



New Lender Training – Part 1

Single Family Housing Guaranteed Loan Program

A hand is holding a purple paper house with a yellow heart cutout in the center. The background is a warm, golden sunset over a city skyline. The text "Thank you for your partnership!" is overlaid in white, with a thin orange line underneath it.

Thank you for your partnership!

Working together to empower individuals and families as they embark on their path to homeownership.



AGENDA

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Program Highlights




USDA Rural Development Mission

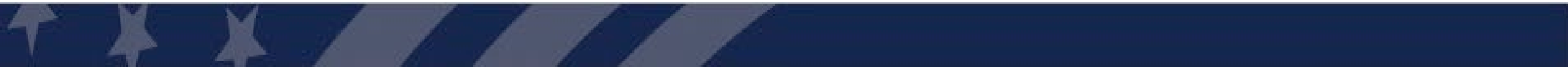


USDA RD is committed to helping improve the economy and quality of life in rural America.

Together, America Prospers!



Guaranteed		Direct
Moderate-income limits (115% of median family income)	INCOME	Very low to low-income limits (80% of median family income)
Must be in an eligible rural area; site must be typical for the area	 PROPERTY	Must be in an eligible rural area; site and home size restrictions
30-year fixed rate	 INTEREST RATE	Typically 33-year term; Payment assistance available
Apply through a participating SFHGLP lender	 HOW TO APPLY	Complete an online assessment and apply directly to RD



Homebuyer Benefits

No down payment.

100% financing based on appraised value.

No specific minimum credit score requirement.
Alternative credit option.

Not limited to first time homebuyers.

No maximum purchase price limits.



Lender Benefits

Reduced risk with up to a 90% guarantee and premium pricing on the secondary market.

Credit towards Community Reinvestment Act (CRA) performance.

Streamlined documentation requirements with the use of the Guaranteed Underwriting System (GUS).

Online training modules and resources that are easy to navigate.

Customer service...*we're always striving to be better for you!*





Loan Purposes and Terms



Low Loan Fees



LOW FEES!



Upfront Guarantee Fee. Current Fee is 1% of Loan Amount.

May finance with loan funds, personal funds, or seller commissions. Subject to change to maintain subsidy neutral program, but not to exceed 3.5%.



Annual Fee. Current Fee is .35%.

Calculated based on average scheduled unpaid principal balance.



Technology Fee. Current Fee is \$25.

This fee may be passed to borrower and can be included in loan amount.

Program is not subsidized and is budget neutral; fully funded year round by program fees.

Maximum Loan Amount

Applicant may finance
reasonable and customary
expenses



Determined by applicant's income
and repayment ability



Determined by the appraised
value of the property



Market Value / .99 =
Max Loan Amount

Loan to value can exceed 100% of
the appraised value when the
upfront guarantee fee is financed



The maximum loan amount is
calculated by dividing the
appraised value by .99



This results in a loan amount
which includes the upfront 1%
guarantee fee



Interest Rate



NO Rate Cap!



Maximum interest rate cap was eliminated effective October 1, 2019!

Lender and the borrower are free to negotiate any mutually acceptable fixed interest rate.



Fixed rates only!

Not allowed: ARM, balloon mortgage, negative amortization, prepayment penalties.



Term must be 30 years!

Terms less than 30 years are not allowed.

Loan Purposes

Acquire a Site and Dwelling

Loan funds may be used to purchase existing or build new. Income producing buildings and/or land are prohibited.

Reasonable and Customary Expenses

These closing costs may be paid for with loan funds. Seller contributions are limited to 6% of sales prices.

Repairs and Rehab

May be financed when combined with purchase of home. Escrows allowed for repairs that don't affect the livability of the home.

Refinance

May include "take out" construction financing or refinance of an existing Rural Development Direct or Guaranteed loan.

REFINANCE Options

HB-1-3555, Chapter 6, Attachment 6-A
Streamlined-Assist, Streamlined, and Non-Streamlined

<https://www.rd.usda.gov/sites/default/files/rd-sfh-refinancematrix.pdf>



Only loans financed or guaranteed by USDA are eligible.

Existing loan must have closed 180 days prior to the request for Conditional Commitment.

Fixed interest rate and 30-year term.

Borrower must meet applicable adjusted annual household income.

No cash out from collateral equity. Only reimbursement of borrower prepaid eligible closing costs and/or refund from escrow overage.

Borrowers must occupy the property.

Properties located in areas now deemed ineligible remain eligible for refinance.

Existing leveraged loans or subordinate liens must be paid in full or be subordinated.



REFINANCE Options

HB-1-3555, Chapter 6, Attachment 6-A

Streamlined-Assist is the most favored and effective choice!



Appraisal: Streamlined-assist does not require a new appraisal unless the borrower has a USDA Direct loan with recapture subsidy due.

Removing Borrowers: Streamlined-assist only allows deceased borrowers to be removed. If a living borrower is looking to be removed from the loan, the remaining borrower must choose between the streamlined or non-streamlined options.

Credit Review: Streamlined-assist only requires verification there have been no delinquencies greater than 30 days within 180 days prior to loan application. Streamlined and non-streamlined will also require a full credit review per Chapter 10 guidelines.

Loan Amount: All options allow refinancing of the principal and interest balance, eligible closing costs, and up front guarantee fee. If the borrower is looking to include subsidy recapture, the non-streamlined option would be required.

Loan Submission: All refinance loans are entered into GUS; however, a streamlined-assist is ineligible for a 'final' submission; follow the "Manual File Submission Job Aid" for step by step guidance.

Loss Claim Coverage

Maximum payment a servicer may collect from the Agency is the lesser of:

- 90% of the original principal amount advanced to the borrower; or
- 100% of any loss equal to or less than 35% of the original principal advanced, plus 85% of any remaining loss up to 65% of the principal advanced.

Loss Claim Payment Example

$$\text{OPA} = \underline{\$100,000}$$

$$90\% = \underline{\$90,000}$$

$$35\% \text{ of OPA} = \underline{\$35,000}$$

$$65\% \text{ of OPA} = \underline{\$65,000}$$

$$85\% \text{ of } 65\% \text{ of OPA } (\$65,000) = \underline{\$55,250}$$

$$35,000 + 55,250 = \underline{\$90,250}$$

Payment would be **\$90,000**, which is the lesser amount.



Applicant Characteristics



Retaining a Dwelling

Applicants may retain ownership of 1 single family housing unit if below requirements are met:

1

Only 1 RD Loan

Not financially responsible for another Agency guaranteed or direct home loan.

2

Financially Qualified

The applicant is financially qualified to own more than one house.

3

Primary Residence

The applicant will occupy the home financed with the guaranteed loan as their primary residence.

4

No Longer Meets Needs

The current home owned, whether adequate or inadequate, no longer meets the applicants' needs.

Examples:

- Relocation due to a new job opportunity.
- Requires a larger home to provide for a growing family.
- Obtaining a divorce and the ex-spouse will retain the dwelling.
- Is a non-occupying co-owner or co-borrower on another mortgage loan and wants to purchase their own dwelling.

Unable to Secure Conventional Credit

1

Assets

Has personal non-retirement liquid asset funds of at least 20%

2

Resources

Can pay all closing costs (plus the 20% down) associated with the loan

3

Ratios

Meets qualifying ratios of no more than 28% PITI and 36% TD when applying the 20% down payment

4

Credit

Demonstrates qualifying credit for such a loan

5

Loan Terms

Conventional loan is 30-year fixed rate loan without PMI

UPDATE

Business Owner Applicants

Lender should closely review asset accounts to verify assets are not transferred between a *personal account* and a *business account* and vice versa.



Occupy the Property

Principal Residence

Applicants must agree to personally occupy the dwelling as a principal residence throughout the term of the loan.

Occupancy Timeframe

Must occupy the home within 60 days of loan closing.

Active Duty Military Applicants

Must occupy the property as their principal residence and express intent to meet occupancy requirements upon discharge from the service.

Not Having a Suspension or Debarment



Suspended or Debarred = *Not eligible*



7 CFR 3555.151(g) and HB-1-3555, 8.2E



Lender must screen the applicant and parties to the transaction on the “System for Award Management” (SAM) website



Must be within 30 days of loan closing

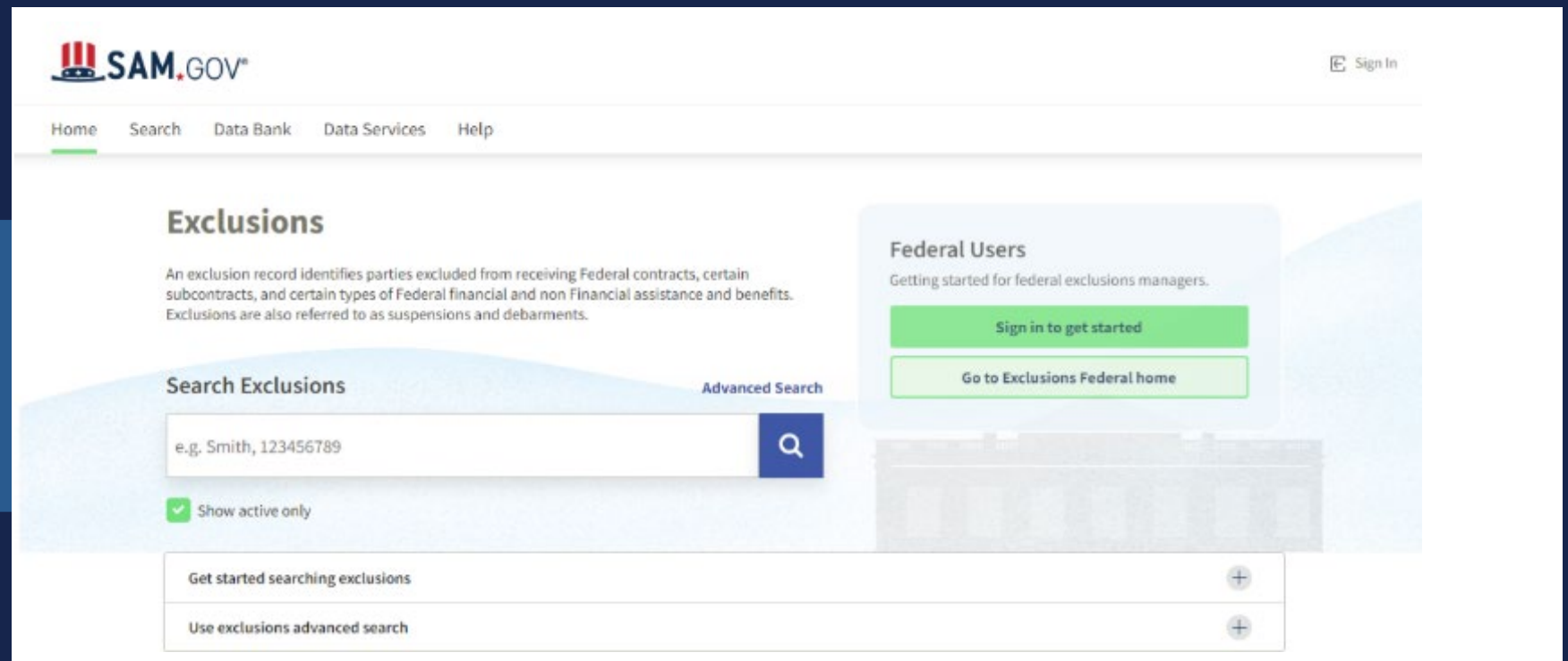
UPDATE

Excluded by Non-Housing Federal Program

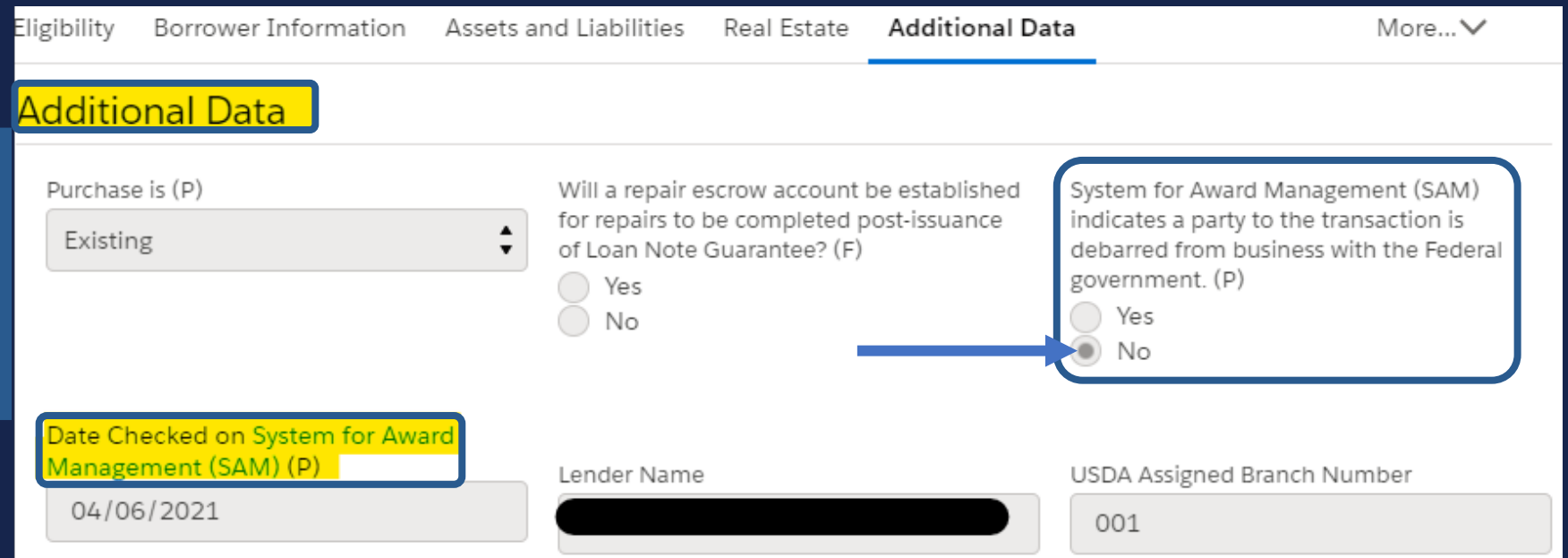
Applicants that have been excluded from a non-housing federal program continue to be eligible to participate in the SFHGLP, unless the individual becomes suspended or debarred.

Sam.gov

GUS
“Additional Data”



The screenshot shows the SAM.GOV Exclusions page. At the top is the SAM.GOV logo and a navigation bar with links: Home, Search, Data Bank, Data Services, and Help. The main heading is "Exclusions", followed by a descriptive paragraph. Below this is a "Search Exclusions" section with a search input field containing "e.g. Smith, 123456789" and a magnifying glass icon. A checkbox labeled "Show active only" is checked. To the right, under "Federal Users", there are two buttons: "Sign in to get started" and "Go to Exclusions Federal home". At the bottom, there are two expandable sections: "Get started searching exclusions" and "Use exclusions advanced search".



The screenshot shows the "Additional Data" section of a GUS form. The section title "Additional Data" is highlighted in yellow. It contains several fields: "Purchase is (P)" with a dropdown menu set to "Existing"; "Will a repair escrow account be established for repairs to be completed post-issuance of Loan Note Guarantee? (F)" with radio buttons for "Yes" and "No"; "System for Award Management (SAM) indicates a party to the transaction is debarred from business with the Federal government. (P)" with radio buttons for "Yes" and "No", where the "No" option is selected and highlighted with a blue arrow; "Date Checked on System for Award Management (SAM) (P)" with a text input field containing "04/06/2021"; "Lender Name" with a text input field containing a blacked-out name; and "USDA Assigned Branch Number" with a text input field containing "001".

Having Acceptable Citizenship or Immigration Status



The applicants must be a U.S. citizen, a U.S. non-citizen national, or a qualified alien.



The lender is responsible for documenting the applicants' legal residency for all file submissions.



By submitting the request for a Conditional Commitment to the Agency, the lender represents and warrants that the applicant is legally present in the United States and meets the eligibility requirements.



Thank you for completing Part 1.



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www.rd.usda.gov

USDA is an equal opportunity provider, employer, and lender.

