CHAPTER 15: SUBMITTING THE APPLICATION PACKAGE
[7 CFR 3555.107]

15.1 INTRODUCTION

It is the lender's responsibility to work with the applicant to ensure all necessary documentation is obtained to satisfy the requirements for loan eligibility. Lenders may utilize industry standard forms when assembling the application package. The loan must be underwritten and approved by the lender prior to submission to the Agency. The Agency requires that lenders use the Guaranteed Underwriting System (GUS), the Agency's automated underwriting system, for all supported loan products. Lenders will certify upon a "final" underwriting submission that the loan has been reviewed, underwritten, and all data entered in GUS is true, complete, accurate, and retained. Lenders must review the GUS Underwriting Findings Report to ensure all requirements are met. Refer to Attachment 15-A, *Guaranteed Rural Housing – Loan Origination Checklist,* for a list of required items to be provided to the Agency for a complete loan application package.

15.2 LENDER RESPONSIBILITY

The originating lender is responsible for the accuracy of all information used to obtain a Rural Development guarantee in accordance with 7 CFR 3555 and this Handbook. The permanent loan file must contain verified documentation that supports household eligibility for the Single Family Housing Guaranteed Loan Program (SFHGLP) and the lender's approval of the loan request.

Lenders are not authorized to close loans prior to the issuance of the Conditional Commitment. Closing a loan prior to obtaining a Conditional Commitment from the Agency will render that loan submission ineligible for a Loan Note Guarantee and may affect the lender's approval status to participate in the program.

15.3 LOAN APPLICATION PACKAGE

A. Manually Underwritten Loans

Manually underwritten loans are defined as:

- GUS applications that receive an underwriting recommendation of "Refer" or "Refer with Caution."
    - These loan applications are submitted as final in GUS and, based on the GUS recommendation, must be manually underwritten by the lender's underwriter.

- Additional documentation, in accordance with Attachment 15-A, must be provided to the Agency along with the request for a Conditional Commitment.

B. Manually Submitted Loans

Manually submitted loans are defined as:

- Any loan type that is unsupported by GUS, including Streamlined Assist Refinance transactions and select pilot programs.
  - These loan applications must be manually underwritten by the lender's underwriter.
  - The associated documents must be uploaded via GUS, however no GUS recommendation is generated.
  - A job aid for this type of manual submission is available in the USDA LINC Training and Resource Library in the "Loan Origination" tab located at https://www.rd.usda.gov/resources/usda-linc-training-resource-library/loan-origination under "Documents and Resources," "Manual Submission Job Aid."

C. Guaranteed Underwriting System - GUS Accept loans

1. Streamlined Documentation Loan Files

When GUS renders an underwriting recommendation of "Accept," this allows the lender to submit streamlined documentation to request a Conditional Commitment. Information regarding processing procedures is located in the GUS User Guide posted to https://www.rd.usda.gov/resources/usda-linc-training-resource-library/guaranteed-underwriting-system.

2. Full Documentation Loan Files

GUS "Accept with Full Documentation" loan files require additional items to be submitted to the Agency. Full documentation submissions are not re-underwritten by the Agency. Full documentation loan files will undergo a review to compare the data entered by the lender to the submitted documentation. Any discrepancies

identified by the Agency will be reviewed with the approved lender before the file is released for correction or denied.

15.4 ELECTRONIC SIGNATURES

Rural Development will accept electronic signatures for origination, loan closing, and servicing documents unless otherwise prohibited by law or program. This guidance is limited to lenders. Agency staff will continue to follow internal policy.

7 CFR 3555 does not prohibit or consent to electronic signatures. Lenders may use electronic signatures when the lender perfects and maintains a first lien position, an enforceable promissory note, and meets all other agency requirements. This includes electronic promissory notes (eNotes), deed of trust, and other documents relevant to the loan transaction. Lenders should be familiar with the securitization requirements of government sponsored enterprises (GSE), such as Ginnie Mae, regarding the transferability of eNotes.

Lenders who choose to accept electronic signatures 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. Lenders are charged with the same responsibility of due diligence with electronically signed documents as they are with paper documents.

If any electronically signed document is deemed unenforceable (e.g. the promissory note, mortgage, or deed of trust) and is connected to any fraud, misrepresentation, or negligent servicing, the lender bears the risk that any loss claim submitted in relation to the unenforceable document will be denied or reduced in accordance with applicable regulations. The lender's failure to collect on the promissory note or enforce the security instrument because of its electronic signature will be treated as negligent servicing under SFHGLP regulations.

Failure to comply with any Federal statute or regulation could result in the denial of a loan guarantee or claim, withdrawal of lending authority, and/or debarment from Federal programs.

15.5 AGENCY REVIEW OF APPLICATION PACKAGE

The Agency's automated system will track the date and time the application package is received. Agency review of the application package is completed in the order it is received. As outlined below, there are circumstances which may require a more thorough review by the Agency. In these situations, the Agency will contact the lender.

A. Content of Standard Review

In general, the Agency will review applications to determine that all program requirements have been met. The lender has sole responsibility to properly underwrite the loan and ensure program requirements have been met. Agency review of the

application does not relieve the lender of these responsibilities. Agency staff must determine if the loan:

- Is located in an eligible rural area,
- Meets the adjusted annual income limit,
- Has appropriate collateral value to support the loan request,
- Meets environmental requirements of RD Instruction 1970, and
- Meets applicable requirements of 7 CFR 3555 and this Handbook.

Agency staff will utilize the SFHGLP Documentation and Processing Checklist in their review of Conditional Commitment requests, which assists in the review, processing, and closing of a guaranteed loan.

B. Agency Review of Lender's Underwriting Decisions

It is the approved lender's responsibility to underwrite loans, however, under limited circumstances, the Agency may determine that a more thorough review of the lender's submission should be performed. The Agency must notify the lender in writing of the additional review. The Agency may review the lender's underwriting decisions under the following circumstances:

1. Lenders who are new to the program

When a new lender is approved for participation in the program, the initial application submissions will receive a thorough Agency review, including a review of the lender's underwriting decisions. The purpose of these reviews is to provide training and ensure that the lender has a complete and accurate understanding of the Agency's requirements. The Agency will continue to review new lender underwriting decisions until the Agency is confident that the lender is performing satisfactorily. Additional training is provided when incomplete or deficient packages are received during initial submission.

2. Lenders that submit incomplete or inaccurate applications

If a lender submits incomplete applications or applications with inaccurate information, the Agency may choose to review the lender's underwriting to ensure that they understand the Agency's requirements. Thorough reviews will continue until the lender demonstrates their ability to submit complete and accurate application packages on a regular basis.

3. Lenders with significant loan review findings

Lenders that exhibit above average default, foreclosure, and loss claim activity may have their current loan submissions reviewed more thoroughly by the Agency. The lender will be referred to the Lender Oversight Branch for continued monitoring.

C. Conditions for the Loan Guarantee

Agency staff will determine if any conditions must be met for the loan to qualify for a guarantee. Terms and conditions will be listed and issued to the lender on Form RD 3555-18 or Form RD 3555-18E*, Conditional Commitment for a Single Family Housing Loan Guarantee.*

15.6 LENDER NOTIFICATION ON REQUEST FOR LOAN GUARANTEE

The Agency will notify the lender of the results from the application review. The following are possible results of the review:

A. The Request for a Loan Guarantee is Approved

If the loan file meets Agency requirements, the lender will receive an email with a link to view Form RD 3555-18/18E, *Conditional Commitment for Single Family Housing Loan Guarantee*. The Conditional Commitment establishes conditions for issuing the Loan Note Guarantee. This form will also be available under the Documents section of the GUS system once it has been issued by the Agency. In order to receive the Loan Note Guarantee, the lender must submit any required documents and certify to all conditions noted on Form RD 3555-18/18E (including any attachments to the form). Chapter 16 of this Handbook provides additional guidance to obtain the Loan Note Guarantee.

B. Return of Incomplete Applications

If the application request is missing information specified in Attachment 15-A and/or the final GUS Underwriting Findings Report, the Agency will suspend the application and request the missing documentation from the approved lender. Once the file is complete, the lender must alert OPD staff that all requested information is ready for a subsequent review, as GUS does not automatically alert the Agency when new documentation is uploaded. The file will then be placed in line again for Agency review. If the lender cannot provide the necessary information, the lender should request to withdraw the loan file from GUS. Agency staff will not withdraw loan files without first contacting the lender to request the missing documentation.

C. The Request for a Loan Guarantee is Denied

The loan guarantee request will be denied if the proposed loan fails to meet program requirements. The Agency will notify the lender in writing of the reason for the denial

and will provide review and appeal rights as indicated in Appendix 3 of this Handbook. The Agency must properly process the loan in the Agency's internal Guaranteed Loan System (GLS) database to record the loan denial.

15.7 LENDER RESPONSE TO CONDITIONAL COMMITMENT

The lender has three responses to the issuance of Form RD 3555-18/18E: the lender may accept the terms and conditions, decline the terms and conditions for loan guarantee, or request that the terms and conditions be altered.

A. Accepting the Conditions

If the lender understands and agrees to accept the conditions listed on Form RD 3555-18/18E, no further communication with the Agency is required until the lender is ready to request the loan guarantee. The loan must close in accordance with Form RD 3555-18/18E which includes:

1. A loan amount equal to or less than the authorized amount,

2. An interest rate equal to or less than the authorized amount, and

3. Compliance with all stated conditions.

B. Declining the Conditions for Loan Guarantee

If the lender determines that the terms and conditions stated on Form RD 3555-18/18E cannot be met, that the loan guarantee is not needed, or that the loan will not go to closing, the lender must inform the Agency in writing as soon as possible. The funds for that loan request are reserved for the transaction until the expiration of the Conditional Commitment. Upon being informed that the lender intends to decline the conditions for loan guarantee, Agency staff will cancel the loan guarantee obligation in GLS. This will release the committed funds for reallocation to a new commitment.

C. Requesting Changes in Conditions

Requests to close the loan at a lower loan amount or interest rate than those authorized on the issued Conditional Commitment do not require any action. If the lender believes that there are erroneous conditions and requirements on Form RD 3555-18/18E that should be altered, the lender may contact the Agency and propose alternatives. The request must be via email and must not affect the eligibility of the loan.

Modifications that adversely affect the loan, such as an increase in loan amount, interest rate, monthly liabilities, real estate taxes and homeowner's insurance (that exceed the allowed threshold); or lower repayment income, assets, etc. require a new underwriting review. Refer to the resubmission policy outlined in Chapter 5 of this Handbook. The lender is not authorized to close the loan until a new Form RD 3555-18/18E is issued.

ATTACHMENT 15-A

Guaranteed Rural Housing USDA

Loan Origination Checklist

Lender Instructions: *Submit the identified documents for the applicable loan type. To expedite loan review, please submit only the identified documents. Documents must not exceed the maximum allowable age set forth in the 7 CFR 3555 and Handbook 1-3555. Rural Development will consider all documents submitted as the certified and true copies of the original documents retained in the lender's permanent file. Lenders should submit loan files electronically to Rural Development. See 4.1.13 of the* GUS lender user guide (usda.gov) for further information on submitting a file through GUS, as well as the Manual Submission Job Aid (usda.gov) for files not supported by GUS.

General Information		
Applicant(s):	Lender:	Date:

Loan Origination Checklist
Guaranteed Underwriting System (GUS)- Purchase and Non-Streamlined and Streamlined Refinance Transactions
Underwriting Recommendation: ACCEPT

When submitting documents in GUS, the appraisal report must be uploaded separately in color.

☐	**Form RD 3555-21, Request for Single Family Housing Loan Guarantee** Include all pages from the current published version Executed by applicant(s) and lender
☐	**FEMA Standard Flood Hazard Determination Form** New construction properties located in 100-year flood plains require additional documentation, including confirmation the base flood elevation (BFE) is below lowest habitable floor. Lender to use the most current form available from FEMA.
☐	**Mortgage Payoff Statement:** If refinance transaction
☐	**Uniform Residential Appraisal Report (URAR)** The appraiser must use the most current forms acceptable to Fannie Mae, Freddie Mac, VA, or HUD. Not required for most streamlined refinance transactions.

Loan Origination Checklist
Files Not Supported By GUS, GUS Refer/Refer with Caution Underwriting Recommendation, or GUS Accept with Full Documentation Message on GUS Underwriting Findings and Analysis Report

When submitting documents in GUS, the appraisal report must be uploaded separately in color.
The Manual File Submission Job Aid located on the LINC Training and Resource Library at
https://www.rd.usda.gov/resources/usda-linc-training-resource-library/loan-origination

☐	**Form RD 3555-21, Request for Single Family Housing Loan Guarantee** Include all pages from current published version Executed by applicant(s) and lender
☐	**Underwriting Analysis: FNMA 1008/FHLMC 1077, or similar form** Documentation of annual and repayment income calculations Credit waiver explanations, debt ratio waiver compensating factors, and overall loan file comments may be documented on this form
☐	**Income Verification Documentation: Applicable methods** **Alternative Documentation: Non self-employed:** Written/Electronic VOE + 1 earning statement with YTD figures **Full Documentation: Non self-employed:** 2 years W-2s + 4 weeks of earning statements with YTD figures **Self-Employed:** 2 years personal and business filed income tax returns or IRS transcripts with all schedules + YTD profit and loss statement **Additional Income Types: SSI, VA Benefits, Pension, Retirement, etc.** Refer to Chapter 9 for acceptable verification documents
☐	**Asset Documentation:** Documentation for all applicable household members per 3555.152(d) VOD's, bank or investment statements, gift letters, etc. Refer to Chapter 9 for acceptable verification documents for each asset type.
☐	**Credit Report:** (as applicable) Credit Report: For loans submitted outside of GUS. GUS loans will have the credit report uploaded. Non-Traditional credit tradelines, as applicable Credit supplements, if utilized to support data adjusted from credit report
☐	**Verification of Rent:** NOT APPLICABLE FOR GUS ACCEPT FULL DOCUMENTATION Applicable for manually underwritten loans with credit scores less than 680 when rental history is indicated. Refer to Chapter 10 for guidance on documenting rent and non-traditional credit when a VOR is required, but not available.
☐	**Mortgage Payoff Statement:** If refinance transaction
☐	**FEMA Standard Flood Hazard Determination Form:** New construction properties located in 100-year flood plains require additional documentation, including confirmation base flood elevation (BFE) is below lowest habitable floor. Lender to use most current form available from FEMA.
☐	**Uniform Residential Appraisal Report (URAR)** NOT APPLICABLE TO MOST STREAMLINED OR STREAMLINED-ASSIST REFINANCES The appraiser must use the most current forms acceptable to Fannie Mae, Freddie Mac, VA, or HUD.

Loan Origination Checklist
Streamlined Assist Refinance Manual Underwrite Review

This checklist is for the Streamlined Assist Refinance program. All documents must be submitted to the Agency using GUS, however the lender will not complete a final submission in GUS. Guidance on this process can be located in the Manual File Submission Job Aid located on the LINC Training and Resource Library at https://www.rd.usda.gov/resources/usda-linc-training-resource-library/loan-origination.

After uploading documents in GUS, the lender must notify the Agency the documents have been uploaded.

When underwriting a Streamlined Assist Refinance:

- Borrowers must receive at least a $50 net tangible benefit reduction in total principal, interest, and monthly annual fee payment.
- The interest rate cannot exceed the rate of the loan being refinanced.

☐	**Form RD 3555-21, Request for Single Family Housing Loan Guarantee** Include all pages from current published version Executed by applicant(s) and lender
☐	**Underwriting Analysis: FNMA 1008/FHLMC 1077, or similar form** Documentation of annual and adjusted annual income calculations
☐	**Uniform Residential Loan Application: FNMA 1003/FHLMC 65** Not required to be signed by applicant(s) or lender
☐	**Income Verification Documentation: Required for Annual Income Calculations** **Alternative Documentation: Non self-employed:** Written/Electronic VOE + 1 earning statement with YTD figures **Full Documentation: Non self-employed:** 2 years W-2's + 4 weeks of earning statements with YTD figures **Self-Employed:** 2 years personal and business filed income tax returns or IRS transcripts with all schedules + YTD profit and loss statement **Additional Income Types: SSI, VA Benefits, Pension, Retirement, etc.** Refer to Chapter 9 for acceptable verification documents
☐	**Asset Documentation: Annual Income Calculations** Documentation for all applicable household members per 3555.152(d) VOD's, bank or investment statements, gift letters, etc. Refer to Chapter 9 for acceptable verification documents for each asset type.
☐	**Mortgage Payment History** As specified in Chapter 6, Section 6.2D Credit Report or Verification of Mortgage
☐	**Mortgage Payoff Statement**
☐	**Uniform Residential Appraisal Report (URAR)** Only applicable to current Direct Loan borrowers for the purpose of calculating subsidy recapture.