

CHAPTER 3: APPLICATION PROCESSING

3.1 INTRODUCTION

This chapter describes the process of accepting and managing applications, up to the point that an applicant is selected for processing. This includes pre-qualifications (largely through the [Single Family Housing Direct Self-Assessment tool](#)), taking and reviewing applications, and selecting applications for processing.

SECTION 1: PRE-QUALIFICATION

3.2 OVERVIEW

Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant, someone who is interested in the program but has not yet applied, would be program eligible. The results of pre-qualification are not binding and will not hinder the submission of an application. A potential applicant with possible obstacles to program eligibility may apply and a potential applicant who appears program eligible is not guaranteed that a loan will be made.

The standard pre-qualification method is the potential applicant’s self-assessment using the [Single Family Housing Direct Self-Assessment tool](#). Agency staff should refer potential applicants to the tool in their marketing materials, while speaking to them, etc. Pre-qualifications completed by the Agency staff are limited. To access the Self-Assessment tool, visit: <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> and click on the Single Family Housing Direct tab.

3.3 PROCEDURES FOR PRE-QUALIFICATION

On those limited occasions where the Agency staff completes a pre-qualification, the Loan Originator should follow the procedures below.

- Obtain information from the potential applicant about household members, income, deductions, debt, and the county where they want to purchase a home.
- Order an in-file credit report if the potential applicant has signed Form RD 3550-1, Authorization to Release Information, and if it would aid in the review.
- Check the Department of the Treasury’s Do Not Pay (DNP) portal and check the applicant’s social security number against Agency records by using LoanServ’s “SSN CROSS REFERENCE” softlink key. If the “SSN CROSS REFERENCE” reveals a current loan or active application, follow the appropriate action below.

- If the pre-qualification is for a subsequent loan, the Loan Originator should continue processing.
 - If the pre-qualification is for purchase, the Loan Originator should contact the applicant for additional information in order to determine the appropriate action. For example, if the applicant is also a borrower on an existing Agency loan but is divorced, and the divorce decree did not make them responsible for loan payments, the applicant should contact the Servicing Office to apply to be released from liability on the existing loan before applying for a new loan.
 - If the applicant has an active loan application in another Field Office, the applicant must decide to either transfer the existing application to the new servicing area or continue processing with the existing servicing area, as they may not have two applications in process at the same time.
- Enter the information in UniFi, register the pre-qualification following the instructions in the DLOS Training Manual, and generate the Eligibility Summary using standard terms (unless the potential applicant appears to qualify for adjustments to the standard terms). If the potential applicant is working with a leveraged partner, consider the possible leveraging funds.
 - Discuss the results with the potential applicant and emphasize that the results are informal and unbinding. As applicable, consider the below when discussing the results and refer to Attachment 3-F for guidance on addressing negative results.
 - Moderate-Income Applicant: Discuss the possibility of obtaining a nonprogram loan or obtaining a Guaranteed Rural Housing (GRH) loan.
 - Insufficient Repayment Ability: Discuss the possibility of obtaining subsidized funds from other sources, reducing debt, and adding additional parties or a co-signer to the note. See Paragraph 4.24 for a detailed discussion of other considerations related to maximum loan amounts.
 - Potential Ability to Obtain Other Credit: If a potential applicant's credit history, income (i.e., they appear to be above the very low-income limit), assets, and lack of apparent need for payment assistance indicate that they should be able to qualify for a GRH loan or private financing, the potential applicant should be informed that they should attempt to obtain other credit.
 - If the pre-qualification was not conducted face-to-face or over the telephone, use Handbook Letter 19 (3550), Pre-qualification Review, to prompt the opportunity to counsel the potential applicant.
 - Retain all pre-qualification records in accordance with RD Instruction 2033-A and Electronic Customer File (ECF) guidance.
 - As applicable, encourage the potential applicant to seek credit counseling or take a homeownership education course. **NEVER** discourage the potential applicant from applying.

SECTION 2: HOMEOWNERSHIP EDUCATION

3.4 HOMEOWNERSHIP EDUCATION REQUIREMENT [7 CFR 3550.53(i)]

The Agency requires applicants who are first-time homebuyers to complete homeownership education training as early in the application process as possible since the training will prepare them for shopping, buying, financing, and owning a home. While the training should be completed by the applicant prior to them entering into a contract to purchase or construct a home, the applicant should be encouraged to take the training as soon as they express an interest in homeownership (e.g., when they call inquiring about the program or apply for a loan) for maximum benefit.

A. State Director Assessment of Homeownership Education [7CFR 3550.11]

The State Director will assess the availability of certified homeownership education in their respective states on an as-needed basis, but no less frequently than every three years and maintain an updated listing of providers and their reasonable costs.

The accepted homeownership education formats are as follows:

- Online counseling.
- Classroom, one-on-one counseling, or interactive video conference.
- Interactive home study or interactive telephone counseling of at least four hours duration.

To be included on the list, the provider must have a certificate of completion process and homeownership education counselors that are certified by any of the following:

- The Department of Housing and Urban Development (HUD);
- NeighborWorks America (NWA);
- The National Federation of Housing Counselors (NFHC);
- National American Indian Housing Council (NAIHC); or
- The State Housing Finance Agency or other qualified organization approved by the State Director.

Paragraph 3.4 Homeownership Education Requirement

In addition, the State Director may include homeownership education provided by USDA Cooperative Extension System staff.

Online homeownership education courses offered and accessible on a national, non-state specific basis, will be reviewed and approved by the National Office. This is not intended to endorse a particular online course but to have a process by which these types of online courses will be evaluated in a uniform manner for usage by all states. A State Director may assess a state specific online course for inclusion in their list of providers.

Where there is a fee charged to the applicant for homeownership education, the state will also assess commonly used resources of funding for the applicant to pay for their homeownership education. In addition, organizations that provide free homeownership education will be identified ensuring applicants are aware of free training options available within their state.

The provider will issue a letter or certificate of completion to document that the applicant has satisfactory knowledge of these minimum topics:

- Preparing for homeownership (evaluate readiness to go from rental to homeownership)
- Budgeting (pre- and post-purchase)
- Credit counseling
- Shopping for a home
- Lender differences (predatory lending)
- Obtaining a mortgage (mortgage process, different types of mortgages)
- Loan closing (closing process, documentation, closing costs)
- Post-occupancy counseling (delinquency and foreclosure prevention)
- Life as a homeowner (homeowner warranties, maintenance, and repairs)

Generally, a valid letter or certificate of completion of homeownership education that is less than two years old at date of loan closing will be considered acceptable. When appropriate, the provider may tailor the homeownership education training to the needs of the applicants, while ensuring satisfactory knowledge of the minimum required homeownership education topics. For example, if an applicant has already executed a purchase and sale agreement on a house, the provider may decide after conference with the applicant, to condense or omit the homeownership education section on “shopping for a home”.

Paragraph 3.4 Homeownership Education Requirement

B. Providing Homeownership Education Information to the Applicant

The Loan Originator must ensure that applicants who are first-time homebuyers complete homeownership education training as early in the application process as possible. Applicants should be instructed to complete the training prior to entering into a contract to purchase or construct a home for maximum benefit. In addition, the Loan Originator must assist the applicant by providing the list of approved local homeownership education providers to the applicant along with the standardized application package.

The list of approved local providers will also include eHome America, Framework, and Utah State University Extension which are nationally approved online homeownership education providers. Registration information includes: eHome America - <https://ehomeamerica.org/usda>, cost is \$75; Framework - <https://www.frameworkhomeownership.org/>, cost is \$75; and Utah State University - <https://extension.learn.usu.edu> (select Home Buyer Education), cost is \$60 for the applicant and \$5 for a co-applicant.

The applicant must be informed that should there be a fee for the homeownership education course selected and there are no other sources for payment, the fee may be added to the loan amount at loan closing (see Paragraph 6.4 Fees and Related Costs). The applicant should be advised that if they do not close on their loan, they will still be responsible for the homeownership education fee.

Consistency Is Key

Be sure to use consistent procedures when providing information to ALL applicants.

C. Exception Provision

The State Director may grant an exception to the homeownership education requirement for individuals in geographic areas where certified homeownership education is not reasonably available in the local area. However, a conservative approach to the exception provision is recommended, as generally, all efforts are encouraged to have applicants undertake homeownership education early in the homeownership process to gain maximum benefit. Whether such homeownership education is “reasonably available” will be determined based on an assessment of factors including, but not limited to: distance, travel time, geographic obstacles, and cost. On a case-by-case basis, the State Director may grant an exception to the homeownership education requirement, provided the applicant documents a special need such as a disability that would impede completing a homeownership course in the above mentioned formats listed in Paragraph 3.4 A.

SECTION 3: APPLICATIONS [7 CFR 3550.55]

3.5 BEGINNING THE APPLICATION PROCESS

An interested party can begin the application process by:

- Requesting that the Agency mail or email them an application or they can obtain one in person at any Field Office. The Field Office will provide the standardized application package (which can be found in the SFH Direct SharePoint site under General Info > Useful Documents). The standardized application package is maintained by the National Office and can only be altered with a State Supplement approved by the National Office.
- Applying online. To apply online, an interested party must first register to obtain a USDA eAuthentication identification and password. The user must complete the steps to verify their identity for the eAuthentication account in order to obtain access to submit an application package via eForms. Additional guidance on submitting applications via eForms is provided in the standardized application package. <https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>
- Engaging the service of a loan application packager. Loan application packagers, who are separate and independent from the Agency, provide an optional service to parties seeking a housing loan by helping them navigate the loan application process. Packagers may include Section 523 self-help grantees, certified packagers, and other packaging types as specified in Attachment 3-A.

The Agency supports partnerships with loan application packagers since packagers can provide outreach and presence in counties where a Field Office is not located; assist the Agency in reaching very low-income applicants; promote the program in underserved areas; prescreen potential applicants; counsel potential applicants on how to improve their ability to qualify for a home; ensure that applications are complete and accompanied by the supporting documentation needed for the Agency’s decision; and give applicants insight into the Agency’s application process and regulations. Attachment 3-A provides processing guidance for Field Offices and packagers.

3.6 APPLICATION RECEIPT AND CASE FILE SETUP

The “Date Application Received” field in UniFi must be completed promptly but no later than 3 business days after receipt of an application; and applications (including application received via eForms) must be reviewed within 3 business days after receipt to determine if the Loan Estimate disclosure requirement was triggered (see Paragraph 3.8) and to determine if items are missing.

A. Missing Items

The Loan Originator should contact the applicant after reviewing the application to obtain any missing items. Handbook Letter 11 (3550), Request Information, should be sent to the applicant requesting the missing items and stating that their application will be withdrawn if the missing information is not received within 15 days.

Paragraph 3.6 Application Receipt and Case File Setup

If an application submitted by a loan application packager is determined to be incomplete, the following statement must be sent to the packager in writing within eForms or email: “No action can be taken until **all the noted items** have been received in this office. The loan application package is missing the following items: [list of missing items]. Please complete the package and resubmit the package in its entirety within [enter 15 days from the date of written notice] .”

After the Agency accepts a package as complete, if additional information is needed and Handbook Letter 11 is sent to the applicant, a copy must be provided to the packager and intermediary (if present).

B. Collections

Collection of payment for credit report fees must be processed daily in accordance with RD Instruction 1951-B. An application must be entered into UniFi promptly but no later than 3 business days after receipt to obtain the account number needed for remittance of the credit report fee. The credit report is not required to be ordered at the time of remittance of the credit report fee. The credit report will be ordered at the time the application is selected for processing. Remittance will be through the electronic fee service in LoanServ for a check or savings account deposit slip, or Form RD 3550-17, Funds Transmittal Report for a cashier’s check or money order. A daily collection log must be maintained in accordance with RD Instruction 1951-B. A print screen from LoanServ, or Form RD 3550-17, Funds Transmittal Report with copy of check, deposit slip, cashier’s check or money order, should be filed in the office’s collection log and in the applicant’s ECF. Field Offices must comply with the internal control procedures prescribed in RD Instruction 1951-B and Form RD 1951-44, Management Control and Review of Field Office Collection Activities.

C. Case File Setup

The Loan Originator should promptly setup the case file by:

- **Entering data.** Information from the application should be entered in UniFi.
- **Establishing the electronic file.** The applicant’s file should be established according to the standardized document types and classifications available in ECF, and RD Instruction 2033-A, Management of Rural Development Records. For subsequent loans, the new documentation should be added to ECF with the subsequent loan number.
- **Beginning the required Single Family Housing Checklist.** Use Attachment 3-G, 502 Single Family Housing Checklist, for Section 502 loan applications and Attachment 12-C, 504 Single Family Housing Loan & Grant Checklist, for Section 504 loan/grant applications. States may add additional page(s), subject to prior approval from the National Office, to reflect required processes related to state laws. The checklists are required and intended as a processing aid for Agency staff.

Paragraph 3.6 Application Receipt and Case File Setup

The application is a working document. Whenever revised or verified information is received, the appropriate UniFi field should be updated. At loan closing, a final application will be generated to reflect the updated information gathered during the loan approval process.

3.7 COMPLETE APPLICATION

An application is considered complete when an applicant, loan application packager, or Agency-approved intermediary submits a fully completed and signed uniform residential loan application and all the applicable items listed in Attachment 3-J. When the loan application package is submitted via eForms, a signature is not required on Form RD 410-4 since the eForms submission serves as proof of signature.

Upon receipt of these items, the Loan Originator should perform the necessary verifications and make an eligibility determination recommendation. If the application package does not contain a written explanation of derogatory credit, assume its absence is acceptable (at least initially). If derogatory credit appears on the tri-merge credit report and an explanation was not provided with the application, then an explanation may be requested.

In place of Form RD 410-4, a current industry standard application form may be accepted when accompanied by the Agency's supplemental pages (6-10) of Form RD 410-4. Once complete, the date must be entered in the "Application Complete Date" field in UniFi. It is important that this date be correct because it is used to track priority for processing.

Once a complete application is received, the application should be reviewed for eligibility within 30 days. If the applicant is not eligible, the Loan Approval Official will deny the application. If the applicant is determined eligible, the Loan Originator will determine if funding is available, using guidance outlined in Section 4 of this chapter, prior to issuing a Certificate of Eligibility (COE). Only eligible applicants will be placed on the waiting list in the event funding is not available.

If an applicant wants their application to be transferred to a different servicing area, the steps outlined in Chapter 5 of the DLOS Training Manual must be followed by the original and receiving areas; and the receiving area will perform their own eligibility and underwriting analyses.

3.8 COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

A. Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosures

The Truth in Lending Act and Real Estate Settlement Procedures Act Integrated Mortgage Disclosures (TRID) rule, issued by the Consumer Financial Protection Bureau (CFPB), integrates the disclosure requirements associated with the individual TILA and RESPA regulations. This regulation is intended to simplify the disclosures associated with a mortgage loan transaction and assist consumers understand the cost of credit and the difference of such cost among creditors. TRID requires lenders to provide applicants with pertinent and timely disclosures of the nature and costs of the real estate settlement process, these disclosures are the Loan Estimate and the Closing Disclosure. Any loan, including a Section 504 loan, is subject to TRID if a security interest will be taken on the property.

Paragraph 3.8 Compliance With Other Federal Requirements

1. Initial Disclosures: Loan Estimate, Written List of Service Providers and Special Information Booklet

A loan application for TRID purposes is the submission of the following information: (1) applicant's name, (2) applicant's monthly income, (3) applicant's social security number to obtain a credit report, (4) property address, (5) an estimate of the value of the property, and (6) mortgage loan amount sought.

When an application as defined by TRID is received, the following initial disclosures must be provided to the applicant within 3 business days of receiving the application but no later than 7 business days before loan closing:

- Handbook Letter 5 (3550), Cover Letter for Initial Disclosures Package;
- CFPB's standard Loan Estimate;
- Attachment 3-I, Settlement Service Providers List and Mortgage Loan Application Related Disclosures; and
- CFPB's "Your home loan toolkit: A step-by-step guide".

Business days for Loan Estimate purposes are Monday-Friday. If the initial disclosures are not provided to the applicant in person, the applicant is considered to have received the disclosures 3 business days after they are delivered or placed in the mail. The terms of the Loan Estimate are binding for at least ten (10) business days from when it is issued, subject to tolerances and changed circumstances, unless a revised Loan Estimate is issued before settlement or the Loan Estimate expires.

TRID establishes variation limitations between the charges disclosed in the Loan Estimate and the final charges listed in the Closing Disclosure. **All lender charges, including fees paid to a packager or qualified intermediary, which are imposed on a consumer must be disclosed whether financed, paid by the buyer, paid by the seller, or paid by a third party.** Closing costs are divided into charges that cannot increase (Zero Tolerance), charges that in total cannot increase more than ten percent (10% Tolerance), and charges that can change (Not Subject to Tolerance). When the charges in the Closing Disclosure exceed the tolerance thresholds, the Loan Estimate is not considered to have been provided in good faith and the Agency is required to reimburse to the borrower the amount by which the tolerance was exceeded. The Loan Originator is responsible for issuing accurate and timely TRID disclosures.

The Loan Estimate cannot be revised and reissued unless changed circumstances occur. "Changed Circumstances" is defined by regulation as: (1) An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction; (2) Information specific to the consumer or transaction that the creditor relied upon when providing the required disclosures and that was inaccurate or changed after the disclosures were provided; or (3) New information specific to the consumer or transaction that the creditor did not rely on when providing the original disclosures. In the event changed circumstances occur, the

Paragraph 3.8 Compliance With Other Federal Requirements

Loan Originator must send the revised Loan Estimate within 3 business days of receiving the information that established the change but no later than 7 business days before closing. Only those fees impacted by the changed circumstance may change and supporting documentation must be retained in the case file for no less than three years after settlement. A revised Loan Estimate cannot be provided on or after the date of the Closing Disclosure. The Closing Disclosure can be issued instead of a revised Loan Estimate if a closing date has been determined, final fees calculated, and it is sent at least 7 business days prior to loan consummation. Either the revised Loan Estimate or Closing Disclosure can be used to reset tolerance and terms.

The Loan Estimate, which gives a preliminary indication of the amount of escrow required, does not explain the concept of escrow. During the applicant orientation, escrow will be explained and the Agency's requirements will be outlined.

2. Final Disclosure: Closing Disclosure

Under the TRID regulation, creditors must ensure the consumer receives the Closing Disclosure at least 3 business days before loan consummation. The mailbox rule states that if a disclosure is not provided to the consumer in person, the consumer is considered to have received the disclosure 3 business days after it was delivered or placed in the mail. Business days for Closing Disclosure delivery are all calendar days except Sundays and legal public holidays.

“Consummation” occurs when the consumer becomes contractually obligated to the creditor. Although consummation may commonly occur at the same time as closing or settlement, it is a legally distinct event that is not the same thing as closing or settlement.

While the closing agent/attorney will complete the Closing Disclosure, the Agency is ultimately responsible for meeting the accuracy and delivery requirements of this form. The appropriate Agency staff will review the Closing Disclosure prepared by the closing agent and, if correct, will proceed (or authorize the closing agent/attorney) to provide the disclosure to the applicant within the timeframe provided by the law.

If there is more than one applicant involved in a transaction, the Closing Disclosure may be provided to any applicant with primary liability on the obligation for purchase transactions. However, for transactions with a rescission period, the Closing Disclosure must be given separately to each applicant who has the right to rescind under the regulation.

The Agency must redisclose the terms and costs on the Closing Disclosure if certain changes occur to the transaction after the Closing Disclosure was first provided to the applicant and that cause the disclosures to become inaccurate. Revising the Closing Disclosure after it has been provided to the applicant may require an additional 3 business day waiting period prior to consummation.

Paragraph 3.8 Compliance With Other Federal Requirements

B. Truth in Lending Act

The Truth in Lending Act (TILA) is intended to assist consumers understand the cost of credit and the difference of such cost among creditors. The Agency is required to issue a Truth in Lending Statement disclosing specific information about the terms and costs of the loan for all unsecured Section 502 or 504 loan transactions. The Annual Percentage Rate (APR) is one of the key components of the truth in lending statement and it represents the cost of the credit expressed as a percentage. For loans where a security interest will not be taken on the property, Form RD 1940-41, Truth in Lending Statement, must be issued within 3 business days of receiving a complete application as defined above. If the APR varies by more than one-eighth of a one percent at the loan closing, the Truth in Lending Statement must be re-issued using the actual terms of the transaction.

C. Fair and Accurate Credit Transaction Act

In accordance with the Fair and Accurate Credit Transactions Act of 2003, the Agency is required to disclose to the applicant, upon request, the score that a credit bureau distributed and was used in connection with their loan. In addition, the Agency is required to disclose the key factors affecting the applicant's credit scores. Therefore, Attachment 3-H, Credit Score Disclosure, will be provided to the applicant with the standardized application package. It must be explained to the applicant that the credit score will not be used to determine loan approval but only to presume acceptable credit in lieu of other credit underwriting practices.

D. Equal Credit Opportunity Act (Regulation B)

The Equal Credit Opportunity Act (ECOA) of 1974 prohibits creditors from discriminating against credit applicants who are members of a protected class (as discussed in Chapter 1).

Regulation B, which implements the provisions of the ECOA, outlines the rules lenders must adhere to before, during, and after an application for credit is received and evaluated. Agency activities covered under Regulation B include but are not limited to: information and documentation requirements, verification procedures, how standards to determine creditworthiness are used, actions taken on the application, modification of credit terms, and collection procedures. The application processing procedures prescribed in this handbook take into consideration the various provisions and requirements outlined in Regulation B, including the notification requirements. Following these procedures and using consistency when processing Section 502 and 504 loan applications ensures compliance with this regulation.

Under Regulation B, lenders are required to provide loan applicants a written notification of their right to receive a copy of the appraisal report and deliver such appraisal in a prompt manner but no later than 3 business days before closing.

Paragraph 3.8 Compliance With Other Federal Requirements

To comply with this requirement, the Loan Originator must provide the following:

- **Notification of Right to Receive a Copy of the Appraisal:** The Agency is required to provide to the applicant a written notification of the applicant's right to receive a copy of all written appraisals, or any other acceptable valuation, developed in connection with a mortgage application to be secured by a first lien on a dwelling. The appraisal notification, which is included in Attachment 3-I, must be issued within 3 business days of receiving a loan application with a specific property to be financed. Providing Attachment 3-I along with pertinent TRID disclosures meets the appraisal notification requirement.
- **A Copy of the Appraisal:** In accordance with Regulation B, and as stated in the appraisal notification, the Agency must provide to the applicant a copy of the appraisal, or any other written valuation, promptly upon completion but not later than 3 business days prior to closing, whichever is earlier. For the Agency's purposes, upon completion occurs when the Loan Approval Official has reviewed the appraisal and made the lending decision. If the loan application is approved without using the subject to appraisal allowance, the Loan Originator should provide a copy of the appraisal along with Form RD 3550-7, Funding Commitment and Notification of Loan Closing; if the application is rejected, it should be sent along with Handbook Letter 15 (3550), Standardized Adverse Decision Letter, or Handbook Letter 17 (3550), Adverse Decision Involving an Appraisal, whichever is applicable. If the loan application is approved using the subject to appraisal allowance (which is permitted throughout the fiscal year), the applicable box on Form RD 3550-7 must be checked and a copy of the appraisal must be promptly provided to the applicant once it is received, reviewed, and accepted by the Agency. Applicants do not have to request a copy of the appraisal to receive one. If there is more than one applicant, the Loan Originator may send a copy of the appraisal to only one applicant.

3.9 WITHDRAWING AND REJECTING APPLICATIONS

An applicant can withdraw an application at any time by writing or calling the Field Office. The Agency may withdraw the application if the applicant fails to respond to the Agency's written request for information in a timely fashion. In most cases, as specified in this handbook, the response time is 15 days. However, in some situations such as obtaining bids for repair work, a longer timeframe may be warranted. In these limited situations, the response time will be up to 30 days. All letters to applicants requesting information must clearly indicate that the application will be withdrawn if the appropriate information is not provided within the specified time frame.

When an applicant is rejected, they must be informed, in writing, of the adverse decision and their review and appeal rights. All reasons for the rejection must be clearly documented. Applicants who are over the low-income but within the moderate-income limit should be issued Handbook Letter 1 (3550), Moderate Income Options.

Paragraph 3.9 Withdrawing And Rejecting Applications

Once an application has been withdrawn or rejected, an applicant who wishes to reapply must complete a new application form. The Loan Originator must record in UniFi that the application has been withdrawn or rejected. Only in the following situations can an application be reopened:

- If the National Appeals Division has overturned the rejection of an application;
or
- The Loan Approval Official has reviewed and reconsidered the rejection of an application.

In these situations, Attachment 3-E must be completed and forwarded to the Servicing and Asset Management Office (Servicing Office), SFH Assistance Section, for processing.

SECTION 4: SELECTION FOR PROCESSING

3.10 OVERVIEW

In general, applications are selected for processing based on the priorities described in Paragraph 3.13. If available funding is not sufficient for all eligible applications on the waiting list, the priorities described in Paragraph 3.13 will be used to determine the selection of applications for available funds. This section discusses the appropriate actions to take to notify applicants of their status and select applications for processing in the proper order.

3.11 DETERMINING WHETHER FUNDS ARE AVAILABLE

The Loan Originator must determine whether funds are available before proceeding with further processing. Loan Originators will review the number of applications on hand in UniFi at least quarterly. A sufficient number of applications will be reviewed, and Certificates of Eligibility will be issued, as appropriate, based on expected state and national funding availability by income category over the next 90 days. The Loan Approval Official may use historical data, but generally the number of outstanding Certificates of Eligibility will not exceed 150 percent of the expected funding. State Directors will issue State Supplements to provide guidance about how many applications should be processed based on available funding levels.

A. Regular Funding

Nationwide, at least 40 percent of Section 502 loan funds must be allocated to very low-income households. Since each state meets this goal in different ways, Loan Originators also may have to consider the guidance provided through State Supplements in determining whether funds are available for the applicant's income category.

In rare situations, the funds available may be less than the amount for which the applicant is eligible. If this occurs, it is important to follow consistent procedures. An example of a possible procedure is provided in Exhibit 3-1.

Exhibit 3-1**Procedures if Funds are Inadequate
for the Next Applicant on the Waiting List**

Applicant A is next on the waiting list and qualifies for a \$175,000 loan. Applicant B is eligible for a \$140,000 loan. The funds available are \$145,000.

- Call State Office to ask for more funds.
- Document the results of this conversation. If no more money is available, offer Applicant A \$145,000.
- If Applicant A accepts, proceed.
- If Applicant A does not accept, go to Applicant B and keep Applicant A at the top of the waiting list for the next available funds.

Special Funding

Each year the National Office may designate funds to address special high-priority needs identified by the Agency. If an applicant falls into one of those high priority needs areas and funds are available, the application can be processed immediately. For example, in a year in which funds have been set aside to target a particular geographic area, an application from a household willing to seek a property in that area could be processed ahead of other applications.

Information about funds available for high-priority needs are distributed to Field Offices through State Supplements, based on guidance from the National Office through RD Instruction 1940-L.

3.12 IF FUNDING IS NOT AVAILABLE

If funds are insufficient to proceed processing an application from an applicant who has been determined eligible, the applicant should be notified using Handbook Letter 2 (3550), Funds Not Available that they have been determined eligible, but funding is not currently available. The letter should indicate the expected waiting time before funding will become available to the applicant, given the applicant's priority status.

When funds are not readily available to obligate a loan request from an eligible applicant who has already been issued a Certificate of Eligibility and/or who has identified a property, Field Offices should issue Handbook Letter 4 (3550), Funds Not Available – Certificate of Eligibility/Identified Property.

3.13 SELECTING APPLICATIONS FOR PROCESSING

Applications will be selected for processing using the priorities specified in this paragraph.

A. Selection Procedures

Within the respective priority categories, completed applications will be processed in the order received. In the case of applications with equivalent priority status that are received on the same day, veterans' preference will first be extended to those qualifying applicants.

When funds are limited and eligible applicants will be placed on the waiting list, the priorities specified in this paragraph will be used to determine the selection of applications for available funds. If a Field Office has a backlog of unprocessed applications, a list of unprocessed applications should be generated from UniFi. The Loan Originator must select applications for processing based on each applicant's priority and the date the application was determined complete as outlined in Paragraph 3.7. The number of applications selected will be determined based on guidance from the State Director.

Whenever applicants are selected for processing, a copy of the waiting list should be maintained and placed in an operational file to document that the applications were processed in the correct order. This is important because the electronic files will be overwritten, leaving no documentation to verify that proper procedures were followed.

B. Processing Priorities

A priority system is used to ensure that applicants who meet the priorities established for the program are selected for processing first. The priority system is used only to determine the order in which applications will be processed. Once applicants are selected for processing, the order in which they actually receive funding will depend on how long it takes to conduct all required verifications and how long it takes the household to locate a property. Attachment 3-C provides a case study that illustrates the use of priorities in selecting applicants for processing.

The Agency gives processing priority to applicants who have an especially serious need for immediate assistance and for loans that are to the Agency's benefit. Applicants with higher priorities must be processed before those with lower priorities. Applicants who do not qualify for any priority should be processed only when no applications with a priority remain unprocessed. Within each priority category, applications should be processed in the order they are considered complete. The types of priorities are described below.

1. First Priority: Subsequent Loans to Correct Health and Safety Hazards

Current Agency borrowers who request subsequent loans to correct health and safety hazards will be selected for processing first.

Paragraph 3.13 Select Applications For Processing

2. Second Priority: REO Property or Transfer/Purchase of Agency-Financed Property

Applicants interested in obtaining loans for purposes that are in the Agency's interest, but that do not directly involve removing hazards in a security property, will receive second priority for processing. These are loans related to the sale of Real Estate Owned (REO) property and loans related to the transfer and assumption (or purchase with new loan proceeds) of property owned by a program borrower.

3. Third Priority: Hardships

Applicants facing housing-related hardships will receive third priority for processing. Hardship circumstances include living in deficient housing for more than 6 months. Deficient housing is defined as a dwelling that lacks complete plumbing, lacks adequate heating, is dilapidated or structurally unsound, has an overcrowding situation that will be corrected with loan funds, or is otherwise uninhabitable, unsafe, or poses a health or environmental threat to the occupant or others. To retain the hardship designation, the resulting loan must eliminate the deficient housing issue which existed at the time of the application. Other hardship circumstances include current homeowners in danger of losing a property through foreclosure due to circumstances beyond their control, and other circumstances determined appropriate by the State Director on a case-by-case basis.

Example - Deficient Housing Scenario

The Smiths are an 8-person household currently living in a 2-bedroom apartment. They qualify for hardship processing because they are overcrowded with more than 2 people per bedroom. In order to retain the hardship priority, they would need to purchase a property (4 or more bedrooms) which corrects the overcrowding condition.

If the Smiths selected a 3-bedroom property, they would no longer qualify for the hardship processing/funding priority. However, assuming the dwelling meets the property requirements, a loan could be made on the dwelling when funds become available under the fifth/general priority, as the Agency has no minimum number of bedroom requirement based on household size.

4. Fourth Priority: Loans that Bring in Additional Resources

Applicants seeking loans for the construction of dwellings in an RHS approved Mutual Self-Help project, loan application packages funneled through an Agency-approved intermediary under the certified loan application packaging process, and loans that will leverage funding or financing from other sources as outlined in Paragraph 10.1. A., will receive fourth priority for processing.

5. Fifth Priority: Applicants who do not qualify for priority consideration in the above listed priorities will be selected for processing after all applications with priority status have been processed.

C. Veterans' Preference

If applicants with equivalent priority status apply for assistance on the same day, applicants qualifying for a veterans' preference will receive priority processing. Applicants are eligible for a veterans' preference if they were discharged or released (except for a dishonorable discharge) from the active forces of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard **and** served in active duty during one of the periods listed in Exhibit 3-2 or are the family of a service person who died in service during any of those periods.

Exhibit 3-2

Service Dates for Veterans' Preference

- April 6, 1917 through March 31, 1921
- December 7, 1941 through December 31, 1946
- June 27, 1950 through January 31, 1955
- A period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975
- August 2, 1990 through January 2, 1992
- Any other prescribed by Presidential proclamation or law

Paragraph 3.13 Selecting Applications for Processing

D. Notifying Applicants Who Are Selected for Processing

When funds are available, applicants selected for processing will be sent Handbook Letter 11 (3550), Request Information, if updated and/or additional information is needed which may have expired since the eligibility determination.

Paragraph 4.3 E. describes the required verifications in detail. If an applicant fails to provide the needed information within 15 days, the application will be withdrawn.

Applicants who provide the required information, but cannot be funded that quarter, should be notified that they will be selected again when the next quarterly allotment becomes available. When funds become available in the subsequent quarter, the Loan Originator should contact the applicant to determine whether the household has experienced any changes in circumstances that might require new verifications before processing.

3.14 PURGING THE WAITINGLIST

The waiting list should be purged periodically to ensure that the Agency's records are not burdened with applications from households that are no longer interested in the program. Once every 6 months, the Loan Originator must determine how soon funding will be available to process applications, and generate Handbook Letter 3 (3550), Waiting Period, for each unprocessed application on file. This letter notifies applicants that in order to keep their application active, they must return the response form attached to the letter or the application will be withdrawn. If an applicant does not respond within 15 days of the date of the letter, the application should be withdrawn.

3.15 VERIFICATIONS

Once an applicant is selected for processing, the Loan Originator should update any items which may have expired since the eligibility determination was made. The Loan Originator should collect and verify items required for the Agency's decision (e.g., do not collect birth certificates to verify age/name of a dependent, require verification of a prior address, etc.). Generally, the Loan Originator should consider copies of pay stubs and other available documentation before using 3rd party verification forms that must be initiated by the Agency. When verification forms are sent to a respondent to verify an applicant's information, they should be accompanied by Form RD 3550-1, Authorization to Release Information, and a pre-addressed, pre-stamped envelope. If the respondent does not return the verification form within 14 days, the Loan Originator must place a reminder telephone call. If a respondent returns an incomplete verification form or if additional information is needed, the Loan Originator should contact the respondent.

An applicant should not be penalized if a respondent refuses to provide the requested information. If the respondent does not respond to the verification form after 14 days and does not respond to a follow up call, the Loan Originator should move to the use of alternative methods of verifying the information. All conversations and follow up actions for obtaining verifications should be documented carefully. Detailed procedures for assessing the results of these verifications are provided in Paragraph 4.3 E.

A. Types of Verifications

1. Third-Party Generated Documents

The preferred form of verification are those documents which are readily accessible to the applicant and generated by a third-party to officially record their financial dealings or involvement with the applicant. Examples of third-party generated documents include paycheck stubs, bank statements, and benefit award letters.

2. Written Third-Party Verifications

Written third-party verifications tend to be used as an alternative form of verification. Correspondence should take place directly between the third party and the Agency (or loan application packager) using Agency forms. Transmission of the completed verification via fax or secured email is acceptable.

3. Oral Third-Party Verifications

Oral verifications should only be used if the applicant has worked for the employer for less than a year or the other types of verifications are inconsistent or suspicious. Oral verifications should be carefully documented in the running record.

B. Evaluating Verified Information

All verifications should be checked for completeness and for discrepancies from information provided by the applicant. Any discrepancies should be discussed with the applicant and clarifications should be documented carefully. Verification sources may be contacted directly, if necessary, to clarify information.

ATTACHMENT 3-A

LOAN APPLICATION PACKAGERS

The Agency supports partnerships with loan application packagers since packagers can provide outreach and presence in counties where a Field Office is not located; assist the Agency in reaching very low-income applicants; promote the program in underserved areas; prescreen potential applicants; counsel potential applicants on how to improve their ability to qualify for a home; ensure that applications are complete and accompanied by the supporting documentation needed for the Agency's decision.

The packaging types that undergo an Agency approval process (either directly by the Agency or through intermediary involvement) are noted below.

- Section 502 Direct Loan Program:
 - **Certified packaging** which includes an entity eligibility component as well as a packager's experience/training/testing component.
 - **Approved non-certified packaging** which includes an entity eligibility component but no packager's experience/training/testing component.
- Section 504 Loan/Grant Program:
 - **Public and private nonprofit packaging** which includes an entity eligibility component but no packager's experience/training/testing component.
- **Section 523 self-help grantee packagers** may package Section 502 loan and 504 loan and/or grant applications under this attachment's guidance provided the applicant is not participating in a mutual self-help project.

Packagers that do not fit the types above are considered "other" and have no entity or packager eligibility component. As such, use of "other" packagers is discouraged if they charge a packaging fee and any fee they do charge is not an eligible loan purpose.

This attachment provides packaging fee tables, outlines general requirements which must be met by all packaging types, and details how to become a certified packager or how to become an intermediary. A Section 502 loan application package (certified or non-certified) that does not meet the requirements of this attachment, including all applicable items listed in the cover letters for both Phase 1 and Phase 2, will be considered a referral only and the packager or intermediary may not charge a packaging fee. In addition, intermediaries (if present) must conduct a quality assurance review for both Phase 1 and Phase 2.

Section 502 Direct Packaging Type, Permissible Packaging Fee, and Eligible Loan Purpose:

The Section 502 direct packaging type and who is involved impacts the permissible packaging fee amount and whether the fee is an eligible loan purpose. Duplicate fees for packaging services are not permitted.

502 Direct Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?
Certified packaging body with an intermediary	Up to \$2,000 split between certified packaging body and intermediary	Yes 3550.52 (d)(6) and 3550.75	Yes
Certified packaging body without an intermediary (occurs when the State Director approves an opt-out request or when a state is not served by an intermediary)	Up to \$1,750	Yes 3550.52 (d)(6) and 3550.75	Yes
Intermediary acting as a certified packaging body	Up to \$1,750	Yes 3550.52 (d)(6) and 3550.75	Yes
Approved non-certified	Up to \$750	Yes 3550.52 (d)(6)	Yes
Other non-certified packaging arrangements (packaging activities outside of the Agency’s regulatory controls such as packaging by for-profit entities)	Not regulated and discouraged when a fee is charged	No	No. In addition, the Agency will review the impact of the fee to the applicant and will make the determination if it adversely affects their qualification.

Section 523 Grantees Who Package Section 502 Direct Non-Self-Help Loan Applications:

Applications submitted under the Section 523 Mutual Self-Help program are excluded from the certified loan application packaging process; and may not include a packaging fee as an eligible loan purpose since grantees receive grant funds to package (among other things) and are provided technical and management assistance. However, a grantee and its staff may package Section 502 or Section 504 non-self-help loan applications in accordance with the guidance in this attachment. Regardless of which type of loan is being packaged, Section 523 grantees will follow the packaging guidance in this attachment related to pre-eligibility counseling, applicant disclosures, application submissions, and the use of eForms.

Additionally, when grantees also serve as packaging bodies for Section 502 non-self-help loan applications there exists the possibility that an applicant originally interested in pursuing a self-help loan through Rural Development may ultimately decide to pursue a non-self-help loan through Rural Development. This change could occur early in the packaging process or after the loan application package is submitted to the Agency. The table below outlines what fee is permissible depending on the loan type and/or when such a switch occurs.

Grantee’s packaging type:	Applicant selects mutual self-help before the application package is submitted to the Agency.	Switch occurs after the package is submitted to the Agency but before the Agency determines the applicant’s eligibility (which is generally a small window of time).	Switch occurs after the Agency determines the applicant’s eligibility.
Section 523 Technical Assistance (TA) grantee packaging for a self-help applicant	Grantee cannot attempt to collect a packaging fee. The services provided are considered part of the TA services charged to the grant.		
Certified packaging body with an intermediary	Grantee must funnel the package through an intermediary to share a packaging fee of up to \$2,000 with the intermediary.	Grantee cannot attempt to collect a packaging fee. The services provided are considered part of the TA services charged to the grant.	Grantee cannot attempt to collect a packaging fee. The services provided would be considered part of the TA services charged to the grant.
Certified packaging body without an intermediary (i.e. State Director approved opt-out or state does not have an intermediary)	Grantee can charge a packaging fee of up to \$1,750.		
Approved non-certified packager	Grantee can charge a packaging fee of up to \$750.		

To reduce the possibility of such a switch occurring and to account for disclosure requirements, grantees must make it clear to potential applicants upfront that they have the option of applying through the self-help program or non-self-help route to purchase a contractor built or existing home and explain what will occur should they switch from self-help to non-self-help (e.g. a packaging fee may be charged).

Section 504 Loan and/or Grant Packaging Type, Permissible Packaging Fee, and Eligible Loan Purpose:

The Section 504 loan and/or grant packaging type and who is involved impacts the permissible packaging fee amount and whether the fee is an eligible loan purpose. The Section 504 program is not a part of the certified packaging process (e.g. intermediaries are not involved in reviewing Section 504 applications). The Agency and the packaging body will execute a Memorandum of Understanding (MOU) using the standardized format, which can be found in SharePoint. Other than inserting the entity’s name, states served, the contact persons, and the name/title of the authorized representative signing on behalf of the organization, no other changes to the MOU can be made. Duplicate fees for packaging services are not permitted. Section 523 TA grantees submitting an application involved in a rehabilitation project which uses Section 504 loan funding are also subject to this guidance.

504 Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan and/or Grant Purpose?
Public and private nonprofit organizations that are tax exempt under the Internal Revenue Code	Up to \$750	Yes 3550.102 (d)(5)	Yes
Other packaging arrangements	Not regulated and discouraged when a fee is charged	No	No. In addition, the Agency will review the impact of the fee to the applicant and will make the determination if it adversely affects their qualification.

General Packaging Processing Guidance:

All packagers are expected to comply with this general packaging processing guidance regardless of their packaging type (certified, approved non-certified, self-help grantee, public/private nonprofit, or other). The packager will gather and submit the information needed for the Agency to determine if the applicant is eligible along with a fully completed and signed uniform residential loan application. For the Section 502 loan program, this review will be completed using the borrower eligibility requirements found in Chapter 4 and the Worksheet for Computing Income and Maximum Loan Amount Calculator available on the SFH Direct Loan Application Packagers resource page (<https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>). For the Section 504 program, this review will be completed using the borrower eligibility requirements in Chapter 12 and the 504 Automated Worksheet available on the SFH Repair Loan & Grants webpage (<https://www.rd.usda.gov/programs-services/single-family-housing-repair-loans-grants>).

If the potential applicant appears to be ineligible for the program (at any time in the packaging process), the packager should counsel them on ways to improve their situation. Packagers should not submit loan application packages to the Agency (or to an intermediary if present) that are unlikely to be determined eligible by the Agency staff. If the program does not appear to be a good fit for the potential applicant, the packager should advise the potential applicant that the program does not appear to be a good fit, notify them that they will not continue packaging the application as a result but that the potential applicant is welcome to apply directly to the Agency. Potential applicants who were considering building via the self-help program but who do not appear to qualify for a loan should be counseled that applying directly to the Agency would exclude participation in the self-help program.

If the potential applicant appears to be eligible for the program, the packager will:

- Provide the potential applicant with the required disclosure letter. The letter must follow the format provided in this attachment and must be signed by the potential applicant.
- For applicants who are not participating in the self-help program, strongly discourage the potential Section 502 direct program applicant from locating a property until the Agency receives their application package and issues Form RD 1944- 59, Certificate of Eligibility (COE).
- Applicants for the self-help program may be advised of potential property locations and house plan options in order to package an application with an appropriate loan amount for the project.
- Collect all the items that the Agency will need to consider the package complete. The Application Submittal Cover Letter (as provided in this attachment) must be completed and included in the submitted loan application package.
- Applications submitted through the certified process or the self-help program will be submitted via eForms.
 - For the certified process: If an intermediary is present, the packager will send the items to the intermediary for a quality assurance review. Once the package is accepted by the intermediary, the package will be sent to the Agency via eForms.
 - For Section 523 TA grantees submitting applications for a self-help build or rehabilitation project, the grantee packager will submit the application directly to the Agency via eForms.

- The packager will need to obtain the potential applicant's credit report to conduct a preliminary credit analysis. Any cost for the credit report is considered part of the packaging fee and should not be charged to the applicant. The Agency will not furnish a credit report for packaging purposes.
- When gathering verifications, the packager should use the preferred sources outlined in Chapter 4. Preferred sources generally do not involve asking third-parties to complete an Agency form and can be obtained with information readily available to the applicant (such as pay stubs, award letters, etc.). If a third-party verification must be obtained because the preferred source involves a fee, the packager may request and receive the form directly. Packagers typically should not obtain Form RD 1910-5, Verification of Employment (VOE), nor should Agency staff request VOEs for all applications. VOEs should only be obtained if the applicant does not have access to paystubs or the information can only be obtained through a source which charges a fee.
- Packagers should only gather documents needed for the specific application. For example, do not obtain a Landlord's Verification (Form RD 1944-60) when the applicant(s) seemingly qualify for a streamlined credit history analysis. Only collect and remit items needed for the Agency's decision.

If the applicant indicates they wish to withdraw their application which has already been submitted to the Agency, the packager must obtain written confirmation from the applicant requesting the Agency withdraw their application, or have the applicant contact the Agency directly to request withdrawal.

Required Disclosure Letter: All packagers, regardless of packaging type, must give potential applicants this letter after inserting the appropriate letterhead and information where indicated with brackets. Once signed by the potential applicant, the packager may assemble the application and submit to the Agency in accordance with the guidance in this attachment.

Page 1 of 2

[Insert applicable letterhead: If under the certified packaging process, this required disclosure letter must be on the qualified employer’s letterhead. If outside the certified packaging process or for self-help applications, the packager’s letterhead can be used.]

Dear Potential Applicant:

After talking with you, we think that a direct Section **[insert 502 or 504, whichever is applicable]** single family housing loan through the Rural Housing Service (known as the “Agency”) is a good loan for you. The Rural Housing Service is an Agency of the United States Department of Agriculture.

We **do not** work for the Agency; we are an outside loan application packager. **[Insert name of organization]** will assist you in applying for a loan through the Agency. We do not guarantee that your loan application will be approved or funded by the Agency.

For our services, you will pay a loan application packaging fee of **[insert applicable fee amount based on the packaging fee tables in Attachment 3-A. For self-help applications, enter \$0]**. The fee is due only if the Agency approves you for a loan and the loan closes. We will assist you in finding means to cover the fee from various sources. To the extent other sources are unavailable, we may waive the fee. **[If the organization meets the regulatory requirements of 7 CFR 3550 insert, “Under certain circumstances, part or all of this fee may be included in your loan.”]**

You are not required to work with a loan application packager to receive assistance from the Agency **[if self-help, enter “unless you are applying to participate in a mutual self-help program”]**. You may work directly with the Agency and avoid the loan application packaging fee. Working with our organization provides you with the following benefits:

- We will act as a go-between for you and the Agency.
- We will make sure that your paperwork is in order, which should shorten the time it takes for the Agency to make an eligibility decision. All information collected will be maintained with the highest degree of confidentiality.
- **[Insert the following statement if and only if the loan application package will be funneled through an Agency-approved intermediary, includes minimum leveraged funds, or is a mutual self-help application: “Your application will be considered a fourth funding priority when funds are insufficient to serve all program eligible applicants.”]**

[Insert the following if a Section 502 non-self-help loan is being requested: “You are strongly discouraged from identifying a property or entering into a purchase agreement until such time as the Agency issues a Certificate of Eligibility (COE). If and when a COE is issued by the Agency, we will help you gather and submit the property information needed by the Agency.”]

[Insert the following if the application is part of a mutual self-help project: “As a Section 523 technical assistance grantee, we will assist you with assembling or identifying property information for submittal to the Agency.”]

We look forward to working with you in preparing an application for an Agency direct loan.

Respectfully,

[Insert name of organization]

Please complete, sign/date, and return this letter to us so that we can serve as your loan application packager.

WAIVER OF PROVISIONS TO THE PRIVACY ACT OF 1974

To serve as your advocate with the Agency, we need to be kept informed of the Agency’s processing of your application and we may need access to items directly obtained by the Agency. By signing below, you authorize the Agency to release to and discuss with **[insert name of organization and the name of the intermediary if present]** any information we may seek or request from the Agency’s records concerning your application for Agency assistance.

I/we acknowledge these facts and confirm my/our desire to work with **[insert name of organization]**. I/we received this letter on the ___ of _____ 20 ____.

Potential Applicant’s Name/Signature/Date (spell out full name and then sign)

Potential Co-Applicant’s Name/Signature/Date (spell out full name and then sign)

Packaging Phase 1: Application Submittal Cover Letter

This cover letter must be used to submit all packaged loan applications to the Agency. Insert the appropriate letterhead and information where indicated with brackets; and for each item listed in the letter, either checkmark and include the item in the package or mark it as not applicable (N/A). Completion and submission of this cover letter along with all the checkmark items constitutes a complete loan application package; and is phase 1 of the loan application packaging process. Intermediaries and self-help grantees must submit the application package via eForms; all other packagers are strongly encouraged to use eForms as well, but if not, should submit the application package to Rural Development via encrypted email.

Page 1 of 2

[Insert applicable letterhead: If under the certified packaging process, use the qualified employer’s letterhead. If outside the certified packaging process, or for mutual self-help applications, the packager’s letterhead can be used.]

[Insert date of submission

Dear **[insert “Rural Development” if working without an intermediary or insert the name of intermediary if working with one]**:

The following documents are submitted via **[insert the method of submission (eForms or encrypted email)]** to your office for review of the loan application package for **[insert applicant(s) name]**:

- A copy of **[insert “Attachment 3-J” if Section 502 or “Attachment 12-E” if Section 504]** with all the items applicable for the applicant(s) marked and included in the package.
- Completed **[insert “Worksheet for Computing Income and Maximum Loan Amount Calculator” if Section 502 or “504 Automated Worksheet” if Section 504]**
- Copy of the credit report and preliminary credit analysis.
 - _____ Applicant(s) has a valid credit score(s) of (640 or higher if Section 502 or 620 or higher if Section 504 loan) and no significant delinquency.
 - _____ Applicant(s) credit score(s) is not valid or less than the threshold.
 - _____ Form RD 1944-60, Landlord’s Verification, if applicable and score is less than the threshold.
 - _____ Applicant(s) explanation of derogatory credit (if applicable).
- A loan application narrative which includes an eligibility analysis (income, creditworthiness, repayment ability, and payment shock (if applicable)), support of any exceptions being requested, and an overall recommendation on the loan application request.
- A signed copy of the required disclosure letter found in Attachment 3-A.

Please cc: the following contacts as information is shared with the applicant and when critical processing activities occur:

Packager contact and email address:

[insert the contact and email address for the application]

Intermediary contact and email address:

[insert the contact and email address for the application]

Sincerely,

[insert packager's name and qualified employer if applicable]

Certified packagers routing through an intermediary will submit the application to the intermediary who will conduct a quality assurance review prior to transmitting the loan application package to the Agency via eForms. Section 523 TA grantees will submit the application to the Agency via eForms. All other packaging types will submit the application directly to the Agency, by eForms or encrypted email.

Upon receipt of a packaged loan application, the Agency will:

- Process the application in accordance with program guidance. As a nationwide program with guidance set at the national level, Agency staff will not modify the definition of a complete package or ask packagers to perform functions or provide materials over and above what is detailed in program guidance. The Agency will accept the electronic Form RD 410-4 submitted through eForms; a signature is not required on the RD 410-4 for the application to be considered complete. Certified application packagers and intermediaries who choose to accept electronic signatures for other application documents must meet the standards and requirements set forth in the E-Sign Act, as well as all other applicable federal and state regulations and guidelines; and are charged with the same responsibility of due diligence with electronically signed documents as they are with paper documents. (However, a borrower's original, handwritten signature must always be obtained on the following legal documents obtained at closing: Form RD 1940-16, Promissory Note; Form RD 3550-14, Real Estate Mortgage or Deed of Trust (State Specific); Form RD 3550-12, Subsidy Repayment Agreement; Form RD 3550-24, Grant Agreement; Form RD 1955-49, Quitclaim Deed or Warranty Deed; RD 3550-22, Assumption Agreement Single Family Housing; Form RD 3550-10, Condominium Rider; and Form RD 3550-11, Planned Unit Development Rider.)
- Order a tri-merge credit report through UniFi (regardless of the type of credit report obtained by the packager).
- Share processing information and updates with the loan application packager (including self-help grantees serving as packagers) and intermediary (if present) as information is shared with the applicant and when critical processing activities have occurred. Critical processing activities include but are not limited to: receipt of the loan application package, information requests, changes to income calculations or a requested loan amount, the eligibility determination, receipt of an appraisal, the underwriting decision, and preparation for closing. After the loan application package is accepted, the Agency will communicate directly with the applicant(s) if additional information is required. When correspondence is sent to the applicant, the packager and intermediary (if present) will be copied.

If and when the Agency has issued a COE, the packager will assist the applicant with phase two of the loan application packaging process which is assembling and submitting the property information.

Packaging Phase 2: Property Submittal Cover Letter

This cover letter must be used to submit property information for packaged loan application previously submitted to the Agency under phase 1. Insert the appropriate letterhead and information where indicated with brackets; and for each item listed in the letter, either checkmark and include the item in the package or mark it as N/A. Completion and submission of this cover letter along with all the checkmark items constitutes a complete property submission; and is phase 2 of the loan application packaging process. In the event the property is already identified at the time phase 1 or the packaged loan application is for repairs, the property submission should be submitted simultaneously with the phase 1 submission.

[Insert applicable letterhead: If under the certified packaging process, use the qualified employer’s letterhead. If outside the certified packaging process, or for self-help applications, the packager’s letterhead can be used.]

[Insert date of submission]

Dear **[insert the name of intermediary if present since they will do a quality assurance review on the property submission before sending it to Rural Development or insert “Rural Development” if an intermediary is not present]:**

The following documents are submitted via encrypted email to your office for review of the loan application package for **[insert applicant(s) name]:**

- A fully executed purchase agreement with applicable addendums
- A copy of the property eligibility website determination that confirms the property is in an eligible rural area
- For existing properties:
 - Copy of a whole house inspection
 - Identification of proposed repairs
 - Proposal for completing repairs (e.g. amended purchase agreement indicating seller will repair prior to closing, buyer is providing funds, applicant is requesting loan funds, etc.)
- Copy of deed or legal description
- Copy of existing survey or plot plan drawn to scale (if available)
- Property tax history and/or assessment information sheet (online sources acceptable)
- For new construction or significant repairs:
 - Certified plans
 - Specifications
 - Cost estimates
- Other applicable items:
 - Packaging fee invoice (for the certified packaging process, invoice must identify how the fee will be shared between the certified packaging body and the intermediary – for instance: \$500 to the certified packaging body and \$1,500 to the intermediary)
 - Updated income, debt, and asset verification documentation (i.e. paystubs, award letters, bank statements, confirmation of new debt payments, etc.) for any items which have expired since the Phase 1 submission, or will expire within the next 30 days
 - Updated Worksheet for Computing Income and Maximum Loan Amount Calculator (updated income, household composition, or other eligibility details if changes have occurred since the Certificate of Eligibility, and requested loan amount and property details based on selected property)

- Updated loan application narrative which addresses any changes from the Phase 1 submission

If you have any questions regarding this submittal, please contact **[insert packager's name]** at **[insert phone number and email]**.

[Insert packager's name and qualified employer if applicable]

Upon receipt of the property information, the Agency will:

- Issue the Loan Estimate; the packaging fee must be shown on the Loan Estimate under “Origination Charges” for regulated packaging activity
- Order the flood hazard determination and complete an environmental analysis on the property
- Review/accept plans/specs or repair proposals
- As applicable, order an appraisal, review/accept the appraisal upon receipt
- Determine property eligibility
- As it relates to the packaging fee:
 - Confirm the fee amount listed on the invoice matches the disclosure letter issued by the packager/intermediary and signed by the applicant
 - Confirm the fee amount is within the permissible limit
 - Determine how the packaging fee will be paid, considering that:
 - The fee as stated on the invoice cannot be altered by the Agency even if it cannot be fully covered by loan funds
 - The fee may be paid with any combination of loan proceeds (assuming adequate loan to value ratios), affordable housing products, gift funds, seller contributions, and/or buyer funds
 - Any reduction or waiver to the fee can only be authorized by the packager and intermediary (if present) and should be reflected in an updated invoice
- Complete loan underwriting and
 - Approve the loan and obligate loan funds using the applicable packaging program type code; issue Form RD 3550-7, Funding Commitment and Notification of Loan Closing, to the applicant; and prepare for loan closing; or
 - Deny the loan request and provide the applicant with the applicable rights

Packagers should be well acclimated with 7 CFR Part 3550 and Handbook-1-3550, both of which can be found at <https://www.rd.usda.gov/resources/directives/handbooks>. Packagers are required to:

- Comply with the Equal Credit Opportunity Act and the civil rights requirements contained in RD Instruction 1901-E.
- Prepare an Affirmative Fair Housing Marketing plan (AFHMP), if they intend on submitting five or more loan application packages to purchase and/or construct dwellings in the same subdivision. The completed AFHMP must be submitted to the local Rural Development office for review and approval.
- Understand and (if applicable) comply with the SAFE Act. The SAFE Act, which is a Federal regulation with state-level enforcement and possible requirements over and above the federal minimum standards, addresses those engaged in loan originator activities. Rural Development does not enforce or monitor SAFE Act compliance.

- Provide the Agency with complete, accurate, and timely information needed to comply with the disclosure requirements under the Truth in Lending and Real Estate Settlement Procedures Act Integrated Mortgage Disclosures. Packagers are not authorized to issue the Loan Estimate or Closing Disclosure on behalf of the Agency.
- Be in good standing with the Government (e.g. not suspended or debarred from participating in Federal programs).

Please note that the packager's performance will be monitored by the Agency. If the packager submits a significant number of packages that are incomplete and/or ineligible, the State Director may determine their services to be unacceptable.

Items specific to the Certified Loan Application Packaging Process:

The certified loan application packaging process involves three distinct parties:

- **Agency-certified loan application packager.**
 - An individual certified by the Rural Housing Service (RHS) to package section 502 loan applications. Certification is verified by the intermediary through whom application packages are routed.
 - Must be employed (employee or independent contractor) by a qualified employer.
- **Qualified employer.**
 - An affordable housing nonprofit organization, public agency, tribal housing authority, or State Housing Finance Agency that meets the requirements of § 3550.75 (b)(2).
 - Involved in the 502 direct program certified loan application packaging process.
- **Agency-approved intermediary.**
 - An affordable housing nonprofit, public agency, or State Housing Finance Agency approved by RHS to perform quality assurance reviews on packages prepared by Agency-certified loan application packagers through their qualified employers.
 - National Office reviews/approves applications and will update the Agency's website as new intermediaries are approved.

Becoming a Certified Packager:

An individual interested in becoming a certified packager should take the following steps:

1. Ensure that you are employed by a qualified employer who meets the requirements stated above. Employment can be in various forms such as: a contract basis, part-time or full-time employee.
 2. Become familiar with the SFH Direct Loan Application Packagers resource page at <https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>. This page contains notices of upcoming certified loan application packaging trainings, training webinars, the intermediary coverage map, and other resources related to packaging Section 502 direct loan applications.
-

3. Contact the intermediary(ies) in the state(s) in which you wish to package loans. Each intermediary will have an agreement for you to review/sign in order to package loan applications through them. You may work with multiple intermediaries depending on the service area you wish to cover.
4. Once you have identified with an intermediary as being part of the certified packaging process, you have 12 months to take the loan application packaging course and pass the corresponding test. It is your responsibility to provide evidence to the intermediary that you have completed this requirement. During the 12-month period, you may package loans and funnel them via the intermediary who will conduct the quality assurance review and provide technical assistance.
5. Contact the intermediary(ies) in the state(s) in which you wish to package loans. Each intermediary will have an agreement for you to review/sign in order to package loan applications through them. You may work with multiple intermediaries depending on the service area you wish to cover.
6. Once you have identified with an intermediary as being part of the certified packaging process, you have 12 months to take the loan application packaging course and pass the corresponding test. It is your responsibility to provide evidence to the intermediary that you have completed this requirement. During the 12-month period, you may package loans and funnel them via the intermediary who will conduct the quality assurance review and provide technical assistance.

Loan Application Packaging Course:

Under the certified packaging process, the course requirements outlined in 7 CFR 3550.75(b) (1)(iii),(b)(3)(vii) and (c) can be fulfilled by the Agency approved packaging course offered by NeighborWorks, the Housing Assistance Council, and Rural Community Assistance Corporation. Please note that:

- Upcoming trainings are listed under the SFH Direct Loan Application Packagers resource page at <https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>
 - Due to limited training availability, the Agency may approve parties to participate in the certified packaging process even if the training has not been completed and provided all other requirements are met upfront; however, the participation in the certified packaging process is contingent upon the party's successful completion of the course requirements within a reasonable timeframe. Parties will have one year from the date of being added to the certified packaging process to complete the course requirements and provide evidence to the appropriate party (intermediary or Agency depending on the situation) that the requirements have been fulfilled. Failure to provide the necessary evidence within the allotted time will result in immediate removal from the certified packaging process. For certified packagers funneling through an intermediary, the intermediary is responsible for monitoring compliance with the course requirements and notifying the certified packager of their removal from the process if not met. For certified packagers with an approved opt-out, the State Office is responsible. Once removed, the party won't be able to participate in the process until the course requirements have been met (and all other requirements continue to be met).
 - Course participants should take the corresponding test within 30 days of completing the course. A score of 70 percent or higher is needed to pass. If the participant does not pass the initial test, they can retry up to two more times within 90 days from taking the course. Failure to pass the test after three attempts will result in the need to retake the Agency-approved training.
 - A recent, now former, Rural Development employee with five or more years of residential loan experience acquired while working in the Agency's single family housing programs is exempt from the course requirements.
 - After having taken the course and passing the test, the Agency may require a certified packager to retake the course/test in order to continue participating in the certified packaging process. This requirement may be triggered by an extended period of packaging inactivity, unacceptable packaging performance, a recommendation from the intermediary, or other justifiable reason.
-

Intermediary Approval:

Entities interested in becoming an Agency-approved intermediary are encouraged to view the training webinars “Role of the Intermediary” and “How to Become an Intermediary” before beginning the application process. Both webinars can be found on the SFH Direct Loan Application Packagers resource page at <https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>.

To apply to be an Agency-approved intermediary under the certified packaging process, an interested party must furnish sufficient documentation to demonstrate to the Agency’s satisfaction that they meet each of the conditions specified in 7 CFR 3550.75(b)(3) and as further detailed below. This documentation constitutes the application. Applications to be an Agency- approved intermediary are welcomed at any time and emailed to SFHDIRECTPROGRAM@usda.gov. The application will be reviewed by National Office with input from the applicable State Office(s). Decisions by the Agency on intermediary applications are not appealable to the National Appeals Division.

Once approved, the Agency will execute a Memorandum of Understanding (MOU) with the intermediary. A copy of the MOU and a list of approved intermediaries can be found on the SFH Direct Loan Application Packagers resource page at <https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>.

Instructions: For each eligibility requirement, complete the cover sheet to identify the information being provided and enter the date of the document being submitted. If an item is not applicable, enter "N/A".

COVER SHEET FOR SUBMITTAL OF INTERMEDIARY APPLICATION

Based on our submittal of the information below, [insert name of the entity submitting an application] seeks to become an approved intermediary for the certified loan application packaging process in [insert the state(s) in which you are applying to be an intermediary]:

Eligibility Requirement	Identify the documentation being submitted as evidence this requirement has been met	Document Date
<p>*Be a public agency or a Section 501 (c)(3) nonprofit organization as evidenced by the organization’s Internal Revenue Service (IRS) nonprofit determination letter for 501 (c) (3) status. A public agency may include:</p> <p>(a) Any state board, commission, committee, department, educational institution, or other state agency which is created by or pursuant to state statute, other than courts and the legislature;</p> <p>(b) Any county, city, school district, special purpose district, or other municipal corporation or political subdivision of the state;</p> <p>(c) Any subagency of a public agency which is created by or pursuant to statute, ordinance, or other legislative act, including but not limited to planning commissions, library or park boards, commissions, and agencies; and</p> <p>(d) Any policy group whose membership includes representatives of publicly owned utilities formed by or pursuant to the laws of this state when meeting together as or on behalf of participants who have contracted for the output of generating plants being planned or built by an operating agency.</p>	<p>_____ IRS nonprofit determination letter for 501 (c) (3) status</p> <p>_____ State statute</p> <p>_____ Ordinance</p> <p>_____ Other legislative act (identify act below):</p> <p>_____ Formation of publicly owned utilities</p>	
<p>*Be in good standing in the state(s) of its operation as evidenced by a Certificate of Good Standing or equivalent documentation from the applicable</p>	<p>_____ Certificate of Good Standing from the Secretary of State</p> <p>_____ Recent State filings</p>	

Eligibility Requirement	Identify the documentation being submitted as evidence this requirement has been met	Document Date
*Have the capacity to serve multiple qualified employers and their Agency-certified loan application packagers throughout an entire state or entire states and have the capacity to perform quality assurance reviews on a large volume of packaged loan applications within five business days of receipt.	____ Narrative describing current processing volumes/staffing and projected processing volumes/staffing; and indicate how volumes will be addressed within timeframes	
Identify what state or states the interested party proposes to serve and provide details on their capacity to serve the identified state(s).	____ Narrative identifying states to be served and capacity	
*Be engaged in affordable housing in accordance with their regulations, articles of incorporation, or bylaws.	____ Copy of articles of incorporation ____ Copy of bylaws ____ Copy of regulations	
*Be financially viable and demonstrate positive operating performance as evidenced by an independent audit paid for by the applicant seeking to be an intermediary.	____ Copy of most recent independent audit for [insert year]	
*Have at least five years of verifiable experience with the Agency’s direct single family housing programs (specifically the Section 502 direct program, the Section 504 repair programs, and/or the Section 523 mutual self-help housing technical assistance program). Verifiable experiences would include, but are not exclusive to, routinely leveraging resources for individual transactions (e.g. providing affordable housing products to Agency borrowers), packaging loan applications, and/or being a self-help grantee or technical and management assistance contractor. To the greatest extent possible, the submission should detail collaborations and dollars leveraged.	____ Narrative detailing how/what experience requirements have been met	

Eligibility Requirement	Identify which documentation submitted as evidence this requirement has been met	Document Date
<p>*For certified packagers, a letter of recommendation from the intermediary that completed the quality assurance reviews on packages, which should include the number of closed loans, and complete and incomplete applications in the last 12 months (as applicable). The overall success rate will be calculated using the same method described in the “Request to Work Without An Intermediary” section of Attachment 3-A.</p>	<p>_____ Copy of letter/email from [insert the applicable state(s)]</p>	
<p>*Demonstrate that its quality assurance staff has experience with packaging, originating, or underwriting affordable housing loans. Provide a resume for each quality assurance staff member. The breadth and depth of their combined skills and qualifications will be considered during the Agency’s application review process.</p>	<p>_____ Resume provided for [insert name(s) of quality assurance staff]</p>	
<p>Provide a quality control plan that is customized to the applicant’s organization. The quality control plan must show there are controls in place to process application packages that will likely result in an eligibility determination by the Agency. The plan should include at a minimum, but not limited to: (1) procedures for obtaining and evaluating loan application documents (e.g. credit checks and income verification); (2) measures the applicant will take to prevent the submission of incomplete or ineligible application packages to the Agency; (3) the standard operating procedures for employees who will be involved with or affected by the quality control process; and, (4) procedures for ensuring accurate information is submitted to the Agency.</p>	<p>_____ Copy of quality assurance plan which addresses:</p> <p>_____ Item 1</p> <p>_____ Item 2</p> <p>_____ Item 3</p> <p>_____ Item 4</p>	
<p>Ensure that their quality assurance staff completes an Agency-approved loan application packaging course reasonable amount of time if selected.</p>	<p>_____ Evidence of course attendance by staff</p> <p>_____ Evidence of passing test successfully</p> <p>OR</p> <p>Certification that this requirement will be completed within a reasonable timeframe as specified by the Agency should the application be approved</p>	

Eligibility Requirement	Identify which documentation submitted as evidence this requirement has been met	Document Date
<p>Provide a letter jointly signed by the organization’s Executive Director and Board President affirming the organization will not be the developer, builder, seller of, or have any other such financial interest in the properties for which the application packages are submitted by the organization as an intermediary pursuant to this notice. NOTE: An intermediary that is also a Community Development Financial Institution (CDFI) will not be considered noncompliant when CDFI funds are tied to the transaction.</p>	<p>_____ Copy of signed letter</p>	
<p>Provide a training and support plan that focuses on the measures the applicant will take to provide supplemental training, technical assistance, and support to certified loan application packagers and qualified employers to promote quality standards and accountability. (Note that the Agency may require implementation of Agency developed and/or approved training and support plan once accepted as an intermediary pursuant to this notice.)</p>	<p>_____ Copy of training and support plan</p>	
<p>Letter of recommendation from the Rural Development Housing Program Director for each state you are proposing to serve.</p>	<p>_ Copy of letter/email from [insert the applicable state(s)]</p>	
<p>Have the authorized representative for your organization sign the standard Memorandum of Understanding (MOU) between the intermediary and the Agency, which can be found at: https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers. Other than inserting the entity’s name, the intermediary’s contact person, and the name/title of the authorized representative signing on behalf of the organization, no other changes to the MOU can be made. If unauthorized changes are made, the MOU will be nullified. If approved, the Agency will sign and fully execute the MOU.</p>	<p>_____MOU signed/dated</p>	

Identify main point of contact for intermediary. This is the person who may be contacted by the Agency, potential packagers, and potential applicants for information.	Name: Title: Address: Phone: Email: Fax: Intermediary website:
Identify the person who is authorized to sign a MOU on behalf of the entity.	Name: Title: Address: Phone: Email: Fax:

*A State Housing Finance Agency (HFA) need not demonstrate meeting these items, given the State's HFA purpose, vision and structure.

Signature of authorized representative

Date

Intermediary Involvement:

If a state is served by multiple intermediaries, a certified packaging body may choose which intermediary through which to funnel their packaged loan applications.

State Directors will require all certified packaging bodies to funnel packaged loan applications through an intermediary (if present in the state) unless the certified packaging body requests and meets the requirements for an opt-out as outlined below. If a certified packaging body serves multiple states, the request must be made on a per state basis. These opt-out requirements will help ensure that opt-out requests are handled in a consistent manner nationwide.

Requests To Work Without An Intermediary:

State Directors may approve an opt-out request from a certified packaging body when the request is supported by the intermediary based on the quality and quantity of loan application packages submitted by the certified packaging body through the intermediary. At a minimum, the certified packaging body must have funneled at least 20 loan application packages through the same intermediary and have funneled packages through the same intermediary for a period of at least 12 months before an opt-out can be considered. With these minimums in mind, the intermediary will support the request if the certified packaging body has a 90% or higher overall success rate.

The overall success rate is based on 1) the number of applications submitted which are complete and 2) the number of loans closed vs. applications submitted.

To calculate the overall success rate for an opt-out request, the rate for complete applications received and applications closed will be averaged.

Cases where an applicant chose to withdraw their application despite being eligible based on a well-documented loan application package will not be counted against the packager (i.e. the application will be counted as a complete application).

The intermediary will apply the following conditions when the request cannot be initially supported; these conditions specify when a subsequent opt-out request will be supported.

- Overall success rate of 85% - 89.99% at the time of the original opt-out request: Requires an additional three months of oversight and support by the intermediary and five or more complete application packages with a 90% or higher success rate.
- Overall success rate of 80% - 84.99% at the time of the original opt-out request: Requires an additional six months of oversight and support by the intermediary and ten or more complete application packages with a 90% or higher success rate.
- Overall success rate of less than 80% at the time of the original opt-out request: Requires an additional 12 months of oversight and support by the intermediary and 20 or more complete application packages with a 90% of higher success rate.

A statement of support from an intermediary is not required when a State Housing Finance Agency requests an opt-out through the State Director.

When an intermediary is not involved because an opt-out request was approved by the State Director or because an intermediary doesn't cover a particular state, it will fall upon the State Office to:

- Ensure that a certified packaging body meets and continues to meet the conditions outlined in 7 CFR 3550.75(b)(1), (b)(2), (d), and (e).
- Enter into a MOU with the certified packaging body using the standardized format (which can be found in SharePoint).
- Update the Agency's state-level website using a standardized template to identify certified packaging bodies with an approved opt-out.

Sample calculations	
<u>Complete application rate calculation:</u>	
Applications submitted:	10
Applications complete:	7
7 divided by 10 = 70% success rate	
<u>Overall success rate calculation:</u>	
Applications complete:	70%
Applications closed:	95%
Total:	165%
165% divided by 2 = 82.5% overall	

An Intermediary’s Performance Elements

Intermediaries enter into a MOU which details performance elements. While the MOU contains other requirements, which are also considered when assessing performance, the minimum performance elements and their rating structure are defined below:

1. The intermediary will outreach to parties that could potentially serve as a certified packaging body.
2. It is expected that packaged loan applications funneled through the intermediary will receive a high rate of Agency approval (with minimal need for the Agency to request additional information). The following measures (applied to both applications received and closed) will be used, on a per state basis, for timeframes to be determined by the Agency. These rates will be calculated using the same method as identified earlier in this attachment:
 - a. Success rate of 90% or higher: Excellent.
 - b. Success rate of 85% - 89.99%: Meets.
 - c. Success rate of 80% - 84.99%: Needs to improve in the following quarter or face possible revocation.
 - d. Success rate of under 80%: Subject to immediate revocation of intermediary status.
3. On a per state basis and for timeframes to be determined by the Agency, at least 30 percent of the applications submitted under this MOU must be from eligible very low-income applicants, with the balance from eligible low-income applicants.

Based on these criteria, a scoring system will be used to rate overall performance during a 12 month period:

# Minimum Performance Elements Met	Status of MOU	Action Required By The Intermediary	Improvement Timeframe
3 out of 3	Excellent	None	N/A
2 out of 3	Acceptable	Emphasis on improving deficient area	Within the next quarter
1 out of 3	Unacceptable	Immediate action to improve in deficient areas	If no improvement within the next quarter, MOU is revoked
0 out of 3	Immediate revocation	N/A	N/A

**FOLLOW-UP QUESTIONS FOR
FORM RD 410-4. UNIFORM RESIDENTIAL LOAN APPLICATION**

Form RD 410-4, Uniform Residential Loan Application is designed to obtain a broad range of applicant information. To accurately process an Agency loan, however, the Loan Originator must review the application carefully and ask follow-up questions to ensure that all relevant information has been obtained. This attachment provides a list of questions that may be useful for each section of the application. Not all questions will be needed for all applicants, and additional information may be needed in some cases.

I. Type of Mortgage and Terms of Loan

- None.

II. Property Information and Purpose of Loan

- Determine whether the applicant intends to purchase a Real Estate Owned (REO) property or assume a loan from a program borrower.
- Determine whether the applicant is interested in a leveraged loan or if the application was submitted by a packager.
- If the applicant wishes to refinance, obtain details about why and also inquire about the type and condition of their home. The Agency will refinance loans only in limited circumstances.
- If the applicant will not reside in the property, confirm that the applicant wishes to obtain a nonprogram loan.
- If the applicant is requesting a subsequent loan to improve the property, determine whether the repairs are necessary to maintain the security, or to meet the family's housing needs.

III. Borrower Information (as well as Additional Information Required for RHS Assistance)

- Name, age, and relationship of all household members.
- Confirm number and ages of dependents.
- Any foster children or foster adults?

- Any full-time students?
- Any household members with disabilities?
- Any elderly household members?
- If the household qualifies as an elderly household, does the household have extensive medical expenses?

IV. Employment Information (as well as Additional Information Required for RHS Assistance)

- If there is an adult household member who has recently changed jobs, determine the reason for the job change.
- If there is an adult household member for whom no employer information has been provided, determine whether the person is employed.
- If any adult household member is unemployed, determine for how long.
- Discuss employment gaps in excess of 30 days with the applicant.

V. Monthly Income and Combined Housing Expense Information (as well as Additional Information Required for RHS Assistance)

- Verify that income listed is comprised of all sources of income, including income from applicants, spouses of applicants (even if the spouse is a minor), and any other adult household members.
- If the income history reveals significant fluctuations, discuss the income trends with the applicant.

VI. Assets and Liabilities

- If the household reports owning real estate, discuss the type of property owned to verify that the reported market value is reasonable.

VII. Details of Transaction

- If completed by applicant, review information to confirm accuracy.
 - If the applicant reports any judgments, bankruptcies, lawsuits, foreclosures or deeds in lieu of foreclosure, or delinquencies on a Federal debt or any other obligations, determine the particular circumstances.
-

VIII. Declarations

- If the applicant reports any alimony, child support, or separate maintenance obligations, verify that it is included as a liability in Section VI of Form RD410-4.
- If the applicant has applied for a nonprogram loan, determine whether any part of a proposed down payment will be borrowed, since other debt will affect repayment ability.
- If the applicant is not a U.S. citizen, verify that he or she is a qualified alien.
- If the applicant does not intend to occupy the property, verify that the applicant intends to obtain a nonprogram loan.
- If the applicant has had ownership interest in a property, determine how that interest was disposed of to ensure that it was not disposed of at below market value.

IX. Acknowledgment and Agreement

- None.

X. Information For Government Monitoring Purposes

- None.

Additional Information Required for Agency Assistance

- If the applicant has received prior assistance, determine whether there were any repayment problems, and in the case of a Section 504 loan or grant, whether the assistance limit has been reached.
 - If the applicant is a veteran, or family of a deceased service person, determine the dates of service, the type of discharge received, and the date of death, if deceased.
 - If the applicant lists a household member as disabled, determine whether the household may be entitled to a deduction for the costs of dependent care to allow a household member to further their education or to work, and whether any reasonable accommodations may be required.
 - If the applicant lists childcare costs, determine whether child care is needed to allow a household member to further their education or to work (if it is to allow the applicant to work, determine whether the salary the applicant receives is equal to or greater than the cost of child care and the age of the child for which care is being provided).
 - If the applicant indicates that the present dwelling has physical problems or is overcrowded, obtain details about the nature and duration of the problem.
 - If the applicant did not include alimony, child support, or separate maintenance information in Section V of Form RD 410-4, make sure the information is provided.
-

ATTACHMENT 3-C

CASE STUDY - PROCESSING PRIORITIES

Applications will be selected for processing using the priorities specified in Paragraph 3.13. The Field Office currently has a backlog of applications in Big Gap County which has been designated as a high priority needs area for which the Agency has a special set-aside. The Loan Originator must review the following applications to process any that can take advantage of the set-aside funds and to select applications for processing in anticipation of additional funding not designated for set-asides that will be available soon. Part I provides information on the applicants, their current situations, and the dates of the applications. Part II illustrates the analysis and ranks the applications in the order of selection.

Part I. Applicants

Application Complete Date	Applicant	Description
9/5	De Moura	Ms. De Moura has owned her home, which was financed by a local lender for 3 years. Last year, she was laid off from her job but has found a new position that pays only half the salary. As a result, she is behind in her loan payments and the lender has accelerated her loan. Ms. De Moura would like to refinance with Agency funds.
9/6	Sapienza	The Sapienzas used a Section 502 loan to purchase an existing home. They are requesting a subsequent 502 loan to install a retaining wall because of erosion in the backyard.
9/7	Yao	The Yaos wish to purchase a newly built house. They would like to obtain a Section 502 loan and their loan application package was submitted via an Agency-approved intermediary.
9/8	Jones	The Joneses moved into the area 4 months ago and would like to purchase an existing house using Section 502 funds because the rental unit the family occupies is too small for the family and has an inadequate heating system.
9/9	Garcia	The Garcias would like to purchase a home from Greenes who have been paying regularly on their Section 502 loan but are now transferring out of state.
9/9	Olsen	The Olsens wish to purchase a Real Estate Owned (REO) property using Section 502 funds. In addition, Mr. Olsen served in active military duty between June 27, 1950 and January 31, 1955.

Application Complete Date	Applicant	Description
9/14	Brown	The Browns used a Section 502 loan to purchase an existing home. Their septic system no longer works properly and needs significant repairs, and they are requesting a subsequent 502 loan to repair it. They are 2 payments behind on their initial loan.
9/15	Johnson	The Johnsons would like to purchase a home from a current Agency borrower but have income well above the low-income limit.
9/16	Smith	The Smiths would like to build a home on a site in Big Gap County.
9/21	Pawlikowski	The Pawlikowskis have been without adequate plumbing for 8 months. They would like to purchase a newly built house using Section 502 funds.
9/21	Deitrich	The Deitrichs would like to build a new house because they feel their current 3-bedroom home is too small to accommodate Mr. and Mrs. Deitrich, their 3 children, and his Aunt Greta, who has recently moved in. They wish to fund the construction through a Section 502 loan.
9/23	Whitfield	The Whitfields wish to purchase a home from an Agency borrower who has an accelerated account.

Part II. Establishing Priorities

Selection Order	Applicant	Application Complete Date	Priority	Priority Status
N/A	Johnson	9/15	N/A	Although the Johnsons are not program-eligible, they may purchase the home under nonprogram terms. No additional funds are required because a nonprogram borrower can only assume the outstanding balance at new rates and terms. Processing need not be delayed until additional funds are available.
N/A	Smith	9/16	N/A	The Smiths receive funding immediately from the set-aside.
1	Brown	9/14	1	The Browns receive first-priority processing for new funds because they are requesting a subsequent loan to remove health and safety hazards. The Loan Originator should counsel the Browns to contact the Servicing Office to resolve the delinquency. The Loan Originator may need to coordinate with the Servicing Office about whether a loan or protective advance is most appropriate.

Selection Order	Applicant	Application Complete Date	Priority	Priority Status
2	Olsen	9/9	2	Since the Olsens are purchasing an REO property, the Agency gives second-priority processing to their request.
3	Garcia	9/9	2	The Garcias receive second-priority processing because they are assuming a home from an Agency borrower. Although their application was completed on the same day as the Olsens', the Olsens receive priority because Mr. Olsen qualifies for a veterans' preference.
4	Whitfield	9/23	2	The Whitfields receive second-priority processing because they are assuming a loan from an existing Agency borrower. Purchasing a home from a borrower who has an accelerated account does not give the Whitfields processing priority over the Garcias who also are assuming a loan from a current borrower. Within priority categories applications are selected by application date.
5	De Moura	9/5	3	Ms. De Moura receives third-priority processing because she is in danger of losing her home through foreclosure due to circumstances beyond her control.
6	Pawlikowski	9/21	3	Since the Pawlikowskis have been living in deficient housing for at least 6 months, they receive third-priority processing.
7	Yao	9/7	4	The Yaos receive fourth-priority processing because their loan application package was submitted via an Agency-approved intermediary
8	Sapienza	9/6	No Priority	The Sapienzas do not receive priority processing; they are requesting a subsequent loan to make needed repairs for a condition that, at this time, does not constitute a health and safety hazard. The Sapienzas application will be processed after all applicants with priorities have been processed.

Selection Order	Applicant	Application Complete Date	Priority	Priority Status
9	Jones	9/8	No Priority	The Joneses do not receive priority processing. Although they have been living in deficient housing for 4 months, they are currently 2 months short of receiving second-priority processing. If within 2 months funding is still not available, the Joneses would receive second-priority processing, and would be processed before the Olsens.
10	Deitrich	9/21	No Priority	The Deitrichs do not receive priority processing. The application will be processed after all applicants with priorities have been processed. Although the family believes the house is too small, it is not sufficiently overcrowded to be considered deficient, because there are no more than 2 people per bedroom.

ATTACHMENT 3-D

RURAL DEVELOPMENT RURAL HOUSING SERVICE

“Applicant Information Sheet” - Single Family Housing

The Rural Housing Service (RHS) provides loans in rural areas to eligible low- and very low-income applicants. The loan may be to purchase existing housing, purchase and repair existing housing, purchase a building site and construct a dwelling, or purchase new housing. Rural areas typically include open country and places with a population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 20,000 population.

For detailed information on income limits and eligible areas, visit:
<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>.

The property must be in good repair or placed in good repair with loan funds. For an existing property, a whole house inspection performed by a qualified inspector is needed. The buyer and seller should discuss who will cover the cost of the whole house inspection and address this item in the purchase agreement.

All who apply get equal consideration without regard to race, color, national origin, religion, sex, gender identity, sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity.

To apply, complete all the applicable items in the attached checklist of items to accompany the uniform residential loan application and submit the package using one of the options below:

- Through a loan application packager. To locate an application packager, please visit <https://www.rd.usda.gov/sites/default/files/RD-SFH-IntermediaryMap.pdf>.
- Apply online after registering to obtain a USDA eAuthentication identification and password. <https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>
- Return to the Rural Development office using the address(es) below. If an email address is listed below, password protect the email to protect personal identifiable information.



A loan application packager provides an optional service to an applicant seeking a housing loan by helping to navigate the loan application process. A packager can help determine if the Section 502 Direct Loan Program is a good fit and, if so, help to assemble a complete loan application package. Loan application packaging fees can generally be included in the Rural Development loan or can be paid by the seller, builder, or third party. Packagers do not work for or represent Rural Development. Eligible loan application packagers can either work with or without an approved intermediary. An intermediary is an affordable housing nonprofit, public agency, or State Housing Finance Agency approved by Rural Development to perform quality assurance reviews on loan application packages. Loan application packages funneled through an approved intermediary receive priority processing. Priority status may also include applications for:

- Agency borrowers requesting subsequent loans to correct health and safety hazards
- Applicants interested in obtaining loans for Real Estate Owned property or related to the transfer and assumption of property owned by a program borrower
- Applicants facing housing-related hardships

Loan applications which do not qualify for priority consideration will be selected for processing after all applications with priority status have been processed.

Please contact a loan application packager or the above Rural Development office if you have questions regarding what needs to be in your application package or if you would like assistance in completing a form. To determine if you qualify, review these frequently asked questions:

“CAN I ASSESS MY ELIGIBILITY PRIOR TO APPLYING?”

Using the [Single Family Housing Direct Self-Assessment tool](#), potential applicants may enter information online to determine if the Section 502 Direct Loan Program is a good fit for them prior to applying. The tool will provide a preliminary review after a potential applicant enters information on their general household composition, monthly income, monthly debts, property location, estimated property taxes, and estimated hazard insurance.

To access the tool, visit <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> and click on the Single Family Housing Direct tab.

Potential applicants are welcome to submit a complete application for an official determination by Rural Development regardless of the self-assessment results. Upon receipt of a complete application, Rural Development will determine the applicant’s eligibility using verified information and the applicant’s maximum loan amount based on their repayment ability and the [area loan limit](#) for the county in which the property is located.

“DOES IT MATTER HOW MANY OTHER BILLS I HAVE TO PAY?”

RHS will look at your monthly obligations and how much you currently owe to others. We’ll want to know if paying back the proposed loan on top of your other payments will be difficult for you.

“WHAT IF I THINK MY INCOME IS TOO LOW?”

Having enough income to repay your loan is an important part of getting a loan; however, the RHS loan may be subsidized. A subsidized loan is based on the applicant repaying a percentage of their income toward the housing payment, taxes, and insurance. The percentage is generally 24 percent of the applicant’s household income.

“WHAT CAN I DO IF MY INCOME IS TOO LOW?”

Consider applying with a co-applicant if there is another member of your household willing and able to be a note signer. RHS will then look at your combined income and credit when determining repayment ability. You may also consider a cosigner. A cosigner is an individual who will not reside in the dwelling, but who is willing to be responsible for the debt. You may also consider applying for down payment assistance programs in your area which provide affordable housing products. Many areas have Housing Finance Agencies, Housing Authorities, or Nonprofit Agencies which administer these programs. Funding from these sources can be combined with Rural Development loan funds.

“HOW CAN I DETERMINE IF MY INCOME IS ADEQUATE TO REPAY A LOAN?”

The amount of your proposed monthly house payment, real estate taxes, insurance, and other credit debts cannot exceed 41 percent of your gross monthly income. If you have questions regarding how this determination is made, you may contact the local Rural Development Office shown on the front cover.

“CAN I GET A LOAN IF I’M UNEMPLOYED?”

A steady source of income is very important to getting a loan. An applicant must show sufficient resources to repay the housing loan. Not having a job or a stable source of income may have an impact on the Agency’s decision. Experience has shown that applicants with stable jobs and income sources are more likely to repay the loan.

“WILL YOU FIND OUT ABOUT OTHER CREDIT I’VE HAD?”

Yes. Your credit report provides information on your payment history including any difficulty you have had repaying other loans or credit cards. That information will be used to determine if you can repay the loan. If you are unsure what your credit history contains, you can obtain a free credit report by calling 1-877-322-8228 or logging into <https://www.annualcreditreport.com>. By law, individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.

“HOW LONG WILL IT BE BEFORE I CAN MOVE INTO MY NEW HOME?”

Typically, applicant eligibility, loan approval, and loan closing may be accomplished within approximately 120 days of filing a complete application. However, depending on the availability of Government funding, this time-frame may be extended. The applicant is periodically advised regarding the status of their application when there is lack of funding.

Applications will be processed based on the following priorities: 1) subsequent loans to correct health and safety hazards, 2) loans to purchase homes owned by RHS and loans to transfer and assume (or purchase with new loan funds) properties owned by RHS borrowers, 3) hardships as defined by RHS, 4) loans that bring in additional resources as defined by RHS, including loan application packages funneled through an approved intermediary, and 5) applications that do not qualify for priorities 1 - 4. Within each priority category, veterans' preference will be given to applicants who were discharged or released (except for a dishonorable discharge) from the U.S. active forces (regardless of the position held – administrative support, combat, mechanics, medical, transportation, etc.) and who actively served during eligible periods.

“HOW MUCH MONEY WILL I NEED FOR A DOWN PAYMENT?”

A down payment is generally not required. Loans may be made for up to 100 percent of the market (appraised) value. Simply put, this means if the sales price of the property is equal to or less than the appraised value, no down payment is needed.

“DOES THIS MEAN I WON'T NEED ANY CASH TO GET A LOAN?”

Generally, the applicant will need some cash available. There are costs associated with the credit report, appraisal report, escrow, and other related closing costs. The credit report fee is always paid by the applicant upfront. The first year's hazard insurance premium and whole house inspection report fee are paid prior to closing unless included in the loan amount. Costs pertaining to the appraisal, escrow, and loan closing may be included in the loan amount. You may also negotiate with the seller to contribute a percentage toward closing costs. Any agreement with the seller should be entered into prior to signing and documented in the purchase agreement or sales contract.

“DOES THE APPLICANT HAVE OTHER RESPONSIBILITIES?”

Yes. Rural Development staff are available to assist the applicant from the application to loan closing. The applicant is responsible for providing requested information timely. The information may be requested by Rural Development staff, a loan application packager, a real estate agent, or a closing agent. Failure to provide information timely results in delayed decisions and other actions.

Yes. The applicant must:

1. Be without decent, safe, and sanitary housing.
2. Be unable to obtain a loan from other resources on terms and conditions that they can reasonably be expected to meet.
3. Possess the legal capacity to incur the loan obligation.
4. Be a U.S. citizen, a U.S. noncitizen national, or a qualified alien and provide acceptable evidence of qualified alien status.

“WHAT ARE THE TERMS OF THE LOAN?”

The maximum repayment period is 33 years and, under certain conditions, 38 years. The maximum repayment period for manufactured homes is 30 years.

“WHERE MAY HOUSES BE LOCATED?”

Houses must be located in a rural area, on desirable sites with an adequate supply of safe drinking water and suitable arrangements for sewage disposal. Streets must have an all-weather surface and be maintained by a public body or a homeowner’s association.

“WHAT ABOUT THE FEATURES OF THE HOME AND SITE?”

While cost and features vary in different areas of the country, the home and site must be modest. A modest site generally cannot be subdivided under local zoning laws, does not include land or structures that will be used principally for income-producing purposes, and complies with local zoning requirements. An existing home with an in-ground swimming pool may be considered modest; however, in-ground swimming pools with new construction or with properties that are purchased new are prohibited. Under certain conditions, an exception to these standards may be granted on a case-by-case basis. The value of a dwelling may not exceed the area loan limit for the area in which the applicant is requesting financing.

WHO IS RESPONSIBLE FOR INSPECTING THE HOME?

The applicant/borrower is responsible for hiring a qualified inspector to conduct a whole house inspection on an existing property and for making inspections necessary to protect their interests. While a Rural Development staff member or designee may inspect a property during and/or following construction or repair, these inspections do not create or imply a warranty or guarantee on the condition of the property.

“WHERE MAY I APPLY?”

Applications are made at the local Rural Development office or through an application packager serving the area where the house will be located. To locate your nearest Rural Development office, please visit: <https://offices.sc.egov.usda.gov/locator/app?state=us&agency=rd>. To locate an application packager, please visit <https://www.rd.usda.gov/sites/default/files/RD-SFH-IntermediaryMap.pdf>.

ATTACHMENT 3-E

REQUEST TO REOPEN A REJECTED APPLICATION IN LOANSERV

Application Number: _____

Name of Applicant: _____ Name of Co-Applicant: _____

Reason for Request (check only one):

_____ National Appeals Division (NAD) overturned the rejection of the application.

_____ The Loan Approval Official reviewed and reconsidered the rejection and recommends reinstatement.

Please **PRINT** name of requesting official: _____

Signature of requesting official: _____ Date: _____

Title of requesting official: _____

FOR STATE OFFICE USE ONLY:

*Request Approved: _____ **Request Denied: _____

PRINT the Housing Program Director's name:

Housing Program Director's signature: _____ Date: _____

*If approved, the State Office should fax form to SFH Assistance Section at 314-457-4441 and notify the Field Office of the approval.

**If denied, fax form back to originating office to place in applicant's case file.

ATTACHMENT 3-F

HOW TO ADDRESS NEGATIVE PRE-QUALIFICATION RESULTS

The purpose of this attachment is to instruct the RHS staff on how to handle discussions concerning negative pre-qualification results. Since pre-qualifications are based on unverified information and infile credit reports, the results are not binding. To avoid implying that the results are official, the following scripts are to be used in each given situation:

Situation 1: The potential applicant has credit blemishes (be it bankruptcy, collections, etc.) on their infile credit report.

Proper Response:

Let the potential applicant know that their credit record does not have to be perfect to be eligible for a loan. Inform the potential applicant that past credit blemishes can be acceptable if their overall credit record demonstrates an ability and willingness to repay obligations or if their credit blemishes occurred as a result of circumstances beyond their control. Counsel the potential applicant on how to correct the credit blemishes and share with the potential applicant the credit standards as outlined in HB-1-3550, Chapter 4. Be sure to explain to the potential applicant that fulfilling suggestions provided by the RHS staff will improve their chances of qualifying for a loan, but not guarantee loan approval.

Unacceptable Response:

Informing the potential applicant that based on the results of the infile credit report, they do not meet our credit standards and would not qualify for a Section 502 direct loan.

Situation 2: The potential applicant does not appear to qualify for an amount sufficient to purchase a decent, safe, and sanitary dwelling.

Proper Response

Counsel the potential applicant on ways to improve their financial status (i.e. paying off small debts, debt consolidation, increasing their income, etc.) and inform the potential applicant that a qualifying co-signer may be added to an application to compensate for a lack of adequate repayment ability. Also refer the potential applicant to state and nonprofit agencies that might be willing to extend forgivable loans and/or grants.

Unacceptable Response:

Telling the potential applicant that they do not qualify for a loan due to a lack of repayment ability.

Situation 3: The potential applicant presently owns a home.

Proper Response:

Let the potential applicant know that if their dwelling is structurally unsound, functionally inadequate, or too small to accommodate the needs of the household, RHS may be able to provide financing to improve the existing dwelling or to purchase a new one. In addition, let the potential applicant know that RHS may be able to refinance the property under certain circumstances (refer to HB-1-3550, Chapter 6.5).

Unacceptable Response:

Informing the potential applicant that the Section 502 direct loan program is designed for first-time homebuyers only.

Situation 4: The household's adjusted annual income appears to be over the income limit.

Proper Response:

Inform the potential applicant that to qualify for a Section 502 direct loan, their household's adjusted annual income must be within our established income limit based on household size and location. Also let the potential applicant know that if they should exceed the income limit for the direct loan program other options are available (assumed loan, purchase of a REO property, a Guaranteed Rural Housing loan, and other credit).

Unacceptable Response:

Informing the potential applicant that they do not qualify for a Section 502 direct loan because it appears as though they are over income based on the unverified income information.

Attachment 3-G
502 Single Family Housing Checklist

THIS CHECKLIST DOES NOT REPLACE THE RUNNING RECORD!

This document should be filed under Folder A for an Electronic Customer File (ECF)

Once clear, readable copies are uploaded and confirmed in ECF the originals can be destroyed following the requirements of RD Instruction 2033-A (e.g., PII must be cross-cut shredded) except for the documents identified on the Index of Essential Records which are maintained in locking-type fire proof filing cabinets/safes in accordance with RD Instruction 2033-A, 2033.(b)(1)(iii).

Borrower Name:		Co-Borrower Name:	
Borrower Phone:		Co-Borrower Phone:	
Borrower Email:		Co-Borrower Email:	

Processing Priority:	1	2	3	4	5
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ECF – Electronic Customer File (refer to the ECF Classifications – Quick Reference Guide in SharePoint)
RP - Responsible Party
LO – Loan Originator
LAO – Loan Approval Official

ECF	RP	Date	
Application Processing			
<i>Review application for completeness within <u>3 business days</u> of receipt. Promptly contact the applicant to request any missing information. Follow up with a letter advising applicant of a <u>15-day</u> deadline for submission or the application will be withdrawn. Mark the file as inactive until complete. (HB-1, 3.6)</i>			
A	LO		Attachment 3-J
C	LO		RD 410-4, Uniform Residential Loan Application , (or current industry standard “Uniform Residential Loan Application” along with pages 6-10 of RD 410-4) When the 410-4 is submitted using eForms, a signature on the 410-4 is not needed (HB- 1, 3.5)
C	LO		RD 3550-1, Authorization to Release Information (for each adult household member) (HB- 1, 3.5)
C	LO		If an application includes the information required by TRID, forward to the applicant within <u>3 business days</u> of receipt of the application (HB-1, 3.8): HB Letter 5 (3550), Cover Letter for Initial Disclosures Package CFPB’s “Your home loan toolkit: A step-by-step guide” CFPB’s Loan Estimate Attachment 3-I, Settlement Service Providers List & Mortgage App. Related Disclosures

C	LO		For an unsecured loan, send RD 1940-41, Truth in Lending Statement.
			Date returned
C	LO		Check Treasury’s DNP portal, retain copy in ECF (if not completed at Pre-qual) (HB-1, 3.3, 4.11)
C	LO		Check LoanServ’s “SSN CROSS REFERENCE” softlink key (if not completed at pre-qual) (HB-1, 3.3, 4.11)
D5	LO		If not a citizen, check S.A.V.E Database. See Attachment 4-D for additional guidance (HB-1,4.20)
D5	LO		Identification (HB-1, 4.21)
			Evidence of age
			Taxpayer’s ID number
			Photo ID
C	LO		Funds Available; send HB Letter 11 (3550), Request Information (HB-1, 3.14)
C	LAO		Funds Not Available; send HB Letter 2 (3550), Funds Not Available (HB-1,3.13)
	LO		Underwriting – enter ‘pre-qual’ and ‘application complete’ dates on Stage Updating Screen – Be sure to enter actual purchase price, if known.
Income			
D1	LO		Paycheck stubs (4 most recent & consecutive weeks) – only for employment which is not seasonal in nature. Seasonal employment is verified using the last two years of complete tax returns with W-2s and applicable schedules. (HB-1, 4.3)
D1	LO		Oral Verification of Employment – if applicable (HB-1, 3.15 A.3.)
D1	LO		RD 1910-5, Request for Verification of Employment – if paystubs are not available (HB-1, 4.3) If no response in 14 days, call employer to follow up and document the discussion.
D1	LO		Other Income documentation (HB-1, 4.3, 4.5):
		_____	Public Assistance
		_____	Child Support/Alimony
		_____	Unemployment Benefits
		_____	Other
		_____	Self-employment income
		_____	Social Security/VA Bene
		_____	Pensions/Annuities
		_____	Last two Federal Income Taxes including all applicable W-2s, Wage and Tax Statement, IRS Form 1099-MISC Miscellaneous Income and schedules.
		_____	Tax transcripts directly requested and obtained by applicant using IRS Form 4506-T, Request for Transcript of Tax Return, if additional income validation was needed.
D1	LO		RD 3550-4, Employment and Asset Certification
D2	LO		Separation/Divorce/Paternity/Property Settlement Agreement, if applicable
Deductions			
D2	LO		Deduction documentation (HB-1, 4.4):
		_____	Child Care
		_____	Elderly/Disabled (RD 1944-4, if applicable)
		_____	Medical Expenses
		_____	Disability Assistance Expenses
		_____	Full-time Student status
		_____	Minor Dependent
		_____	Other

Assets			
D3	LO		Most recent bank account statements covering at least two-month period- statements must include the transaction history, review any recurring deposits or debits and obtain explanation for large deposits (HB-1, 4.5)
D3	LO		1944-62, Request for Verification of Deposit – if statements are not available or the accuracy of the applicant’s self-certification or statements are questioned (HB-1, 4.3)
D3	LO		3550-2, Request for Verification of Gift/Gift Letter , if applicable (HB-1, 4.3)
D3	LO		Land and Other Real Estate , if applicable (HB-1, 4.5, Exhibit 4-3)
D3	LO		Most recent retirement fund statements covering at least a two-month period (considered for income calculations but not for down payment) (HB-1, 4.6, 4.7)
D3	LO		Other Assets (HB-1, 4.5, Exhibit 4-3)
Credit			
D4	LO		Tri-Merge Credit Report (TMCR) documentation (HB-1,4.12): (Credit Score Disclosure provided in the standardized application package. Do not upload into ECF.)
			Fee Received. Enter date in UniFi (Stage Updating screen).
			Process the credit report fee using the Electronic Fee Service (DLOS, Ch 5) or 3550-17, Funds Transmittal report (if cashier’s check or money order)
			Report Ordered (upon selection for processing)
			Report Received
			Credit score:
D4	LO		Credit score is less than 640 or applicant has less than two credit scores (HB-1, 4.12 & 4.13):
			Nontraditional credit verifications (HB-1,4.12.C)
			RD 410-8, Applicant Reference Letter– if applicable
			RD 1944-60, Landlord’s Verification
			Credit Letter of Explanation, if applicable (HB-1, 3.7, 4.12) RD 1944-61, Credit History Worksheet (completed by LO, signed by LAO) LAO is responsible for reviewing/approving any credit exceptions.
D4	LO		Community property states non-purchasing spouse’s credit report containing Equifax, Experian, and TransUnion information. Include obligations in total debt ratio. NP SPOUSE’S CREDIT IS NEVER CONSIDERED A REASON TO DENY A LOAN APPLICATION (HB-1, 4.12D)

ELIGIBILITY PROCESSING			
D5	LO		Attachment 4-A, Worksheet for Computing Income (HB-1,4.2)
D5	LO		RD-3550-30, Verification of Debt Proposed for Refinancing , for non-Agency debt (HB-1, 6.5)
D5	LO		Document Applicant has adequate funds for closing cost/down payment- if applicable
D5	LAO		Loan eligibility narrative completed/signed by Loan Approval Official (LAO)
D5	LAO		RD 1944-59, Certificate of Eligibility (COE) if a property has not been selected. Valid for time period(s) specified in HB-1, 4.25. (Prepared by LO, Signed by LAO)
	LO		Withdraw the application if no property is identified after applicable time period
C	LO		Verify completion of a Homeownership Education Course (Cert of Completion) (HB-1, 3.4)
F	LAO		If applicant is not eligible, send HB Letter 15 (3550), Standardized Adverse Decision Letter with review and appeal rights (Must be signed by LAO) (HB-1, 1.9)
C	LAO		Document eligibility on originally submitted RD 410-4, item 17.
D5	LO		Update UniFi/Stage Updating, save and digitally sign Eligibility Summary
F	LO		Form RD 3550-23, Applicant Orientation Guide (HB-1,4.26).
C	LO		If circumstances occur, issue revised Loan Estimate or Closing Disclosure within 3 business days of receiving new information, but no later than 7 days prior to loan consummation.

D5	LO		HB Letter 1 (3550) Moderate Income Options
D5	LAO		HB Letter 3 (3550) Waiting Period (Issued by LO, signed by LAO)
D5	LAO		HB Letter 4 (3550) Funds Not Available – Certificate of Eligibility and/or Property Identified
D5	LAO		HB Letter 16 (3550) Eligibility of Self Help Applicants

PROPERTY ELIGIBILITY			
County:			
Maximum Loan Limit: \$			
E	LO		Within 3 business days of receipt of a sales contract, send the following documents if they were not previously sent under the Application Processing section of this checklist. (HB-1,3.7) HB Letter 5 (3550), Cover Letter for Initial Disclosures Package CFPB’s “Your home loan toolkit: A step-by-step guide” CFPB’s Loan Estimate Attachment 3-I, Settlement Service Providers List & Mortgage App. Related Disclosures
E	LO		Sales Contract or Form RD 3550-34, Option to Purchase Real Property, (HB-1, 5.1) Review all pages of and attachments to Purchase Agreement: Legal Description:
E	LAO		HB Letter 10 (3550) Status of Offer to Buy Single Family Housing REO Property
	LO		Discuss closing date - with seller, buyer, and real estate agent if it appears RD is unable to close loan by Purchase Agreement possession date
E	LO		Verify eligibility of subject property (identified for purchase) (HB-1, 5.1) https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do
E	LAO		Attachment 9-C, Condominium Questionnaire , as applicable
E	LO		Verify the subject property’s address using the USDA address verification site and print to PDF to upload to ECF. Result code must be 1 or 2; <u>or</u> researched, verified, and documented if not. Enter verified address in UniFi. (HB-1, 5.1) https://eligibility.sc.egov.usda.gov/eligibility/addressVerification
E	LO		Recalculate Eligibility Summary with actual loan amounts, if different from original, save and digitally sign, upload to ECF.
E	LO		Appraisal or document Statement of Value if appraisal is not required (HB-1,5.16)
E	LO		RD 1922-15, Administrative Appraisal Review for Single Family Housing - within 7 days of appraisal (HB-1, 5.19); Reviewed and Accepted _____ (initial and date)
E	LO		Notify Applicant of appraisal results and provide a copy of the appraisal. If making an adverse decision on the appraisal, send either HB Letter 17 or HB Letter 18 , as applicable, along with a copy of the appraisal.
E	LO		Lead Based Paint (LBP) Compliance Key and Print Out (houses built prior to 1978) https://leadpaint.sc.egov.usda.gov/LBPWeb/lbpQuestionnaire
	LO		Lead pamphlet provided to applicant.
E	LO/LAO		RD Instruction 1970-B, Exhibit D “Categorical Exclusion” (must be completed prior to obligation of funds or Issuance of a Conditional Commitment, as applicable) or RD Instruction 1970-C, Exhibit E “Guide for Reviewing Environmental Assessments” as applicable (RD Instruction 1970 series “Environmental” & HB-1, 5.8) LO determines the level of environmental review and LAO final determination of impact.

UNDERWRITING/LOAN APPROVAL			
D1	LO		Reverify income - if expected to be over 120 days old by closing date (unless the type of income only requires an annual verification source) (HB-1, 4.3)
F	LO		Update Eligibility Summary with correct information, save, digitally sign, and date – must be in file at rejection/approval (HB-1, 6.17)
F	LO		Direct-US Findings Report
D5	LAO		Loan eligibility narrative updated to include underwriting details/signed by LAO
	LO		Verify UniFi Program Type Code (must match income type)
F	LO		Validate the interest rate and obligate through LoanServ (HB-1,8.6 E, 8.7)
F	LO		Update LoanServ screens before uploading file; check Display History Screen for correct loan amount.
F	LAO		If denying property, send HB Letter 15, Standardized Adverse Decision Letter with review and appeal rights (HB-1, 1.9 & 8.2) and
D5	LAO		Reissue Certificate of Eligibility for applicant to select another property.
	LO		If other funding is involved, review lender terms and fees to determine if acceptable (HB-1, 10.9)
F	LAO		RD 3550-7, Funding Commitment and Notification of Loan Closing- issued day of approval/obligation in LoanServ (if not signed and returned in 15 days, must de- obligate) (HB-1, 8.2) along with a copy of the appraisal, unless obligated subject to an appraisal.
F	LO		RD 1940-41, Truth in Lending Statement – if applicable for an unsecured loan (HB- 1, 3.8B)
F	LO		If changed circumstances occur, issue revised Loan Estimate or Closing Disclosure within 3 business days of receiving new information, but no later than 7 days prior to loan consummation.
<ul style="list-style-type: none"> ➤ Loan should be approved/rejected within 30 days after completed docket (HB-1,8.2) ➤ Make sure loan does not exceed applicable area loan limits (HB-1,6.6) ➤ Verify loan-to-value ratio for existing dwellings does not exceed 100% (HB-1, 6.7) ➤ Loan terms cannot exceed maximum allowed (HB-1, 6.8) or approval authorities(1901-A) ➤ Attachment 6-A, Documentation Required Prior to Approving Loan. Chapter 6 of HB-1 gives additional guidelines. 			

CLOSING			
Closing Date:			
Consummation Date:			
IMPORTANT NOTE: Loan consummation may not occur until 3 business days after the Closing Disclosure is received by the applicant. With the mailbox rule, this means there is generally a 7 business day waiting period before closing if the Closing Disclosure was not provided in person.			
	LO		Reverify Employment, Income and Eligibility (HB-1, 4.3 & 8.6.C)
D1	LO		Date of income verification source: _____ (must not be more than 120 days by the closing date unless the type of income only requires an annual verification source)
D1	LO		Date of Oral VOE: _____ (if applicable complete 10 days before closing)
D4	LO		Date of TMCR: _____ (if more than nine months old at time of approval or closing, Loan Originator must obtain an updated TMCR at no cost to the applicant)
G	LO		Update UniFi with correct information and save the Eligibility Summary, digitally sign and date -must be in file at loan closing (HB-1, 8.6.D)

D5	LAO		Loan eligibility narrative updated to include final closing details/signed by LAO
G	LO		RD 1927-4, Transmittal of Title Information (HB-1, 8.4)
G	LO		RD 1927-9, Preliminary Title Opinion (if using attorney) (HB-1,8.4)
G	LO		Title Insurance Binder/Preliminary Title Opinion - Review and verify legal description is correct (if exceptions noted affect the security value, loan cannot be closed).
G	LO		Closing Disclosure provided to applicant (after it was reviewed for compliance with tolerance limits) (HB-1, 8.5)
			Provided in person
			Provided by mail
G	LO/LAO		RD 3550-25, Loan Closing Instructions and Loan Closing Statement (HB-1,8.11 & 1927-B)
	LO		Re-verify closing agent's account numbers
G	LO		RHCDS/MISC/CLOSING SELECT/ADD AGENT screen
G	LO		DNP for closing agent (Label as Closing Agency using ECF Title field)
G	LO		Hazard/Flood Insurance Binder & Receipt for 1st year premium (HB-1, Att 7-C)
G	LAO		RD 3550-15, Tax Information (HB-1, 7.10), Calculate RE taxes that should be paid at closing (60 days of due date); instruct Title Agent to collect prorated taxes from Seller (refer to Purchase Agreement) (HB-1, 7.4)
G	LO		RD 3550-9, Initial Escrow Account Disclosure Statement (HB-1, 7.5)
G	LO		RD 3550-17, Funds Transmittal Report for tax service & appraisal fees, escrow funds, etc. (copy in Collections Operational File) (1951-B, if applicable)
G	LO		RD 3550-19, Transmittal-Closing Documents & Attachments – as applicable (HB-1, 8.11)
G	LO		RD 410-4, Uniform Residential Loan Application <u>PRINTED FROM UniFi</u>
E2	LO		Check the contractor using Treasury's DNP portal (contract >\$25,000) – (Label as Contractor using ECF Title field) (1940-M)
G	LO		RD 1927-5, Affidavit Regarding Work of Improvement (if required by State Supplement) send blank to closing (1927-B, 1927.58)
G	LO		RD 1940-16, Promissory Note (original in safe) (HB-1, 8.9 and FMI)
G	LO		RD 1940-43, Notice of Right to Cancel - if secured and non-purchase (HB-1, 8.6)
G	LO		RD 1944-14, Payment Assistance/Deferred Mortgage Assistance Agreement or RD 1944-6, Interest Credit Agreement (as applicable)
G	LO		RD 1955-49, Quitclaim Deed or Warranty Deed (as applicable)
G	LO		RD 3550-10, Condominium Rider (if applicable)
G	LO		RD 3550-11, Planned Unit Development Rider (if applicable)
G	LO		Attachment 5-C and lease approval for tribal trust and other lease agreements (if applicable)
G	LO		RD 3550-12, Subsidy Repayment Agreement (original in safe attached to note) (HB- 1, Att. 8-A)
G	LO		RD 3550-14, Real Estate Mortgage or Deed of Trust for (State) - send blank
G	LO		RD 1927-8, Agreement with Prior Lienholder - if leveraged loan (HB-1, 8.6)
G	LO/LAO		RD 3550-22, Assumption Agreement Single Family Housing - if applicable (LO or LAO prepare, LAO signs to execute; Original attached to original note in safe) (HB-1, 8.6)
G	LO/LAO		RD 3550-16, Release from Personal Liability - if applicable (HB-1, 8.6)
G	LO		RD 3550-29, Document Errors and Omissions Agreement (HB-1. Attachment. 8-A)
G	LAO		Obtain copies of all other funding sources including: promissory notes, grant agreements and/or security instruments (HB-1, 10.10)
	LO		First Payment Coupon

POST CLOSING			
	LO		Verify closing documents uploaded to ECF (using New Loans classification) or emailed to the Servicing Office in required time frame (HB-1, 8.11)
			Verify proper lien position.
G	LO		Post 1-month follow-up for recorded Real Estate Mortgage.
H	LO		Post follow-up for Title Insurance Policy (60 days) or Final Title Opinion (14 days). (If not received, contact closing agent by mail with a copy of the letter to the insurance company.)
H	LO		Activate loan/payment assistance in LoanServ <u>WITHIN 2 BUSINESS DAYS OF CLOSING (OR 4 BUSINESS DAYS IF THE BORROWER HAS RESCISSION RIGHTS.</u>
	LO		Review final Loan estimate & Closing Disclosure for tolerance violations. Cure violation within 60 days of closing.
H	LO		Send Compensation for Construction Defects letter, if new construction (Guide Letter 1924-1)
G	LAO		RD 3550-25 – Loan Approval Official approves after all forms are returned, reviewed, and correct (HB-1, 8.11)
H	LO		Delinquent/Lienholder Screen – complete LoanServ screen for each leveraged partner

CONSTRUCTION CONTRACT			
E2	LO		RD 1924-6, Construction Contract (HB-1, 5.23)
E2	LO		“400 Series” (400-1, 400-3, 400-6, and posters), as applicable (HB-1, 5.23)
E2	LO		Send Exhibit C, RD Instruction 1901-E within 10 days (HB-1, 5.23) DOL web site (https://www.dol.gov/agencies/ofcep/contact/regional-offices) (ECF “400 Series” Label using ECF Title field)
E2	LO		RD 1924-16, Record of Pre-Construction Conference, Attachment 12-For other documentation (HB-1, 5.23)
E2	LO		Builder’s Risk Insurance policy
E2	LO		RD 1924-1, Development Plan
E2	LO		RD 402-1, Deposit Agreement & RD 402-2, Statement of Deposits and Withdrawals
E2	LAO		RD 1924-7, Contract Change Order and updated RD 1924-25, Plan Certification, if applicable
E2	LO		Process partial contractor payment draws (based on 60% of work in place) (HB-1, 5.24 C)
G	LO		DNP for contractor at each draw when using multiple draws in LoanServ (Label as Contractor (Date of Draw) using ECF Title field) Note: not required for SBA draws
E2	LO		RD 1924-12, Inspection Report or Third Party Inspection, Minimum of:
			Footer
			Rough-in
			Final
E2	LO		RD 1924-9, Certificate of Contractor’s Release & RD 1924-10, Release by Claimants, if applicable
E2	LO		RD 1924-19, Builder’s Warranty or 10-year warranty per RD Instruction 1924-A, Exhibit L (NOTE: If 10-year warranty, must have policy or binder before final payment to builder)

POST CONSTRUCTION COMPLETION			
D1 / D3	LO		60 days prior to anticipated final inspection, notify borrower to update income and asset information in order to calculate payment assistance (HB-1, 8.13 B)
E2	LO		Order final draw for contractor final payment (HB-1, 5.25)
E2			Advance any remaining funds from loan (HB-1, 5.25) <ul style="list-style-type: none"> • Deposit final draw in SBA (to be used for authorized loan purpose) or make check payable to RD and Borrower and submit to Servicing Office to apply as a principal reduction. (DO NOT PROCESS A PARTIAL DEOBLIGATION) • For self-help transaction – deposit final draw in custodial account or supervised bank account (as applicable)
G	LO		Escrow Deposit: Order check (if included in loan) OR collect from borrower and submit to Servicing Office (HB, 7.6 & Att 7-A)
H	LO		Verify correct address of subject property is listed in LoanServ for new construction – address must receive a code 1 or 2 to be valid or must research and document discrepancy (HB-1, 5.1) (https://eligibility.sc.egov.usda.gov/eligibility/addressVerification)
H	LO		Convert and activate loan on the first of the month following the final inspection
H	LO		Post Conversion of new loan closing in LoanServ (print screen) and Warranty Follow-ups
G	LO		Modify Promissory Note and have borrower(s) initial changes (or mail copy with revisions) (HB-1, 8.13 A)
	LO		Submit copies to the Servicing Office

ATTACHMENT 3-H

CREDIT SCORE DISCLOSURE

In accordance with the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) and in connection with your application for a Rural Development Single Family Housing (hereafter referred to as “the Agency”) home loan, the Agency, upon request, must disclose to you the score that a credit bureau distributes to users and will be used by the Agency in connection with your home loan as well as the key factors affecting your credit scores.

While the Agency does not consider credit scores in determining adverse credit decisions, we may use them to presume acceptable credit in lieu of other credit underwriting practices. Credit scores assist lenders in evaluating your credit history in a more expedient and objective manner. Your credit scores are found on your tri-merge credit report, a copy of which will be provided to you upon request. The range of possible scores is from 300 to 850. The Agency may also obtain and consider other credit scores in making its decision on your application.

In addition to the credit scores, your credit report lists the key factors related to why your scores were less than the maximum possible score. Please keep in mind that the factors are only indicators of why you received less than the maximum score possible. The listing of these factors does not by itself indicate that you would not be approved for the loan you have requested. Rural Development considers many factors in addition to your credit scores in making a decision on your application. If your application is not approved, you will receive a separate notice stating the specific reason(s) for that action which may or may not relate to your credit scores.

The Agency did not calculate your credit scores or develop the scoring models. If you have any questions about your credit scores or the information in the tri-merge credit report from which the scores were computed, you can contact the credit bureau at the address listed below.

**Equifax Mortgage Solutions
4300 Westown Parkway, Suite 200
West Des Moines, IA 50266
(800) 333-0037**

NOTICE TO HOME LOAN APPLICANT

Pursuant to FACT Act, Section 212.

In connection with your application for a home loan, Rural Development must disclose to you the score that a credit bureau distributed to the Agency and was used in connection with your home loan, as well as key factors affecting your tri-merge credit score.

The credit score is a computer-generated summary calculated at the time of the request and based on the information a credit bureau has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the Agency in determining whether you will obtain a loan. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change.

Because the score is based on information in your tri-merge credit history, it is very important that you review the credit-related information to make sure it is accurate. Credit records may vary from one company to another.

If you have any questions, about your score or the credit information that is furnished to you, contact the credit bureau at the address and telephone number provided with this notice. The credit bureaus play no part in the decision to take any action on the loan application and are unable to provide you with specific reasons for the decision on the loan application.

If you have any questions concerning the terms of the loan, contact Rural Development.

THIS DISCLOSURE HAS BEEN PROVIDED TO THE APPLICANT(S) PURSUANT TO SECTION 212 OF THE FAIR AND ACCURATE CREDIT TRANSACTIONS ACT OF 2003. I UNDERSTAND THAT I MAY RECEIVE A COPY OF MY TRI-MERGE CREDIT REPORT BY MAKING A WRITTEN REQUEST TO THE RURAL DEVELOPMENT OFFICE HANDLING MY LOAN APPLICATION.

ATTACHMENT 3-I

**SETTLEMENT SERVICE PROVIDERS AND MORTGAGE LOAN
APPLICATION RELATED DISCLOSURES**

Applicant(s) Name: _____

Subject Property Address: _____

Account Number: _____ Date: _____

List of Settlement Service Providers

The “Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act and the Truth In Lending Act” (TRID) rule requires that if a lender permits an applicant to shop for third party settlement services, the lender must provide to the applicant with a written list of settlement services providers at the time the Loan Estimate is issued. Settlement service provider (also referred to as “service provider”) means any individual or business providing services in connection with a prospective or actual settlement of a mortgage loan. The lender’s list of settlement service providers is only required for settlement services listed on the Loan Estimate, page 2, Subheading C - “Services You Can Shop For”, and may include, but are not limited to, the following fees:

- Pest inspection fee
- Home inspection fee
- Survey fee
- Title services

In accordance with the TRID regulation, Rural Development (also referred to as “the Agency”) hereby provides you with a list of settlement service providers that have recently provided services to Agency’s customers. This list should assist you in identifying settlement service providers for services covered under the “Services You Can Shop For” section of the Loan Estimate. Rural Development does not require that you select the settlement service providers from this list; furthermore, you may choose a qualified provider that is not listed on this document. Please note that the settlement service providers on this list are not endorsed by or affiliated with Rural Development and selecting a settlement service provider from this list does not affect the final credit decision on your loan application. Settlement services may take days or weeks to complete, therefore we strongly recommend that you select your settlement services providers as soon as possible or your settlement may be delayed. Once you have selected your service providers, you must contact your local Rural Development office to inform them about your selections.

If you select a service provider that is not on the Agency's list, you must provide our staff with the service provider's name, address and phone number. Settlement service providers and Rural Development staff work closely together to ensure that loan requirements are met in a timely manner before the closing date.

New Construction Homes / Construction Loans Disclosure

If you are buying a new construction home and settlement of your loan is expected to occur more than 60 calendar days from the time the initial Loan Estimate is issued, the Agency has the right to issue a revised Loan Estimate at any time up until 60 calendar days prior to loan closing/consummation.

Notification of Right To Receive a Copy of the Appraisal

In accordance with the Equal Credit Opportunity Act (ECOA) of 1974 (Regulation B) and in connection with your loan application, Rural Development must inform you of your right to receive a copy of the appraisal of the property you wish to purchase. Unless otherwise noted in the program's regulation, Rural Development will order an appraisal to determine the value of the property you are interested in purchasing and charge you a fee for the appraisal. The Agency will promptly give you a copy of the appraisal received regardless of the Agency's loan decision. You should expect to receive a copy of the appraisal after your loan has been evaluated by the Loan Approval Official but no later than three business days before loan closing.

If you have any questions concerning the terms of the loan, contact Rural Development.

THIS DISCLOSURE HAS BEEN PROVIDED TO THE APPLICANT(S) ALONG WITH THE LOAN ESTIMATE AND PURSUANT TO THE INTEGRATED MORTGAGE DISCLOSURES UNDER THE REAL ESTATE SETTLEMENT PROCEDURES ACT AND THE TRUTH IN LENDING ACT RULE. THE AGENCY MAY ISSUE A LOAN ESTIMATE IF APPLICABLE CHANGED CIRCUMSTANCES OCCUR. THIS IS NOT A LOAN / FUNDING COMMITMENT.

ATTACHMENT 3-J

CHECKLIST OF ITEMS TO ACCOMPANY THE UNIFORM RESIDENTIAL LOAN APPLICATION

You, as the applicant, need to simultaneously submit the applicable items below when applying for a loan. Copies of the verification documents should be submitted. If any item, information, and/or signature is missing, you will be contacted and asked to provide the missing pieces. **If the missing pieces are not provided within 15 days of the request, your incomplete application will be withdrawn from consideration.** To avoid any delay or withdrawal, verify that your loan application is fully complete prior to submission.

- This checklist with the applicable and included items checked.
- Form RD 410-4, Uniform Residential Loan Application: You **must** complete all sections (be sure to provide all applicable information, details, and data) and sign/date pages 5 and 8. <https://forms.sc.egov.usda.gov//efcommon/eFileServices/eForms/RD410-4.PDF>
- Verification of identity: You **must** provide a copy of your Government-issued picture identification (ID) along with evidence of age. Standard verifications are a driver's license or a passport. Contact us if you do not have these standard verifications to discuss possible alternatives.
- Verification of taxpayer ID number: You **must** provide verification of your full taxpayer ID number (i.e. no numbers are hidden or suppressed) using evidence such as your pay stubs or tax returns. A copy of your social security card is only needed if you do not have any other evidence of your full taxpayer ID number.
- \$25 credit report fee (non-refundable): If the applicant and co-applicant currently reside at separate addresses, the fee is \$25 for each applicant. Remove any credit freeze at the time of application submission and keep it lifted until such time as the Agency pulls a credit report. Indicate an option for payment of the credit report fee:
 - Option 1: I hereby authorize a \$_____ withdrawal from my bank account for the credit report fee. Enclose a copy of a voided check, savings account deposit slip, or other document from an American Bankers Association (ABA) bank (we cannot process withdrawals from a foreign bank). **The document provided must be an official ABA bank validated record and clearly identify the ABA routing number and account number.** The Agency will use the ABA routing number and account number to collect payment through the Automated Clearing Housing System (ACH). By indicating an amount above and providing a copy of a voided check, deposit slip, or other bank document with the ABA routing number and account number, you are authorizing the deduction from the account by electronic means. Option one is the preferred method as it provides faster processing.
 - Option 2: Mail a check, cashier's check or money order that is signed, dated, and made payable to USDA Rural Development.

Notice to Customers: If applicants send the Agency a check, it will be converted into an Electronic Funds Transfer (EFT). This means the Agency will copy the check and use the account information on it to electronically debit the applicant's account for the amount of the check. The debit from the applicant's account will usually occur within 24 hours and will be shown on the applicant's regular account statement. Applicants will not receive their original check back.

The Agency will destroy the original check but will keep an image of it. If the EFT cannot be processed for technical reasons, applicants authorize the Agency to process a paper copy of the image in place of the original check.

If the withdrawal cannot be completed because of insufficient funds, the Agency may try to make the transfer up to two additional times and the Agency will charge a one-time fee of \$15, which will also be collected by EFT or ACH.

- If you have late payments, collections, judgments, or other derogatory items in your credit history, provide a written explanation for each credit blemish. If you are unsure what your credit history looks like, obtain a free credit report by calling 1-877-322-8228 or logging into <https://www.annualcreditreport.com>. By law, you are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.
 - Form RD 3550-1, Authorization to Release Information: Each adult member of the household **must** sign/date a separate release form.
<https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-1.PDF>
 - Form RD 3550-4, Employment and Asset Certification: You **must** check the appropriate blocks, account for the household members' employment and nonretirement assets as instructed, and sign/date the certification.
<https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-4.PDF>
 - Your last two signed Federal Income Tax Returns with all applicable tax return schedules. Also provide:
 - All W-2s, 1099s, and other forms attached to the returns.
 - If filed electronically, include a copy of the signature page with the Self-Select PIN, confirmation that the return was accepted, or evidence that it was filed by an authorized E-File provider.
 - Last four consecutive weeks of pay stubs for **all employed adult household members**.
 - If you have an employment history of less than two years or employment gaps in excess of 30 days within the last two years, you should provide a letter of explanation.
-

- Recent benefit statements for regular unearned income for **all household members** who receive:
 - Social Security/Supplemental Security Income
 - Public assistance
 - Retirement income
- Other
- Last 12-month payment history of alimony and/or child support received by **all adult household members** as provided by the court appointed entity responsible for handling payments. If this is not available, provide a copy of the separation agreement or divorce decree. While you can choose to have this income excluded from your repayment income, it must be reported to determine if your household's adjusted income is within the program's income limit.
- Two most recent brokerage or bank statements for **all household members** (excluding tax advantaged plans for education, health/medical, and retirement). If you are obtaining this information online, provide the statements as opposed to providing the online transaction histories.
- For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript.
- Written evidence of childcare expenses for dependents 12 years of age or younger.
- If you are 62 years of age or older, are disabled, or have a disabled household member, provide evidence of unreimbursed annual medical expenses if you wish to be considered for a deduction to household income.
- List your personal email address(es) below if you authorize the Agency to contact you via email. The Agency password protects emails containing personal identifiable information.

- While you are strongly discouraged from identifying a property or entering into a purchase agreement until you receive a Certificate of Eligibility from Rural Development, enter the county you are interested in purchasing a home in below.

- If you have already entered into a purchase agreement (which again is strongly discouraged), provide a copy of the agreement.

Applicants who are first-time homebuyers are strongly encouraged to complete a homeownership education training as early in the application process as possible since the training covers the following important topics: preparing for homeownership (readiness to go from rental to homeownership), budgeting (pre- and post-purchase), credit counseling, shopping for a home, obtaining a mortgage, loan closing, and life as a homeowner. There is generally an out-of-pocket fee for the training, which can be reimbursed should the loan request be approved and closed. Attached is a list of Agency-approved education providers. You will be expected to successfully complete this training prior to entering into a contract to purchase or construct a home for maximum benefit.
