FAQ
Frequently Asked Questions

Single Family Housing Guaranteed Loan Program Origination

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

Frequently Asked Questions (FAQ)

This document consists of answers to commonly asked questions on the Rural Development Single Family Housing Guaranteed Loan Program Technical Handbook (HB-1-3555). **The policy information contained in this guide is based on the applicable Regulations and Technical Handbook, and all lending decisions should adhere to the guidance contained within.** You can find a complete copy of the Technical Handbook on the Rural Development Directives Website, located at https://www.rd.usda.gov/resources/directives/handbooks. To access the Regulation, 7 CFR Part 3555, navigate to the same site above, then click on "Regulations and Guidance."

General loan scenario or policy questions may be sent to the Guaranteed Policy, Analysis and Communications Branch at sfhgld.program@usda.gov.

Additional lender resources, including up to date information on file turn times and a full listing of contacts based on topic, can be found on the Guaranteed LINC Training and Resource Website located at https://www.rd.usda.gov/resources/usda-linc-training-resource-library.

Lenders can also utilize USDA's Customer Access Lender Line (CALL), which is available to provide turn time updates, as well as access to specialists and analysts who are available to answer your questions on specific files, lender recertifications and approvals, policies and scenarios, and Guaranteed Underwriting System (GUS) technical questions. The toll-free number for CALL USDA is (833) 314-0168, which is available from 9:00 am to 3:30 pm ET.

Critical program information such as policy updates, funding status, and automation changes are sent by email through GovDelivery. Lenders are encouraged to sign up for GovDelivery notices at:
https://public.govdelivery.com/accounts/USDARD/subscriber/new.

Thank you for supporting the Single Family Housing Guaranteed Loan Program!

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Appraisal and Property Requirements

Appraisal (HB-1-3555, Chapter 12)

- **Do appraisers need to be on an approved list to complete appraisal reports for Rural Development loans?**

  No, Rural Development does not maintain a list of approved appraisers. It is the responsibility of the lender to select qualified appraisers that are properly licensed or certified, as appropriate, in the state in which the property is located.

- **The lender has determined there are significant concerns with an appraisal. Can a second appraisal be ordered?**

  Rural Development does not require that the first appraisal ordered must be utilized for underwriting. The approved lender may order an alternate appraisal if the initial appraisal report is unacceptable.

- **If a lender obtains a second appraisal, can the cost be financed as part of the loan?**

  Closing costs that are reasonable and customary can be paid with loan funds. Generally, one appraisal is considered customary; therefore, the cost associated with only one appraisal can be financed.

- **Is Form 1004MC required?**

  No, Form 1004MC is not required.

- **The appraised value is lower than the purchase price. An addendum to the Purchase Agreement was executed to reduce the purchase price. Does the addendum need to be sent to the appraiser to update the report?**

  Rural Development does not require the appraisal report to be updated, however, the amendment to the contract must be retained in the lender's permanent loan file.

- **Can an appraisal be transferred between applicants?**

  No, appraisal transfers can only be between lenders for the same applicant.

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- **Are "as improved" appraisals acceptable?**

  Yes, "as is" or "as improved" appraisals are acceptable. When an "as improved" appraisal is obtained, Fannie Mae Form 1004D/Freddie Mac Form 442, Appraisal Update and/or Completion Report, may be utilized by the lender to report the completion of a repair and/or satisfaction of requirements and conditions noted in the original appraisal report.

- **An appraisal is being transferred from another Lender. The appraisal was completed as-is, however, the appraiser noted repairs are needed. Does requiring an Appraisal Update (1004D) to account for the repairs invalidate the appraisal report transfer?**

  An appraisal transfer must meet the guidance in HB-1-3555, Chapter 12. If the appraisal calls for repairs or additional inspections, those issues must be addressed. If the lender requires an Appraisal Update (1004D), then the lender is responsible for engaging the original appraiser to provide the 1004D. This does not invalidate the appraisal report transfer.

Condominiums (HB-1-3555, Chapter 12)

- **What documentation is required to support a condominium's eligibility?**

  HB-1-3555, Chapter 12 states that lenders must retain evidence that they have reviewed condominium documentation that supports the project's approval or acceptance by HUD/FHA, VA, Fannie Mae, or Freddie Mac. The lender must determine the documentation needed to make that determination.

- **Is a condominium that is not on the FHA approved condominium list, but meets Fannie Mae guidelines, eligible for the Guaranteed Loan Program?**

  Yes, units in a condominium project may be eligible if the condominium can be approved or accepted by HUD/FHA, VA, Fannie Mae, or Freddie Mac. The lender must document their decision and retain all supporting information in their permanent loan file.

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Manufactured Homes (HB-1-3555, Chapter 13)

- **Does USDA allow the financing of existing manufactured homes?**
  Yes, please refer to the existing manufactured home guidelines in HB-1-3555, Chapter 13.

NEW

- **Are single-wide manufactured homes eligible for a USDA guarantee?**
  Yes, single-wide manufactured homes are eligible as long as the unit meets the manufactured housing requirements in HB-1-3555, Chapter 13.

- **Is there a list of approved manufactured dealers?**
  No, the Single Family Housing Guaranteed Loan Program does not approve manufactured home dealers.

- **Can a manufactured home with a foundation that doesn't meet the guidelines be retrofitted, and is the cost of retrofitting an eligible loan purpose?**
  Yes, a contractor can retrofit the foundation to meet program guidelines. The retrofit cost is an eligible loan purpose, but the Loan Note Guarantee cannot be issued until after the retrofit is complete and the home meets the eligibility criteria for an existing manufactured home.

New Construction and Rehabilitation (HB-1-3555, Chapter 12)

- **Is a purchase transaction where the home was built within the past 12 months considered a new construction transaction, thus subject to the applicable new construction documents?**
  Yes, dwellings less than 1-year-old and never occupied are considered new construction and the documentation requirements for new construction are applicable.

- **An applicant already owns land and wants to build a home on the property. Is this considered a purchase or a refinance?**
  Even though the land is already owned by the applicant, lenders should select "Purchase" in GUS for this type of transaction.

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- **Based on the location of the property, we are unable to obtain a Certificate of Occupancy. Is there other documentation that can be obtained to satisfy the new construction requirements?**

  When a Certificate of Occupancy cannot be obtained, the lender may obtain copies of the three construction phase inspections, as identified in Chapter 12 of HB 1-3555, and a one-year builder warranty: or alternatively, a copy of the final inspection and a 10-year insured builder warranty.

- **If there is no building inspector for the local jurisdiction, who can complete the final inspection?**

  It is the lender's responsibility to find an alternative, qualified inspector when the local jurisdiction does not perform construction inspections.

- **Are there any options available when the construction documents identified in Chapter 12 of HB-1-3555 are not able to be obtained on a new construction home?**

  New home purchase transactions that cannot meet the minimum required plan certification, inspections, and warranty documentation requirements outlined in Chapter 12 of HB-1-3555 are limited to a 90 percent loan to value (LTV).

- **A property that was previously used as an income producing operation, has since been converted into a single-family residence. Could this property be considered for approval?**

  In order for a property to be considered eligible, the property must be predominately residential in use, character, and design. If the property is considered income producing, regardless of the applicant's future intent, it would not be eligible.

New Construction – Single Close Loan (HB-1-3555, Chapter 12)

- **What is the maximum loan to value for single close transactions when reserves are financed?**

  The total loan amount, including any reserves financed, cannot exceed 100% loan to value. The loan may exceed the appraised value only by the amount of the upfront guarantee fee being financed.

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- **What are the benefits of using the single close feature?**

  Both options in the single close feature reduce the cost for the applicant, as there is only one closing. An optional interest reserve, contingency reserve, and Principal, Interest, Taxes, and Insurance (PITI) reserve can be financed as part of the loan, depending on the type of single close transaction utilized. In addition, lenders are provided the protection of the Loan Note Guarantee throughout the construction period.

- **Is there only one single close loan feature available?**

  No, there are two options under the single close loan feature.

  The first option allows financing of an interest reserve and a contingency reserve, with interest only payments during the construction period. The loan is reamortized at the completion of construction.

  The second option allows the financing of a (PITI) payment reserve in addition to a contingency reserve. The loan begins amortizing and is eligible to be securitized immediately on a 30-year schedule, eliminating the need for reamortization, and allowing the lender to sell the loan prior to the completion of construction.

- **Is there a minimum repair amount required to qualify for the purchase with rehabilitation and repair program?**

  No, there is not a minimum repair amount.

- **Does a single close transaction need to be reamortized at the end of the construction period?**

  If option one is utilized, only interest payments are made through the construction period. A reamortization would be processed following the completion of construction.

  With option two, principal and interest payments are made throughout the construction period, whether through the borrower's personal funds or a PITI reserve. Since the loan begins amortizing and is eligible to be securitized immediately, reamortization is not necessary.

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- **Where do I go to complete the reamortization process at completion of the construction for a Single-Close loan?**

  At construction completion, lenders must report the final construction in the Lender Loan Closing/Administration page using the USDA's Single-Close New Construction Reference Guide. This resource provides step-by-step instructions for entering the final loan terms and completing the reamortization process. You can access the Reference Guide at Single-Close New Construction Reference Guide under "Construction Completion".

- **What happens to excess reserve funds financed within the single close feature once construction is complete?**

  Excess reserve funds are applied to the principal balance of the loan.

Property Eligibility (HB-1-3555, Chapter 12)

- **When a title commitment reflects an exception for an oil and gas lease, what procedures should be followed if there is no evidence of any type of production on subject property?**

  For purchase transactions, Rural Development does not prohibit mineral, oil, or gas leases. The lender must determine the primary reason for the purchase is a residential residence. Any income earned from these leases must be included in annual income. The lender must also confirm the dwelling, and site will not be adversely affected and that the property has adequate homeowners' insurance coverage.

- **Are applicants able to purchase a duplex?**

  One unit of the duplex may be eligible; however, they cannot purchase both units as it would be considered an income producing property.

- **Can loan funds be used to purchase a property to flip?**

  No, guaranteed loan funds must be used to acquire a new or existing dwelling as the borrower's permanent residence. Purchasing a property with the intention to flip is not authorized.

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- **Are there specific criteria the subject property must meet to be acceptable?**
  Certification needs to be obtained from an appraiser or inspector determined qualified by the lender that the property meets the minimum property standards of HUD Handbook 4000.1.

- **Are cisterns acceptable?**
  Private well and wastewater systems must meet the minimum property standards of HUD HB 4000.1 or the requirements of the local and/or state health authority to be eligible.

- **Does Rural Development have restrictions on purchasing a home that may have been flipped by the seller?**
  It is the lender's responsibility to ensure any recently sold property's value is strongly supported when a significant increase in value between sales occurs. The lender must perform a thorough review of the appraisal report to validate and support the property's value and protect the applicants from possible predatory real estate lending practices.

- **Are there minimum or maximum square footage requirements?**
  There are no square footage requirements or limitations for stick-built housing. Manufactured homes must have a floor area of at least 400 square feet.

- **Is there an acreage limitation?**
  There is no specific limitation to the size/acreage of the site; however, it should be typical for the area. The appraiser must provide an explanation in the addendum of the appraisal to explain adjustments to comparable properties and how the subject compares to other properties in the area. In addition, the site cannot have income-producing land that will be used principally for income producing purposes. Vacant land or properties used primarily for agricultural, farming, or commercial enterprises are ineligible.

- **Are properties containing a swimming pool (in-ground or above ground) eligible?**
  There are no restrictions on in ground or above ground swimming pools.

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- **The applicant currently lives in the subject property and entered into a contract for deed agreement with the seller. Can the SFHGLP be used to refinance the existing contract for deed?**

  Yes, paying off a contract for deed is an eligible loan purpose as long as the borrower is not on title. Rural Development treats this as a purchase transaction, not a refinance.

- **We have a property address that returns "unable to determine" for property eligibility. What do we do?**

  There are times the mapping system cannot locate a specific property. When that occurs, the lender should accurately identify the exact location of the property and provide copies of the maps showing the correct property location with the application package. Lenders can obtain assistance with determining a property's eligibility by contacting the Guaranteed Policy, Analysis and Communications Branch at sfhgld.program@usda.gov.

Property Inspections (HB-1-3555, Chapter 12)

- **Can a non-FHA roster appraiser certify the property meets the requirements of HUD HB 4000.1?**

  Licensed or certified appraisers who are not FHA roster appraisers may certify the property meets the requirements of HUD Handbook 4000.1 if the lender determines the appraiser is thoroughly familiar with HUD Handbook 4000.1.

- **Are photos of comparable sales, crawl spaces, attics, condo common areas, and amenities required in appraisals**?

  To align with recent changes in the mortgage industry, photos of the crawl space, attic, condo common areas, and amenities are no longer required. In addition, the use of MLS images for comparable sales in place of original photos taken by the appraiser are acceptable.

- **Is a water quality test required on a refinance transaction?**

  Water quality tests are not required by Rural Development for refinance transactions; however, the lender may require additional inspections at their discretion.

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- **The initial appraisal indicated repairs were necessary. The repairs have been completed; however, the original appraiser is unavailable. Is it acceptable for a different appraiser to complete the final inspection?**

  A new appraiser may perform the final inspection if they are able to certify the improvements were completed in accordance with the requirements and conditions in the original appraisal report, provide photographs of the completed improvements, and sign the final inspection report.

- **For properties with privately owned wells, is there a need for water testing? If so, what elements must be addressed?**

  Yes, water quality tests are required on individual water systems. Rural Development does not identify specific elements that must be tested for. The water quality of the well must meet the requirements of the state or local authority. If the state or local authority does not have specific requirements, the maximum contamination levels established by the Environmental Protection Agency (EPA) will apply.

- **I have a property with a public water source for the home, however there is also a well on the property that is only used for watering the lawn. Does that well need to be inspected?**

  If the site has public water, it is assumed to meet state and local requirements with no additional documentation or inspections. The additional well, when it is not the primary source of water, does not require an inspection.

Repairs (HB-1-3555, Chapter 12)

- **At what amount should we establish an escrow account for repairs?**

  The funds escrowed must not be less than the repair cost contract. The underwriter may set amounts greater than the actual repair costs. Any financed escrow funds remaining after repairs are complete must be utilized for an eligible loan purpose or applied to the loan as a principal payment. If the borrower provides the escrow funds directly, any unused funds may be refunded to them.

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- **How many bids are required for escrow repairs?**
  Rural Development does not have a requirement for the number of bids to be obtained.

- **Will Rural Development issue a Conditional Commitment subject to a final inspection showing required repairs are complete?**
  Yes, a Conditional Commitment may be issued subject to the completion of all required repairs. The lender must verify the repairs are completed prior to loan closing for the loan to be eligible for the Loan Note Guarantee, or the lender can make the determination to allow for a repair escrow hold back.

Approval and Closing

Closing (HB-1-3555, Chapters 6 and 16)

- **Does USDA allow an applicant to close in a trust?**
  No, the two forms of ownership acceptable are fee-simple and secured leasehold.

- **Can an individual who is not a borrower be on title?**
  Any individual whose signature is required by state law must sign the security instruments to create a valid first lien. Rural Development does not prohibit additional parties from being on title.

- **Are deed restrictions allowed?**
  Rural Development does not dictate if or when deed restrictions are acceptable. It is the lender's responsibility to ensure they obtain marketable title with a first lien position and have the ability to foreclose and/or conduct loss claim servicing.

- **Does Rural Development require Agency specific loan documents? Is an occupancy rider required to be signed at closing?**
  Industry standard legal documents may be used. An occupancy rider is not required.

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- **Can the applicant get their earnest money, cost of an inspection or appraisal, and/or Homeowners Insurance premiums paid back at closing?**

  If the source of the funds can be properly documented to show they were initially paid by the applicant, the applicant can be reimbursed for these costs from loan funds at closing.

- **A loan closed at a higher loan amount than what was authorized on the Conditional Commitment. Can a principal reduction for the overage amount be completed?**

  No, since the loan has closed, a principal reduction is not acceptable. The lender may perform a loan modification to correct the loan amount to match the issued Conditional Commitment or request Rural Development to release the GUS loan back for correction.

- **Can loan fees that are paid with a credit card be reimbursed at closing?**

  No, loan fees paid by the applicant with credit cards or other short-term loans are not reimbursable at closing.

- **A loan closed at a higher interest rate than what was authorized on the Conditional Commitment. How can we proceed?**

  The lender may perform a loan modification to correct the interest rate to match the issued Conditional Commitment. If that is not an option, the lender must request a release of the GUS loan back for correction. Once the interest rate has been corrected, a new underwriting submission may be performed. Rural Development will review the updated submission and, if approved, issue a new Conditional Commitment.

- **The loan amount was established to include closing costs and repairs; however, the final invoice came in lower than expected. Can we lower the loan amount without having to resubmit the application?**

  Yes, if the Conditional Commitment has been issued, the lender may close the loan for a lower amount without having to resubmit the loan for review.

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- **Property taxes in many states are paid in arrears, which results in a large tax credit at closing. Can an applicant receive cash back as a result of this credit?**

  The credit may be used to pay for closing costs but cannot result in cash back to the applicant. Only costs initially paid by the applicant out of pocket can be returned to the applicant at closing.

- **When preparing for loan closing, it was identified there are excess seller paid costs that are not being used. Is it acceptable to use the extra seller paid costs as a principal reduction?**

  Yes, excess seller contributions can be applied as a principal reduction at closing or refunded to the seller. They cannot be disbursed as cash at closing to the applicant.

- **An application has been submitted to Rural Development for review; however, a Conditional Commitment has not yet been issued. Can the loan close since the file has been submitted to Rural Development?**

  No, the loan cannot close prior to issuance of the Conditional Commitment.

- **What options are available when the Conditional Commitment will expire prior to loan closing?**

  The lender has 90 days from the issuance of the Conditional Commitment to close the loan with an opportunity for one 90-day extension. The extension must be requested prior to the expiration of the Conditional Commitment. The lender is responsible for ensuring documentation of credit, income, assets, etc. are updated, as needed.

- **The applicant's credit report will be expiring prior to loan closing. Does the file need to be resubmitted in GUS?**

  Per the resubmission policy in HB-1-3555, Chapter 5, the bureau update of a credit report due to the expiration of the credit report does not require resubmission of the application if there is no adverse impact on the outcome of the underwriting recommendation. The lender must retain the updated credit report in their permanent loan file.

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- **Is a principal reduction at closing acceptable to prevent the applicant from receiving excess cash back? If so, is there a maximum principal reduction allowed?**

  Yes, a principal reduction at the time of settlement is acceptable. There is no limit on the amount of the principal reduction, however, the lender should determine if a loan modification would be a better option.

- **Is there a specific system that lenders need to access to obtain the Loan Note Guarantee?**

  Lenders may obtain the Loan Note Guarantee through the Lender Loan Closing System. For detailed instructions refer to the Lender Loan Closing Guide.

- **Does USDA allow for the applicant to sign documents electronically?**

  Yes, e-signatures are accepted. The lender is responsible for ensuring the e-signature is eligible and meets all legal requirements.

Eligible Loan Purposes (HB-1-3555, Chapter 6)

- **Are there restrictions on the amount of closing costs that can be financed?**

  Closing costs that are reasonable, and customary can be paid with loan funds. Closing costs cannot exceed those charged to other applicants by the lender for similar transactions such as FHA-insured or VA guaranteed first mortgage loans.

- **Is there a maximum interest rate that can be charged?**

  No, the lender and the applicant are free to negotiate any mutually acceptable fixed interest rate, in compliance with CFPB standards.

- **The market value, based on the appraisal, is slightly less than the purchase price and the seller will not lower the sales price. Can the applicant contribute the difference?**

  Yes, GUS and the application will need to reflect the additional funds needed for closing and the lender must verify the applicant has the funds available to close.

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- **Can an applicant use a small portion of the guaranteed loan to pay off personal debt?**

  No, paying off an existing debt is not an eligible loan purpose.

- **Does USDA allow non-arm's length transactions?**

  Rural Development does not restrict non-arm's length transactions. This should be disclosed to the appraiser, and any gifts of equity would need to comply with the requirements of HB-1-3555, Chapter 9.

- **Does USDA allow a 2-1 buydown rate?**

  Temporary buydowns are allowed if the requirements in HB-1-3555, Chapter 11 are met.

- **An applicant currently owns land with a mortgage on it and wants to build a home on the land. Can loan funds be used to pay off the existing mortgage on the land owned?**

  Yes, the remaining balance of the mortgage for the land is eligible to be included in the guaranteed loan. This would be treated as a "purchase" transaction in GUS.

- **Are there purchase price limits?**

  No, there are no defined purchase price limits.

- **Can the upfront guarantee fee be financed into the loan?**

  Yes, the upfront guarantee fee may be financed in the loan. When financed, the loan amount may exceed the appraised market value of the property by the amount of the fee being financed. When financing a new dwelling where the required construction documentation cannot be obtained, the loan is limited to 90% of the appraised market value, plus the financed portion of the upfront guarantee fee.

- **Can the cost of repairs be included in the loan?**

  Yes, repairs associated with the purchase of the dwelling are an eligible loan purpose.

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- **Are private transfer fees an eligible loan cost?**
  Loan funds may only be used to pay for reasonable and customary expenses related to obtaining the loan. The Lender is responsible for verifying that any existing or proposed encumbrance on title complies with Federal, State, and Local laws and does not interfere with the guaranteed loan's first lien position.

- **Is a ratio waiver required when ratios exceed 29%/41% on an Accept with Full Documentation GUS recommendation?**
  No, on a GUS Accept underwriting recommendation, the ratio waiver is automatically approved, even if the file was selected for a full documentation review.

- **Is a ratio waiver available on a purchase transaction when the ratios exceed 29%/41% on a Manually Submitted File, Refer, or Refer with Caution GUS recommendation?**
  Yes, a ratio waiver is available on a Manually Submitted File, Refer, or Refer with Caution submission if the ratios exceed 29%/41% and the applicant meets certain Agency requirements. Refer to HB-1-3555, Chapter 11 for details.

Refinance Transactions (HB-1-3555, Chapter 6)

- **How do we submit a Streamlined-Assist refinance application since it is not submitted through GUS?**
  The Streamlined-Assist application package should be submitted following the guidance provided in the Manual File Submission Job Aid, available in the LINC Training and Resource Library, under the Loan Origination tab.

- **Can existing subordinate "silent" seconds be included in the loan amount for a refinance transaction?**
  No, existing subordinate "silent" seconds (excluding Direct Loan recapture receivable accounts) cannot be included in the newly refinanced loan. They must be paid with other funds or remain subordinate to the new guaranteed loan.

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- **On a Streamlined-Assist refinance, are income and asset documents required?**
  Yes, income limits still apply, therefore, income and asset documentation must still be obtained.

- **Are ratio waivers required on refinance transactions?**
  Non-Streamlined and Streamlined refinance transactions may require a debt ratio waiver. Refer to HB-1-3555, Chapter 11 for details. Streamlined-Assist refinance transactions are not subject to ratio requirements; thus, a ratio waiver is not required.

- **Can a borrower receive cash back at closing on a refinance transaction?**
  Borrowers cannot get cash back with the exception of eligible expenses already paid out of pocket, as outlined in HB-1-3555, Chapter 6. Rural Development does not consider this a limited cash out refinance.

- **Is a Streamlined or Streamlined-Assist refinance limited to the initial loan amount?**
  No, the refinance transaction is not restricted to the initial loan amount. The maximum loan amount may include the principal and interest balance, eligible closing costs, and the upfront guarantee fee.

- **Do borrowers applying for a refinance have to meet the household income limits?**
  Yes, the adjusted annual maximum income limits apply to all guaranteed loans.

- **Can borrowers choose to do a 25-year (or shorter) term on a refinance?**
  No, a 30-year term is the only option, however, there is no penalty for extra principal payments made.

- **Can a borrower refinance a property that was originally located in an eligible rural area, but no longer is?**
  Yes, any existing USDA Direct or Guaranteed loan is eligible to be refinanced, even if it is now located in a non-eligible rural area.

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- **Can discount points be financed on a refinance?**
  Yes, discount points used to reduce the interest rate are eligible and may be financed on all loan types. However, discount points charged for any other purpose (such as lender profit or fee structuring) are not eligible and cannot be financed.

- **Two borrowers who currently have a USDA Mortgage are going through a divorce. As part of the divorce, one borrower needs to give the ex-spouse $20,000 as their share of equity in the house. Is this allowed through a refinance with USDA?**
  No, cash out from collateral equity is not an eligible loan purpose.

- **Are private well and septic inspections and/or water quality tests required for a refinance?**
  No, inspections, including water quality tests, are not required for refinance transactions, however, the lender may require additional inspections at their discretion.

- **My borrower has a manufactured home that is older than 20 years old and has a USDA loan. Are they eligible to refinance it?**
  Yes, if they have an existing USDA Section 502 Direct or Guaranteed loan, regardless of the home's age, they are eligible to refinance it.

- **Are conventional loans eligible to be refinanced?**
  No, only current Rural Development Direct and Guaranteed Loans are eligible to be refinanced.

- **If an applicant has an escrow shortage on the mortgage and they are refinancing with the SFHGLP, may the lender include additional escrow funds in the new loan amount?**
  Yes, for all SFHGLP refinance types, the lender may include escrow items that are due and payable at closing and funds needed to establish the new escrow account for real estate taxes, hazard insurance, flood insurance, and related costs. These amounts are considered eligible closing costs and may be financed into the new loan.

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Secondary Financing (HB-1-3555, Chapter 16)

- **Can down payment assistance programs be utilized?**
  Yes, down payment assistance programs may be utilized as long as the guaranteed loan remains in first lien position.

- **Are funds received through down payment assistance programs considered in the conventional credit test?**
  No, these are not the applicant's own funds, therefore, they are not included in the conventional credit test.

- **How should down payment assistance program funds be entered in GUS?**
  To include down payment assistance, complete the "Other New Mortgage Loans on the Property You are Buying or Refinancing" section of the Loan and Property Information page. In addition, the monthly payment associated with the second mortgage would need to be entered as "Subordinate Lien P&I" in the Mortgage Loan Information section of the Lender Loan Information page. Additional information on utilizing GUS can be located in the GUS Lender User Guide, located in the USDA LINC Training and Resource Library, under the Guaranteed Underwriting System (GUS) tab.

- **Does Rural Development have a maximum CLTV?**
  The CLTV must not exceed the property's market value plus the guarantee fee, except when a "soft-second" for down payment and/or closing costs causes the overage. The lien position criteria outlined in HB-1-3555, Chapter 16 must be met.

- **Are disaster relief grants allowed?**
  Yes, as long as the lien position criteria outlined in HB-1-3555, Chapter 16 is met.

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Seller/Interested Party Contributions (HB-1-3555, Chapter 6)

- **Is there a limit on seller concessions?**
  Seller contributions (or other interested parties) are limited to 6% of the sales price and must represent an eligible loan purpose. Funds provided by the seller to pay the buyer's real estate commission fees are not included in the interested party contribution limitation.

- **Is it acceptable for the seller to pay the upfront guarantee fee?**
  Yes, seller contributions may be used to pay all or part of the upfront fee.

- **Can seller concessions or Real Estate Agent commissions be used to pay off debt for the applicant?**
  No, the seller and Real Estate Agent are interested parties in the transaction. Any funds contributed to the transaction from interested parties must be for an eligible loan purpose, such as closing costs or prepaids. Paying the applicant's debt to qualify for the loan is not an eligible loan purpose.

- **The seller will be paying $1,200 to the applicant for a carpet allowance. How do we structure this?**
  The carpet either needs to be replaced prior to closing or the funds need to be set up as a repair escrow. The applicants cannot directly receive the funds for the carpet at closing.

- **In states where real estate taxes are paid in arrears and the seller is giving a credit for a portion of the taxes, how do we enter this in GUS?**
  The seller's prorated taxes are entered in the seller credit section. A tax pro-ration documents the seller's portion of an upcoming tax bill. This is considered a seller credit, but not a seller concession, as the seller paying something they owe is not above and beyond what they normally pay. Additional information on utilizing GUS can be located in the GUS Lender User Guide, located in the USDA LINC Training and Resource Library, under the Guaranteed Underwriting System (GUS) tab.

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Credit Underwriting

Applicant Eligibility (HB-1-3555, Chapter 8)

NEW

- **Can an applicant add an unborn child as a household member?**
  No, only children who have been born may be included as a household member.

- **An applicant has enough liquid assets to put 20% down and pay all closing costs. However, the total debt ratio will exceed 36%. Is the applicant eligible?**
  Yes, the applicant qualifies since the cumulative criteria from HB-1-3555, Chapter 8, cannot be met.

UPDATE

- **Do liquid funds in a self-employed applicant's business account count towards the conventional credit test?**
  No, business assets that are specifically designated for business accounts **and not co-mingled with personal assets,** are not considered in the conventional credit test.

- **I have a client who currently owns a home, which was not financed by Rural Development. The individual is relocating for a new job. Is there a minimum number of miles required between homes to be eligible?**
  No, the Handbook does not stipulate a required distance when an applicant is relocating. The approved lender must document the permanent loan file with documentation supporting the requirements of HB-1-3555, Chapter 8 have been met.

- **Are dwellings owned by the applicant's business considered retained dwellings, as defined in HB-1-3555, Chapter 8?**
  If the dwellings are owned by a business, and not the applicant as an individual, they would not be considered retained dwellings of the applicant and the requirements for retained dwellings in HB-1-3555, Chapter 8.2(A) would not apply. However, transferring a home into a business name to meet this requirement is prohibited.

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- **An applicant's parents have a life estate that indicates the property will transfer to the applicant upon the parents' death. Does Rural Development consider this a property the applicant owns?**

  Since the property will not transfer to the applicant until the parents' death, the property is not considered to be the applicant's dwelling at this time. Thus, it is not considered a retained dwelling.

- **Is homebuyer education counseling required?**

  Homebuyer education counseling is recommended but is not required.

- **An applicant recently sold their home and has funds available to qualify for 20% down payment. The applicant wanted to use those funds to furnish the new home they are purchasing. Would it be acceptable for the applicant to provide a letter stating the proceeds will be used to furnish the new home, thereby not counting towards the 20% down payment requirement?**

  Applicants may not exclude funds from asset calculation by "earmarking" them for another purpose. As part of the final submission to the Agency, the lender and applicant will certify on Form RD 3555-21 that the applicant is unable to secure conventional credit, as defined in HB-1-3555, Chapter 8. If you have documentation that indicates the applicant will meet the criteria to obtain conventional credit at the time of loan closing, that will need to be considered when certifying on Form RD 3555-21.

- **My borrower owns a manufactured home which will be retained after closing. Does it need to be considered a retained dwelling?**

  Yes, a manufactured home is considered a retained dwelling. However, if the borrower meets all criteria in HB-1-3555, Chapter 8.2(A), they may still be eligible for a guaranteed loan.

- **If the applicant owns an investment property, but has not owned a primary residence in the last 3 years, are they eligible for a Rural Development loan?**

  It is not the intent of the program to assist individuals in building an investment portfolio. Whether the applicant resides in the retained home or not, the requirements in HB-1-3555, Chapter 8 apply.

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- **Do the requirements in HB-1-3555, Chapter 8 for retaining a dwelling apply solely to the applicants, or all household members?**
  The requirement regarding retaining ownership in a dwelling only pertains to the applicants.

- **An applicant co-signed on a non-Rural Development mortgage but hasn't lived in the property. Will being a co-signor on another property that will not be sold make them ineligible?**
  If the applicant is only a co-signer, he/she does not own the dwelling and is, therefore, not rendered ineligible. However, the liabilities associated with the loan may affect the applicant's repayment ratios.

- **An applicant owns an empty lot. Does this render the applicant ineligible?**
  No, land without a dwelling does not need to meet the criteria for a retained dwelling.

- **The applicant has a current Rural Development mortgage; however, the home was awarded to the ex-spouse in a divorce. Is the applicant eligible for another Rural Development loan if the ex-spouse has been making the payments?**
  No, unless the remaining borrower refinances the Rural Development loan, both remain liable for the loan. Borrowers cannot have more than one Rural Development loan outstanding.

Assets (HB-1-3555, Chapter 9)

- **Is there a limit on the amount of liquid assets an applicant can have in reserves?**
  No, there is not a specified limit on the amount of assets. However, the test for conventional credit, based on the requirements outlined in HB-1-3555, Chapter 8, still applies.

- **Can a College Savings Plan (529 Plan) be included as reserves?**
  Funds in a 529 plan may be withdrawn at any time, although incurring penalty fees to do so. Thus, 60% of the amount available to the applicant may be used for reserves.

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- **Can 401K or IRA funds be considered for reserves?**

  The lender can consider up to 60% of the vested amount of the retirement account as reserves. Any funds borrowed from these accounts, such as a 401k loan, are not considered cash reserves. Retirement accounts that restrict withdrawals to circumstances involving the applicant's employment separation, retirement, or death should not be considered as a cash reserve.

- **The applicant holds an active real estate license and is representing themselves on the sales contract. Can the commission earned at closing be counted as reserves?**

  The applicant can act as their own agent, however, the sales commission to be earned at closing is not eligible as reserves.

- **What figure is used to determine the balance on a checking or savings account for reserves?**

  Lenders must not exceed the balance from the most recent official monthly bank statement provided by the banking institution, a third-party verification, or the verification of deposit, if dated after the bank statement. Lenders may choose to use a lower balance at their discretion. Online screen print outs of transactions are not permitted.

- **Can borrowed funds be used to pay off debts?**

  Yes, as long as the payment for the funds borrowed is included in the total debt ratio.

- **Can the proceeds from the sale of a home be considered for reserves?**

  Verified sales proceeds can be considered reserves. Documentation to verify sales proceeds includes the closing disclosure, or acceptable alternative, and verification of where the proceeds are held and their availability to the applicant. Lenders should include the amount as an "Other Asset" labeled as "Proceeds from Real Estate Property to be sold on or before closing" to ensure GUS to recognizes the inclusion in cash reserves. Additional information on utilizing GUS can be located in the GUS Lender User Guide, located in the USDA LINC Training and Resource Library, under the Guaranteed Underwriting System (GUS) tab.

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- **If an applicant does not need funds to close, are we required to verify assets?**
  Yes, assets must be verified whether they are required for funds to close or not. Assets may affect income eligibility in HB-1-3555, Chapter 9 and applicant eligibility in HB-1-3555, Chapter 8.

- **Do joint asset accounts, where the other party is not on the loan, need to be verified and included?**
  Yes, all assets of the applicant, even if they are jointly held with another party, must be disclosed, and included in the net family assets.

- **The guideline for obtaining bank statements for checking, savings, and money market accounts indicates we are to obtain two months of the most recent statements. Is that considered most recent upon submission to Rural Development or the application date?**
  The most recent statements at the time of loan application. Please note that the statements cannot be greater than 120 days old at the time of loan closing.

- **I have a file that is a refer. If they do not have any assets or earnest money being credited, do I need to submit asset documentation in the application package?**
  Yes, all asset accounts need to be documented and included in the complete application package.

NEW

- **Can I use a transaction statement to update cash to close?**
  Yes, a transaction statement may be used to verify cash to close when updating the funds before closing. The funds must be used exclusively for cash to close. The transaction statement must identify the borrower, show the transaction history, and allow the lender to trace the funds used at closing. In GUS, the cash-to-close amount must be entered as "Cash on Hand" under Additional Assets. A transaction history cannot be used to verify reserves. The lender must also ensure the depository account has been verified in accordance with Agency requirements in HB-1-3555 Chapter 9-A Assets.

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- **Can a borrower print out a transaction statement, register, or list of their account activity and have it stamped by the banking institution in place of the official bank statements in regard to assets and reserves?**

  No, the printouts need to be the most recent official monthly bank statements, a third-party verification, or a verification of deposit provided by the banking institution. Applicants cannot print out a partial transaction statement (e.g., 30 or 60 days) that shows the URL and have the financial institution stamp and date it. Official monthly bank statements obtained through the institution's website are permitted. For guidance on gifts, refer to HB-1-3555, Chapter 9.

UPDATE

- **My borrower has multiple payment app deposits (Cash App, Venmo, PayPal, Zelle, etc.) on their bank statements. Do I need to investigate all of them?**

  Payment App accounts must be verified like any other liquid asset, including confirming ownership, available balance, and source of funds. These accounts must also be included in the conventional credit test. Multiple payment app deposits received in a month are not automatically considered recurring income; the lender must review the statements to determine if the deposits represent recurring income. Any individual deposits over $1,000 must be investigated to confirm the deposit is not from an undisclosed income source. All statements used for this review must be submitted with the loan request.

- **Can unsecured borrowed funds be used as reserves or funds to close?**

  No, unsecured loans, including borrowing funds from a personal loan, credit card advance, etc., are not eligible for reserves or funds to close.

- **Can a lender utilize a 3rd party vender to obtain the applicant's bank statements?**

  Yes, it is acceptable to use 3rd party vendors when it is standard industry practice.

Credit History (HB-1-3555, Chapter 10)

- **Are medical collections required to be paid?**

  No, Rural Development does not require medical collections be paid for any type of submission (GUS Accept, Refer, etc.).

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- **An applicant has 2 credit scores, with the third credit score frozen. Does the third score need to be unfrozen?**

  Yes, applicants must ensure credit data frozen at any credit repository is made available.

- **An applicant has a clear CAIVRS result but has had a wage garnishment for over 3 years on a US Education loan. Is the applicant eligible since the CAIVRS was clear?**

  No, even when the applicant's CAIVRS is clear, if the credit indicates there is a delinquent federal debt, the applicant is ineligible unless the debt is paid in full, or a release of liability is documented.

- **The GUS underwriting report indicates that CAIVRS has identified the applicant has a delinquent Federal debt, however, we have documentation that this is no longer in the applicant's name. How do we proceed?**

  An "A" CAIVRS response is the only acceptable result for an applicant to be eligible. The applicant will need to contact the federal agency involved to clear it. A CAIVRS response of "A" will need to be obtained outside of GUS and uploaded to GUS as part of the complete loan application. See Appendix 7 for instructions.

- **Can overdraft protection attached to a checking account be used as a non-traditional tradeline?**

  No, overdraft protection is not a credit obligation and is not used as an alternative tradeline.

- **The applicant has an outstanding judgement. Can it be paid in full at closing?**

  A judgment may be paid off at closing as long as loan funds or seller concessions are not used to pay off the debt. The declarations will need to indicate the applicant has an outstanding judgment, since it is outstanding at loan application. It is the lender's responsibility to ensure debts paid at closing are paid with the borrower's personal funds and that any state specific requirements that may influence the validity of the first lien position have been considered.

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- **An applicant previously had a USDA foreclosure. Are they eligible for a new loan through Rural Development?**

  Attachment 10-A outlines the documentation that must be submitted as part of the fully underwritten loan file when a previous Agency loss has occurred within seven years prior to submission to the Agency. Rural Development will review the information and determine the applicant's eligibility. There is no pre-approval process available, the determination will be made after reviewing the complete application package.

- **How is delinquent child support verified to determine if it is subject to administrative offset? If CAIVRS is clear, is that sufficient?**

  Administrative offset allows for the interception of certain federal payments in order to collect past due child support. As delinquent child support is not a Federal debt, it is not reported to CAIVRS. Thus, a clear CAIVRS alone would not provide evidence there is not an administrative offset in place.

  Each state has an office(s) of child support enforcement. When a state refers delinquent child support to the Department of Treasury, they simultaneously report the delinquent child support to the credit bureaus. Lenders typically discover delinquent child support from the credit report, and they should then conduct due diligence to learn whether an administrative offset referral was made by the state to the Department of Treasury. Verification from the child support enforcement agency may be necessary to verify if the delinquent child support is subject to administrative offset.

  Lenders must document the loan file with verification an applicant with delinquent child support is not subject to administrative offset. This can be accomplished by obtaining verification in writing from the child support enforcement Agency or, if obtaining a written verification is not possible, documenting the loan file of the verbal conversation held.

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- **On a GUS Refer, the applicant only has one score. However, there are enough tradelines to meet the credit score validation requirements. Are non-traditional tradelines also required?**

  No, only one credit score is required as long as the credit score has been validated.

- **On a GUS Refer loan, there are 2 applicants on the loan and the primary applicant has a credit score and meets the requirements for a validated credit score. The co-applicant does not meet the validation criteria. Can I proceed?**

  At least one applicant must have a validated credit score. The other applicant(s) are not held to specific tradeline requirements.

- **On a GUS Accept file, the applicant does not meet the minimum tradelines identified for a validated credit score. Are non-traditional tradelines required to be obtained?**

  No, GUS Accept files do not require credit score validation. No further tradelines are required.

- **An applicant has 2 tradelines reporting, one for 74 months and one for 9 months. A credit supplement showing the 12 months reporting on the second account was obtained. Does this file need to be downgraded?**

  GUS Accept recommendations do not require credit score validation, thus a downgrade is not required.

- **An applicant has 3 accounts through their insurance agent, 2 vehicles and a rental policy. Although they are 3 separate accounts, the applicant pays them through one bill each month. Does this count as 1 non-traditional credit tradeline or 3?**

  One combined bill counts as one alternative tradeline.

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- **If an applicant has 2 auto loans reporting for 8 months and 4 months each, can we use the aggregate of that to meet the requirement of an account reporting for 12 months?**

  No, you cannot use the aggregate of 2 accounts to report for 12 months. A tradeline must have been opened for a full 12 months to be an eligible tradeline for the purpose of validating a credit score.

- **If an applicant has fewer than 12 months of housing payment history, should the lender enter the monthly housing payment in GUS?**

  No. If the applicant has less than 12 months of verifiable housing payment history, the lender should not enter a housing expense in GUS and should select "No Primary Housing Expense." Entering a housing payment with fewer than 12 months of history triggers the 545 Finding, which requires 12 months of validated housing payments. Because the lender cannot clear this finding, selecting "No Primary Housing Expense" avoids an unnecessary requirement. This applies even if the applicant is currently making a housing payment. The key factor is whether 12 full months of documented history exist.

- **Can my borrower use verifications from two different addresses to combine 12-months rental history for non-traditional credit?**

  Yes, as long as the combined 12-month rental history does not have any gaps it can be used for non-traditional credit. This guidance is specific to rental history only.

- **An applicant has medical collections which are disputed. Does the file have to be downgraded because of the disputes?**

  Lenders may exclude disputed medical accounts and collections; therefore, no downgrade is required.

- **If the credit report states an account was previously in dispute, but now resolved, is it still considered a disputed account?**

  If the disputed account indicates the dispute has been resolved, it would no longer be considered a disputed account.

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- **Is repayment on a 401K loan considered an acceptable non-traditional credit tradeline?**

  401K loans are considered personal funds, thus not an acceptable source for non-traditional tradelines.

- **An applicant has NSF fees reflected on bank statements. Is there anything additional required?**

  NSF fees generally do not affect the applicant's credit score, nor are applicants required to have reserves. However, it remains the approved lender's responsibility to review the credit history of an applicant to determine an ability and willingness to meet their obligations.

- **Do delinquent state taxes prohibit an applicant from qualifying?**

  Delinquent state taxes should be treated as an unpaid debt/collection. The approved lender should evaluate whether the debt poses a threat to the first mortgage lien and if it is likely to have an adverse impact on the equity or applicant's repayment ability.

- **Does an authorized user tradeline need to be removed from the credit report?**

  No, an authorized user tradeline does not need to be removed from the credit report. An authorized user account is not taken into consideration in the credit score. The lender will determine whether it should be excluded from liabilities.

- **Will Rural Development guarantee a loan where the applicant has less than 3 years from bankruptcy?**

  A guarantee is possible depending on the GUS Findings and overall file documentation. If a GUS Accept is obtained, no further documentation is required. If the results are a GUS Refer, the requirements of HB-1-3555, Chapter 10 would apply, and a credit exception would need to be documented by the underwriter.

- **Is the requirement for 3 years from date of bankruptcy referring to 3 years from application date or 3 years from note date?**

  The discharge date must be 3 years from the date of submission to the Agency to not be considered adverse credit.

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- **One of the compensating factors for a ratio waiver on a refinance transaction states, "Continuous employment with the current primary employer". What amount of time is required to use this compensating factor?**

  The Agency does not prescribe a minimum history in order to apply this compensating factor to the credit analysis. The underwriter is advised to use prudent judgement and sound business practices when requesting a ratio waiver.

- **Does a Refer recommendation in GUS automatically require a credit exception?**

  A credit exception is only required if the refer is due to a credit issue or if the GUS findings require a credit exception to be documented.

Employment/Income (HB-1-3555, Chapter 9)

- **The applicant currently lives with their significant other but indicates that person will not be living with them in the home being purchased. Is a letter of explanation indicating this sufficient?**

  Since the parties currently live together as a family unit, the income of the significant other must be included unless evidence to support they have been living apart for three months is obtained.

- **The lender requested tax transcripts on an adult household member. The IRS responded with No Record of Return Filed. The household member is not required to file taxes based on his income level. Is this acceptable?**

  The lender should retain the response, of No Record of Return Filed in their permanent loan file as documentation. Additionally, the file should include a brief explanation confirming that the household member is not required to file taxes due to income level.

- **An applicant receives shift pay. Can this be included in repayment income?**

  If there is at least a 12-month history of receipt, it may be considered for repayment income.

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- **What should a lender include in the permanent loan file when IRS transcripts cannot be obtained for a borrower or household member who is required to file?**

  The lender must document all correspondence and attempts to obtain transcripts. This includes IRS responses (No Record of Return Filed) and written explanation of the circumstances. The lender's permanent file is considered complete when this documentation is obtained and the explanation is specific, reasonable, and accepted by the underwriter. Please note, the lender is responsible for verifying that the applicant has filed their tax return if the IRS requires it. Applicants who have not filed, as required by the IRS, are not eligible.

- **What if my applicants reside in a U.S. territory and are not required to file U.S. Federal income taxes?**

  If the applicants reside in a U.S. territory such as Guam, American Samoa, Puerto Rico, the U.S. Virgin Islands, or the Commonwealth of the Northern Marian Islands, and are not required to file U.S. Federal income taxes, the lender must obtain the equivalent tax filing for the territory, as applicable.

- **An applicant is separated from their spouse; however, it is not a legal separation. What documentation would be required to exclude spouse's income from application?**

  The income of the spouse must be included unless evidence to support they have been living apart for three months is obtained or court proceedings for divorce or legal separation have commenced.

- **Is there a maximum length of a job gap that is allowed?**

  No, there is no threshold or length of job gap specified in the Handbook. Approved lenders are responsible for analyzing any gaps in employment to determine stable and dependable income.

- **Do we need to request tax transcripts if we already have copies of the applicant's tax returns?**

  Yes, the lender must request tax transcripts in all cases.

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- **Can a recent raise in income be considered for repayment income?**

  Increases in wages may be justified when the applicant's employment is stable and dependable, as determined by the lender. If the increase is due to a promotion with the same employer, then the underwriter has the discretion to justify the increase based on the applicant's employment stability.

- **Chapter 9 of HB-1-3555 states that a one-year history of earning commission is required to be considered for repayment income. Is the one-year timeframe required to be from the same job?**

  It is not required that the history of commission income is from the same job, but it must be from positions within the same line of work. It is the approved lender's responsibility to analyze the complete income history to determine if there is enough information to accurately calculate the income and determine the income to be stable and dependable.

- **An applicant has been with their current employer for 8 months, earning base wages and overtime. Previously, the applicant worked in the same line of work for over 2 years and also earned overtime. Can we consider previous employment history to meet the 1-year history of overtime income for repayment purposes?**

  If the previous employment was in a similar position, in the same line of work, the underwriter may consider that in the history of overtime received. It is the approved lender's responsibility to review the complete income history to determine if the overtime is stable and dependable.

- **Can social security income received on behalf of a minor be included for repayment income?**

  Benefits received by the applicant on behalf of a minor may be utilized for repayment income as long as the income is received at the time of the loan application, and it is confirmed to continue a minimum of three years into the mortgage.

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- **The non-purchasing spouse receives social security income on behalf of a minor. Can this income be used for repayment purposes?**

  If the income is paid solely to the non-purchasing spouse, it cannot be used in repayment income, even if it is deposited into a joint checking account.

- **Are mileage or per diem reimbursements included in income?**

  If the income is taxable income, it should be included in annual income and may be considered for repayment income. If the income in non-taxable, it is considered reimbursement and is not included in income calculations.

- **An applicant finished college and began working at a job in the field of her degree for the past 2 months. Can this income be considered for repayment income?**

  Yes, the one year required history may be met through a combination of employers, education, or military service. It is the approved lender's responsibility to analyze the complete income history to determine if there is enough information to accurately calculate the income and determine the income to be stable and dependable.

- **Does an applicant need to receive a paystub before we can submit their loan application if they have an employment contract and have already started their new job?**

  No, if the applicant has received a contract/employment offer and meets all the requirements under the contract/employment offer in Attachment 9-A, an earning statement is not needed. However, if the borrower does not have a contract/employment offer, the lender must fully document the applicant's income, which includes payroll earning statements.

- **Are there specific requirements for applicants who work for a family-owned business?**

  The lender is responsible for fully analyzing and documenting an applicant's employment/income. There are no specific requirements when it involves a family-owned business.

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- **Are tax credits, such as the Child Tax Credit, included in annual and/or repayment income calculations?**

  With the exception of the Mortgage Tax Credit Certification (MCC), tax credits are not included in annual or repayment income calculations.

- **An applicant is in a new position, with less than 12 months of employment at the current job. The previous employment was in a different line of work but verified history with no gaps. Is this acceptable?**

  Changing lines of work does not automatically disqualify an applicant. The lender is responsible for analyzing the applicant's employment and income history to determine if they have 12 months continuity, as well as to determine if the current income is stable and dependable.

- **An applicant has been on the current job for 6 months and is required to work mandatory overtime. Since the overtime is mandatory, can it be counted for repayment income?**

  Even if the overtime is mandatory, a 12-month history of receipt is required to be considered for repayment income.

- **Since the income calculation pages were removed from Form RD 3555-21, are we still required to document adjusted annual income, annual income, and repayment income calculations?**

  Yes, lenders are still required to document adjusted, annual and repayment income calculations in their permanent loan file. Lenders may utilize Attachment 9-B, Form 1008, or an equivalent. Submission of the lender's calculations is only required on manual submissions, and GUS Refer, Refer with Caution, and Accept with Full Documentation recommendations.

- **Since the Verbal VOE requirement has been removed from the loan application checklist, does this mean it is no longer required?**

  No, a Verbal VOE is required to be obtained within 10 business days of closing. In most cases, this will occur after the application has been submitted to the Agency in order to meet the 10-business day timeframe.

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- **Does gambling income need to be included in annual income?**
  If there is a history of earnings from gambling, it would need to be considered when calculating annual income. Ultimately, it is the approved lender's responsibility to review the complete income history to determine what is expected to be received in the ensuing 12 months and to document the permanent loan file to support their lending decisions.

Gifts (HB-1-3555, Chapter 9)

- **Who is considered an eligible gift donor?**
  Gift funds may be received from any uninterested third party as long as the documentation requirements of HB-1-3555, Chapter 9 are met.

- **Can gift funds be used to pay off personal debt?**
  Gift funds are considered to be the applicant's own funds; therefore, they can be used to pay off personal debt.

- **Can excess gift funds be returned to the applicant at closing?**
  Yes, gift funds are considered the applicant's own funds, therefore, they are eligible to be returned to the applicant at loan closing.

- **How do I enter gifts in GUS to ensure they are reflected in the transaction, but not over inflating the reserves?**
  Gift funds should be entered in the "Gifts or Grants You Have Been Given or Will Receive for This Loan" section of the "Loan and Property Information" GUS application page. If the funds have already been deposited into an asset account, select "deposited" and include the amount of the gift in the applicable asset account on the "Assets and Liabilities" GUS application page. If the funds have not been deposited into an asset account, select "not deposited" and do not include the gift in an asset account on the "Assets and Liabilities" GUS application page. Additional guidance for entering gifts can be found in the GUS Lender User Guide, located in the USDA LINC Training and Resource Library, under the Guaranteed Underwriting System (GUS) tab.

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- **Can a gift donor give the gift funds directly to the title company or is it required that the gift funds be deposited in the applicant's account?**

  The gift funds can be provided directly to the title company, however, the gift letter, closing disclosure showing receipt of the donor's funds, or a copy of the check/electronic transfer are required. Documents are required to be maintained in the lender's permanent file.

- **A relative is serving as the buyer's real estate agent and would like to gift the commission received from the transaction to the buyer. Is this an allowable gift?**

  Since the relative is serving as the real estate agent in the transaction, they are an interested party. Interested parties are not eligible gift donors. However, the commission could be provided as an interested party contribution if the total of all seller and other interested party contributions do not exceed 6% of the sales price and represent an eligible loan purpose.

Liabilities (HB-1-3555, Chapter 11)

- **An applicant currently has student loans, however, if she continues to work for her employer for the next 10 years, the student loans will be forgiven. Is a student loan payment required to be considered in this scenario?**

  Yes, student loans in a forgiveness plan remain the legal responsibility of the applicant until they are released of liability from the creditor. The applicable student loan payment must be included in the applicant's monthly debts.

- **An applicant has student loan debt that is on an Income Based Repayment Plan and currently has a $0 payment. Does the student loan still need to be included in monthly debts?**

  Yes, when the credit report or creditor verification indicate a payment of zero, lenders must use one half (.50) percent of the outstanding balance in the total debt ratio.

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- **An applicant has student loan debt that is currently in deferment. Does the student loan still need to be included as a liability?**

  Yes, student loans in deferment must use the payment amount reported on the credit report, the actual documented payment when it is greater than zero, or one half (.50) percent of the outstanding balance when the payment is zero.

- **Can an installment liability with less than 10 months of payments remaining be omitted?**

  If the monthly payment does not exceed five percent of the monthly repayment income, the debt may be excluded.

- **Can a revolving charge account be paid in full at closing to exclude the payment from the debt ratio?**

  Yes, the lender must obtain a current statement dated within 30 days of closing showing the account will be paid in full. The account does not need to be closed.

- **My borrower paid off debt to qualify. Do I need to document the source of funds?**

  Yes, lenders must document the source of funds in their permanent loan file.

- **Can an applicant pay off a debt at closing to qualify?**

  Applicants may pay debts at closing as long as loan funds or interested party concessions are not used to pay the debt. It is the lender's responsibility to ensure debts paid at closing are out of the borrower's personal funds.

- **An applicant is divorced, and the ex-spouse was given responsibility of a few credit cards and an installment loan, evidenced by the divorce documents. The debts are showing on the applicant's credit report and are paid as agreed with no late payments. Can these debts be excluded?**

  Co-signed obligations must be considered in the total debt ratio unless the applicant provides evidence another obligor has made the payment on time for the previous 12 months prior to loan application.

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- **Do 401K loans need to be included as a liability?**
  No, loans pledging personal assets, such as a 401k account, retirement funds, savings accounts, etc. do not require a payment to be included in the monthly debts.

- **An applicant is self-employed, and the business pays for multiple debts that are on the personal credit report. Can these debts be excluded?**
  Business debts reported on the applicant's personal credit report may be excluded from the debt ratio if the debt is paid through a business account and documentation is obtained to show the business paid the debts for the previous 12 months. In addition, the borrower must have included the debts in the business profit and loss or cash flow analysis, to demonstrate that the liability is a business liability and not a personal liability.

- **Does the monthly maintenance fee for a timeshare need to be included as a liability?**
  Yes, it is considered a long-term debt and may affect the applicant's ability to repay the loan.

- **Does the payment on an authorized user account need to be included as a liability?**
  If the applicant is solely an authorized user and has no legal liability to repay the debt, it may be omitted.

- **An applicant is self-reporting 3 utility bills on the credit report. Do these need to be included?**
  No. Utility bills, even when self-reported on the credit report, are not required to be included as liabilities.

- **A co-signed debt has only been open for 7 months; however, we have documentation the other party has made all payments. Can this debt be excluded?**
  No, a full 12-month history showing another party is paying the debt is required to omit the payment.

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- **What should lenders do if they encounter buy now, pay later accounts (Afterpay, Klarna, Affirm, etc.) on an applicant's bank statement?**
  Lenders should submit evidence verifying the details of the buy now, pay later accounts, including the outstanding balance and payment terms. They should also ensure that these accounts are properly documented and included in the applicants' liabilities in GUS, marking omit if applicable.

Lender Approval and Resources

Lender Approval (HB-1-3555, Chapter 3)

- **Can any lender process guaranteed loans?**
  Lenders must be approved by Rural Development to participate in the guaranteed loan program.

- **Is there an application fee to become an approved lender?**
  No, there is no application fee.

- **Where can I find information on how to become an approved lender?**
  HB-1-3555, Chapter 3 provides detailed information on the lender approval process. Lenders can also contact sfhglpservicing@usda.gov with any questions on how to become an approved lender.

UPDATE

- **Once a lender is approved, is there a requirement to recertify?**
  The Agency will review the lender's eligibility on a two-year basis and require the lender to recertify their status by submitting the supporting documentation from the *Lender Approval Checklist*.

- **Is there a Rural Development contact to assist with questions on the lender approval process?**
  Yes, questions on the lender approval process can be directed to sfhglpservicing@usda.gov.

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Resources

- **How do I sign up for email notifications of program updates?**
  You can sign up for our updates via GovDelivery using: https://public.govdelivery.com/accounts/USDARD/subscriber/new.

- **Where can I find HB-1-3555 which provides program guidelines?**
  The Technical Handbook can be found at https://www.rd.usda.gov/resources/directives/handbooks.

- **Who do I contact with questions on a file when the Conditional Commitment has been issued?**
  For inquiries related to a specific loan file, please reach out to the Production Team responsible for reviewing the loan. You can find their contact details at https://www.rd.usda.gov/resources/usda-linc-training-library/loan-processing.

- **Who do I contact to request a final GUS submission to be released back for updates?**
  If the "App Status" found on the Loan List page in GUS is "Pending", a lender with appropriate permissions can recall the submission by selecting the "Recall Final Submission" pushbutton in GUS, which will then provide a confirmation message to confirm the recall action. Once a final submission is successfully recalled, the submission status of the application will reset to "Unknown", and the GUS application pages will be available for data entry.

  If the "App Status" found on the Loan List page in GUS is not pending, the lender will need to email the appropriate Production Team, based on the location of the property. A list of Production Team contacts can be found at https://www.rd.usda.gov/resources/usda-linc-training-library/loan-processing.

- **Who do I contact with general loan scenario and policy questions?**
  Policy questions can be directed to sfhgld.program@usda.gov.

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- **Where can I find information on how to enter data into GUS?**
  Guidance on utilizing GUS can be found in the GUS Lender User Guide, located in USDA LINC Training and Resource Library, under the Guaranteed Underwriting System (GUS) tab.

- **Does Rural Development provide training?**
  Yes, on-demand training is available on the LINC Training and Resource Library Website found at https://www.rd.usda.gov/resources/usda-linc-training-resource-library. In addition, requests for personalized group training can be made by contacting sfhgld.lenderpartner@usda.gov.

- **Who do I contact with loan servicing questions?**
  Loan servicing questions can be directed to sfhglpservicing@usda.gov. Additional information on loan servicing can be located on the LINC Training and Resource Library Website located at https://www.rd.usda.gov/resources/usda-linc-training-resource-library/loan-servicing.

- **Who do I contact to find out current turn times for applications?**
  Current turn times are posted on the LINC Training and Resource Library Website located at https://www.rd.usda.gov/resources/usda-linc-training-resource-library.

- **Is there a phone number I can use to talk to someone at USDA directly?**
  Lenders may utilize USDA's Customer Access Lender Line (CALL), which is available to provide turn time updates, as well as access to specialists and analysts who are available to answer your questions on specific files, lender recertifications and approvals, policies and scenarios, and GUS technical questions. The toll-free number for CALL USDA is (833) 314-0168, which is available from 9:00 a.m. to 3:30 pm ET. A full listing of Agency contacts can be found by selecting "View Contact Information" at the LINC Training Library.

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