

## **CHAPTER 14: FUNDING [Official Agency Use Only]**

### **14.1 INTRODUCTION**

Congress appropriates funds to the Agency for loan guarantees for each fiscal year basis (October 1 through September 30) and not as funds are needed. If Congress has not approved appropriated funds at the beginning of a fiscal year, the program may continue to be authorized and delivered under a Continuing Resolution until appropriated funds for the fiscal year are approved by Congress. Fund distribution under a Continuing Resolution may be based upon the previous year actual obligations during the Continuing Resolution, compared to each state's obligations during the same time frame of the previous funding year.

This chapter describes the funding priority process and Agency actions when funds are limited. It also outlines the Agency procedure to request funds from the National Office reserve.

### **14.2 PROGRAM FUNDING PROCESS**

Funds are allocated and distributed to the Agency at the beginning of each fiscal year through the Program Funds Control System (PFCS). Upon receipt of the annual allocation, the National Office distributes funds to each state based on a predetermined formula. A pooling date is established when funds are allocated and distributed to the Agency at the beginning of each fiscal year. The pooling date, if utilized, typically occurs at FY end. Pooling of funds is a technique used to ensure that available funds are used in an effective, timely and efficient manner. At the time of pooling those funds within a State's allocation for the fiscal year that has not been obligated by the State are placed in the National Office reserve. Pooling funds permits funding requests to be processed on a first-come first-serve basis. This process allows all states to have access to available funds as long as funds remain available.

After the pooling date, if unallocated funds remain, the National Office will provide specific direction to states as to usage of the remaining funds. When adequate funds remain to allow distribution to all states, the National Office will do so. The National Office will keep lenders and Agency staff apprised of the potential for a shortage of available funds with advance notice.

### **14.3 PRIORITIZATION OF FUNDING**

When funding is not sufficient to fund all applications, 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 to determine the order in which applications will be processed. If funds are limited the Agency will prioritize requests to first-time homebuyers or veterans. In the case of applications with equivalent priority status that are received on the same day, preference in funding will be given to those qualifying for veteran's preference. The following outlines the criteria to meet the prioritization:

#### **1. Households that Qualify for First-Time Homebuyers Preferences**

A household qualifies for a first-time homebuyer preference if any applicant meets any one of the following criteria:

- An individual who has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing.
- An individual, who is a displaced homemaker and who, except for owning a home with a spouse, has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing. A displaced homemaker is unemployed or underemployed, and experiencing difficulty in obtaining or upgrading employment. In recent years they have worked primarily without remuneration to care for the home and family and have not worked full-time, full-year in the labor force.
- An individual, who is a single parent and who, except for owning a home with a spouse, has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing. Single parents include any individual who is unmarried or legally separated from a spouse; and has custody or joint custody of one or more children, or is pregnant.

#### **2. Households that Qualify for Veterans Preferences**

A household qualifies for a veteran's preference if any applicant has served on active duty and has been discharged or released from the active forces on conditions other than dishonorable from the United States Army, Navy, Air Force, Marine Corps, or Coast Guard. The preference applies to the serviceperson, or the family of a deceased serviceperson, who died in service before termination of such war or such period or era. The applicable time frames are:

- During the period of April 6, 1917, through March 31, 1921;

- During the period of December 7, 1941, through December 31, 1946;
- During the period of June 27, 1950, through January 31, 1955;
- For a period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975;
- During the period beginning August 2, 1990 through January 2, 1992; or
- Any other prescribed by Presidential Proclamation or law.

#### **14.4 AGENCY ACTIONS – SHORTAGE OF FUNDS**

The following actions will be taken by the Agency when program funding is limited:

##### **A. Agency Actions When Funds Are Not Available - Pooling**

The National Office will keep lenders and Agency staff apprised of the potential for a shortage of available funds. Once funds are pooled, the Agency will redistribute remaining funds in accordance with the date of loan guarantee request as follows:

##### ***1. Before the pooling date.***

If the request is made before the pooling date, the Agency office will place the request on a waiting list and notify the lender that a delay is expected. Applicants, who qualify for a preference as a first-time homebuyer or as a veteran, will be placed on the waiting list above those without such a preference, in the order received. All other applicants will be placed on the waiting list in date-order below those who qualify for preferences.

Loan guarantee requests will remain on the waiting list until funds become available or the lender withdraws the request, whichever is first.

##### ***2. After the pooling date.***

If the request is received after the pooling date, the Agency will notify the lender that loan guarantee requests may be deferred until the following fiscal year. Approval officials will keep lenders aware of actions to be taken between the pooling date and the annual allocation dates. If there is a possibility that funds will soon be available, the request for guarantee may be reviewed. The lender should be notified, by phone or fax, if the Agency cannot honor a one-day process.

Complete applications received after pooling will be reviewed and funded (as appropriate) on a “first-come first-served” basis. Incomplete applications will be returned and may be resubmitted. Lenders should be advised why that the application is being returned and of what is required to complete the application. The approving office is responsible for keeping the lender abreast of the status of applications submitted and any availability of funds received once pooling has occurred.

**B. Agency Actions When Funds Are Not Available – Conditional Commitments Subject to Availability of Funds**

When funds are not available, the National Office may authorize issuing Conditional Commitments “Subject to receipt of congressionally appropriated funds.” In such cases, when in the best interest of the Government, the Agency will continue to issue Conditional Commitments.

When issuing Conditional Commitments “subject to the availability of Congressionally appropriated funds,” Agency personnel will include a condition regarding the non-availability of funds and the subsequent actions of lenders during the interim period. The statement utilized will be issued by the National Office when authorizing the issuance of commitments subject to funding.

Lenders may close these loans provided they fulfill all the conditions stated on the Conditional Commitment. The Agency will not be able to issue a Loan Note Guarantee until funding becomes available. When funding becomes available, the lender must make a certification there has been no adverse change in the borrower’s financial condition since issuance of the Conditional Commitment. A lender must certify to the Agency, using the process provided for on Form RD 3555-18, “Conditional Commitment for Single Family Housing Loan Guarantee,” that there have been no adverse changes in the borrower’s financial condition since the Conditional Commitment was issued by the Agency. The lender will assume all risk of loss until the Agency issues the Loan Note Guarantee.

**14.5 LENDER WITHDRAWAL OF APPLICATION**

If at any time the lender determines that an existing request is not needed, the lender should notify the Agency immediately. The Agency will remove the loan guarantee request from the system, releasing the funds back to the allotment for the state. Releasing funds allows the Agency to fund as many guarantee requests as possible. If a lender fails to notify the Agency that funds are not needed, pending applicants on the waiting list may be deprived of an opportunity to obtain a loan guarantee.

Some common reasons for withdrawing a loan guarantee request are:

- Lender rejection of the borrower's application;
- Change in property; or
- Choice of a loan program other than the SFHGLP Loan Program.

#### **14.6 AGENCY ACTION - REQUESTING FUNDS FROM THE NATIONAL OFFICE RESERVE**

Funds may be retained by the National Office during a FY to meet program needs or Agency objective. To request funds from the national office reserve, Agency employees will:

- E-mail the SFHGLP funding mail box at [sfhgld@wdc.usda.gov](mailto:sfhgld@wdc.usda.gov).
- Request actual funding needs, by type of assistance code.

If the type of assistance is refinance, each funding request must summarize the individual request of the cumulative total request for the State.

#### **14.7 AGENCY ACTION – REQUEST FOR RESTORATION OF FUNDS**

The Program Funds Control Branch (PFCB) of the National Finance and Accounting Office Center (NFAOC) in St. Louis, Missouri will review and approve/deny all restoration of funds requests. The following actions are required to submit a request for restoration of funds:

1. A fully completed “Request for Restoration of Funds form a Prior Fiscal Year” form.
  - Agency personnel will complete the form electronically via Adobe.
  - The form will be electronically signed with your LINC Pass (PIV) card.
  - The form should be saved (not printed and scanned).
  - Find the fillable form on the Agency's SharePoint website under the folder “Funding”.

2. A copy of all Conditional Commitments issued for the loan.
3. If the Agency extended the Conditional Commitment, documentation pertaining to the lender's request and the Agency's approval must be included with the restoration request. Dates are required.
4. A detailed explanation must be entered on the form to indicate whether the Agency or lender is at fault.
5. If the restoration request is for a higher obligation amount than the original obligation, then additional document is required. The Agency must demonstrate that the loan request was reviewed for repayment at the higher amount and the loan amount does not exceed the maximum amount based on the property's appraised value.
6. If the request is for a restoration of funds where the lender did not comply with regulatory requirements, an exception to the regulatory requirement will be required. Submit a request in accordance with Chapter 1, Section 1-9 of this Handbook. A copy of the approved exception must be submitted with the request for a restoration of funds.
7. Completed "Request for Restoration of Funds from a Prior Fiscal Year" forms and all documentation must be submitted electronically to the technician in St. Louis who is assigned your State at the Housing Services Branch (HSB/NFAOC).