)</b>
<input type="checkbox"/>	<b>Uniform Residential Appraisal Report (URAR) – not applicable to Streamlined Refinance Product</b> (FNMA 1004/FHLMC 70 or applicable Report) Note: 1004 MC (Market Conditions Addendum) must be part of report.

# Submitting a Complete Application Package

## Document Upload



Users are reminded to separate all origination documents into **two** files for upload into GUS as follows:

1. Uniform Residential Appraisal Report (URAR)
  - ✓ Upload as Type of Document (Index Value) = **10002 Appraisal Report**
  - ✓ Color photos are **required**
2. All other required origination documents
  - ✓ Upload as Type of Document (Index Value) = **10006 Underwriting**
  - ✓ Required documents are determined by the type of submission (manual or GUS) and the GUS Underwriting Findings Report (GUS loans only)
  - ✓ Documents must be arranged/ordered in accordance with HB-1-3555 Attachment 15-A, "Origination Stacking Order Checklist," excluding the URAR

	<b>Underwriting (10006)</b>
Actions ▾	Received 08/25/2016
	Version 1 Added by Imaging on 08/25/2016 12:00 AM USDA/Rural Development/Rural Housing Service/Sin...
	<b>Appraisal Report (10002)</b>
Actions ▾	Received 08/25/2016
	Version 1 Added by Imaging on 08/25/2016 12:00 AM USDA/Rural Development/Rural Housing Service/Sin...

Correct upload into  
GUS

# Submitting a Complete Application Package

Enter Notes in Liability Section



Borrower Name	Lender Loan Number	Application ID Number

[Underwriting Findings](#) | [Underwriting Analysis](#) | [Credit Report](#) | [Data Modified](#)



## LENDER'S REQUIRED CONDITIONS

### Prior To Final Submission

- 601 - Standard Flood Hazard Determination Form (SFHDF): Obtain FEMA Form 086 (or SFHDF). Submit form to Rural Development when requesting a conditional commitment for loan note guarantee. If an existing dwelling is in a 100-yr. floodplain the lender must ensure flood insurance through FEMA's National Flood Insurance Program (NFIP) is available for the community and flood insurance whether NFIP, "write your own", or private flood insurance, as approved by the lender, is purchased. Additional requirements for flood insurance are listed in HB-1-3555 Chapter 12.10B, including requirements for new construction properties.
- 605 - Property Appraisal: Obtain an appraisal report for the subject property and submit to Rural Development. The appraisal report must not be more than 120 days old at the time of loan closing. See HB-1-3555 Chapter 12.5B for extended validity terms available when an appraisal update is performed. Appraisals must comply with the reporting requirements of USPAP and include a Market Conditions Addendum (Form FNMA 1004MC) and meet the Uniform Appraisal Dataset (UAD) requirements set forth by Fannie Mae and Freddie Mac.
- 622 - Lender Due Diligence: Lenders must apply due diligence when reviewing the loan file to determine if there is any potentially derogatory or contradictory information that is not part of the data submitted to GUS or if there is any erroneous information in the data submitted to GUS. If the lender is aware of any contradictory, derogatory, or erroneous information, lenders are obligated to take action. For example if the lender is aware of debts, late payments or derogatory information that has not been made available to the data submitted to GUS (not all inclusive) an underwriting recommendation of ACCEPT must be manually downgraded by the lender to REFER on the Request Credit/Underwriting page in GUS. The file must be manually underwritten by the lender.
- 624 - Verification of Income/Employment: Lender must verify income information. Income verifications cannot be greater than 120 days old at the time of loan closing (excluding divorce decrees and income tax returns). All sources of income for each adult household member must be validated by the underwriter. Refer to HB-1-3555 Chapter 9 for complete guidance. Eligible income captured on the Eligibility page in GUS may differ from repayment income captured on the Income and Expenses page in GUS.
- 30585 - Omitted Liabilities: One or more liabilities were omitted from repayment consideration in the application. Lender must document the reason the account was omitted. Lender may document reason the account(s) was omitted in the Notes Section of the Assets and Liabilities page in GUS (for each tradeline omitted) and retain documentation surrounding the omission in their permanent case file.

- [redacted] has liability with an account type of Installment, balance of \$3,894.00, monthly payment of \$114.00 owed to ST OF UTAH which has been designated as No, Omit. (Note: Paid Collection, see Credit supplement show \$0)

- 30680 - Other Credits: Ensure any amount entered as an "Other Credit" on the Transaction Details page is not duplicated in an "Asset" account on the Assets and Liabilities page.
- 31900 - Income and Liabilities of a NonPurchasing Spouse (NPS): Except for obligations specifically excluded by state law, the debts of a NPS must be included in the applicant's total debt ratio when the subject property is located in a community property state. The credit history of a NPS is not a reason to deny a loan application. Obtain an eligible credit report for the NPS independent of GUS and manually enter the NPS debts in the liabilities section. Enter "NPS debt" in the notes data field for each applicable liability. The manual entry of NPS debts on the Asset and Liabilities page in GUS will not require the lender to downgrade an automated underwriting recommendation of ACCEPT. The income of a NPS must be verified for program eligibility purposes.
- 60000 - Authorized User Accounts: Lenders must ensure open authorized user tradelines reported on the credit report are an accurate reflection of the applicant's overall credit history. An automated underwriting recommendation of ACCEPT must include evidence in the lender's permanent case file of at least one of the following: 1) another applicant on the mortgage application owns the tradeline in question, 2) owner of the tradeline is the spouse of an applicant, or 3) evidence the applicant has been making payments on the account for the last 12 months. If one of these conditions cannot be met, an automated underwriting recommendation of ACCEPT must be manually downgraded to a REFER on the Credit / Underwriting page in GUS and the lender must remit a manually underwritten case file to the Agency.
- 60005 - Disputed Account: When an applicant's credit report indicates a tradeline or public record is in dispute, an automated underwriting recommendation of ACCEPT may need to be downgraded by the lender to a REFER. A downgrade is not required if any of the following conditions are met in regards to the disputed item listed on the credit report: 1) the tradeline has a zero dollar balance, 2) the tradeline is marked "paid in full" or "resolved", or 3) the tradeline has a balance owed of less than \$500 and is more than 24 months old. In the event an automated underwriting recommendation is downgraded to a REFER the lender must indicate the downgrade on the Credit / Underwriting page in GUS and remit a fully underwritten case file to the Agency.
- 60011 - Conventional Credit Test: The lender must certify the applicant(s) does not qualify for a conventional credit loan. The conventional credit test for RD purposes includes all of the following: 1) The applicant(s) has available non-retirement liquid assets of at least 20% of the purchase price for downpayment, 2) In addition to the downpayment, applicant(s) can pay all closing costs from available non-retirement liquid assets, 3) After applying the downpayment and closing costs the applicant(s) would not exceed a 28% PITI ratio and 36% TD ratio, 4) The applicant demonstrates qualifying credit for a conventional loan, and 5) The conventional credit term is for 30 years at a fixed rate of interest without a requirement to carry private mortgage insurance (PMI). HB-1-3555 Chapter 8.2B defines qualifying credit and liquid non-retirement assets.
- 60021 - Credit Score Validation: At least one applicant must have three or more historical trade line references on the credit report that have been open for a minimum of 12 months to validate the credit score utilized by GUS. HB-1-3555 Chapter 10.5 lists additional requirements for validating the credit score. The lender must manually downgrade an ACCEPT underwriting recommendation to a REFER if the credit score cannot be validated. The manual downgrade indicator must be selected on the Request Credit / Underwriting page in GUS. An acceptable non-traditional credit history will be required when the underwriting recommendation is downgraded.
- 60027 - Interested Party Contribution Cap: Seller or other interested party contributions towards closing costs in excess of six percentage points are prohibited in accordance with HB-1-3555 Chapter 6.3 (some exclusions may apply).

### Prior To Conditional Commitment

- 555 - Paid in Full Liabilities: One or more liabilities was/were marked as Paid by Close in the application. Lender must retain evidence that the account(s) was/were paid in full at or before loan closing. The liability may not be satisfied

PREVIOUS

NEXT

PRINT

CLOSE


OVERSEEN THE FINAL GUS FINDINGS

# Submitting a Complete Application Package

## Closing the Loan

Chapter 16 HB-1-3555

- 90 days from issuance of RD 3555-19 to close the loan (1 additional 90 day extension)
- Loan **MUST CLOSE** under same terms as the Conditional Commitment
  - Can't adversely affect loan approval (**lower loan amount, lower interest rate**)
  - Submit conditions



DON'T CLOSE AT A  
HIGHER LOAN AMOUNT  
OR INTEREST RATE

# Submitting a Complete Application Package

## Loan Note Guarantee

- Request within 30 days after the loan closing
- Two methods for requesting the LNG
- Agency has 2 business days to review closing documents
- Agency has 15 calendar days to issue LNG if the closing documents are acceptable

# Submitting a Complete Application Package

## Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

<b>Closing Information</b>	<b>Transaction Information</b>	<b>Loan Information</b>
Date Issued	Borrower	Loan Term
Closing Date		Purpose
Disbursement Date	Seller	Product
Settlement Agent		Loan Type <input type="checkbox"/> Conventional <input type="checkbox"/> FHA
File #	Lender	<input type="checkbox"/> VA <input type="checkbox"/>
Property		Loan ID #
Sale Price		MC #

Can this amount increase after closing?

Does the loan have these features?

### Loan Terms

**Loan Amount**

**Interest Rate**

### Monthly Principal & Interest

See Projected Payments below for your Estimated Total Monthly Payment

### Prepayment Penalty

**Balloon Payment**

### Projected Payments

**Payment Calculation**

Principal & Interest

Mortgage Insurance

Estimated Escrow Amount can increase over time

Estimated Total Monthly Payment

### Estimated Taxes, Insurance & Assessments

Amount can increase over time See page 4 for details

This estimate includes

Property Taxes

Homeowner's Insurance

Other:

See Escrow Account on page 4 for details. You must pay for other property costs separately.

In escrow?

### Costs at Closing

**Closing Costs**

Includes in Loan Costs + in Lender Credits. See page 2 for details.

in Other Costs -

**Cash to Close**

Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

CLOSING DISCLOSURE

PAGE 1 OF 5 - LOAN ID #

## Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
<b>A. Origination Charges</b>					
01 % of Loan Amount (Points)					
02					
03					
04					
05					
06					
07					
08					
<b>B. Services Borrower Did Not Shop For</b>					
01					
02					
03					
04					
<b>C. Other</b>					
01 Property Tax					
02					
03					
04					
05					
06					
07					
08					
<b>D. Agency</b>					
01					
02					
03					
04					
05					
06					
07					
08					
<b>E. TOTAL OTHER COSTS (Borrower-Paid)</b>					
Closing Costs Subtotals (E + F + G + H)					
<b>F. TOTAL CLOSING COSTS (Borrower-Paid)</b>					
Closing Costs Subtotals (E + F)					
Lender Credits					

CLOSING DISCLOSURE

PAGE 2 OF 5 - LOAN ID #

## Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
<b>Total Closing Costs (I)</b>			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payments/Funds from Borrower			
Deposit			
Funds for Borrower			
Seller Credits			
Adjustments and Other Credits			
<b>Cash to Close</b>			

## Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION	SELLER'S TRANSACTION
<b>K. Due from Borrower at Closing</b>	
01 Sale Price of Property	<b>M. Due to Seller at Closing</b>
02 Sale Price of Any Personal Property Included in Sale	01 Sale Price of Property
03 Closing Costs Paid at Closing (J)	02 Sale Price of Any Personal Property Included in Sale
04	03
05	04
06	05
07	06
08	07
<b>Adjustments for Items Paid by Seller in Advance</b>	
08 City/Town Taxes to	08 City/Town Taxes to
09 County Taxes to	09 County Taxes to
10 Assessments to	10 Assessments to
11	11
12	12
13	13
14	14
15	15
16	16
<b>Adjusted Total Paid by or on Behalf of Borrower at Closing</b>	
01 Existing Loan(s) Assumed or Taken Subject to	<b>N. Due from Seller at Closing</b>
02	01 Excess Deposit
03 Seller Credits	02 Closing Costs Paid at Closing (J)
<b>Other Credits</b>	03 Existing Loan(s) Assumed or Taken Subject to
04	04 Payoff of First Mortgage Loan
05	05 Payoff of Second Mortgage Loan
06	06
07	07 Seller Credit
08	08
09	09
10	10
11	11
12	12
13	13
<b>Adjustments for Items Unpaid by Seller</b>	
12 City/Town Taxes to	14 City/Town Taxes to
13 County Taxes to	15 County Taxes to
14 Assessments to	16 Assessments to
15	17
16	18
17	19
<b>CALCULATION</b>	
Total Due from Borrower at Closing (K)	Total Due to Seller at Closing (M)
Total Paid Already by or on Behalf of Borrower at Closing (L)	Total Due from Seller at Closing (N)
<b>Cash to Close</b> <input type="checkbox"/> From <input type="checkbox"/> To Borrower	<b>Cash</b> <input type="checkbox"/> From <input type="checkbox"/> To Seller

CLOSING DISCLOSURE

PAGE 3 OF 5 - LOAN ID #

**No Cash Back/  
No Realtor Fees**

(in excess of borrower paid out of pocket)  
Deposits, Earnest Money, Appraisal

# Check on Learning

## Submitting a complete loan application

- Lender has scheduled a loan closing to occur on October 5th
- Loan file is submitted to USDA on October 2nd
- Lender may mark the file “Rush” when submitting to USDA

A. TRUE    B. FALSE

# Check on Learning

## Submitting a complete loan application

**ANSWER: 3555.107(a) and HB 15.3 C**

B. FALSE

- Complete applications must be reviewed in date order received
- It is recommended that loan closings are not scheduled until conditional commitments are issued



# Check on Learning

## Submitting a complete loan application

Lenders may submit minimal documentation to USDA, but they must retain full documentation loan files in their records.

A. TRUE    B. FALSE

# Check on Learning

## Submitting a complete loan application

**ANSWER: 3555.107 and HB 15.2**

A. TRUE

- Lenders must retain a full documentation file
- USDA may request full file for quality control reviews/lender reviews

# Keys For Success

- Quality control: review loan submission to ensure 3555-21 is complete/accurate and submission is complete
- 3555-21:
  - check dates (SAM, Interest rate lock date)
  - signatures (lenders/borrowers)
  - Income (Annual, Adjusted, Repayment) match GUS
  - Asset Interest (page 3, block 5): complete if applicants have over 5K
- Only submit what is requested on Attachment 15-A
  - Condo approvals
  - Make comments on 15-A
- Lender contact on 3555-21 is updated
  - This is who we will contact/discuss any issues on the file with
- Have more than one name in GUS to receive Conditional Commitments
- Loan enters RD's queue once the loan is marked "Final" in GUS by the UW
- USDA: not an underwriter

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Program!**

