Assets

Single Family Housing Guaranteed Loan Program (SFHGLP)
ASSETS

☑ Verify
☑ Document
☑ Calculate
(d) Net family assets. For the purpose of computing annual income, the net family assets of all household members must be included in the calculation of annual income. Lenders must document and verify assets of all household members.

(1) Net family assets include, but are not limited to, the actual or imputed income from:

(i) Equity in real property or other capital investments, other than the dwelling or site;

(ii) Cash on hand and funds in savings or checking accounts;

(iii) Amounts in trust accounts that are available to the household;

(iv) Stocks, bonds, and other forms of capital investments that is accessible to the applicant without retiring or terminating employment;

(v) Lump sum receipts such as lottery winnings, capital gains, and inheritances;

(vi) Personal property held as an investment; and

(vii) Any value, in excess of the consideration received, for any business or household assets disposed of for less than fair market value during the 2 years preceding the income determination. The value of assets disposed of for less than fair market value shall not be considered if they were disposed of as a result of foreclosure, bankruptcy, or a divorce or separation settlement.
(2) Net family assets for the purpose of calculating annual income do not include:

  (i) Interest in American Indian restricted land;

  (ii) Cash on hand which will be used to reduce the amount of the loan;

  (iii) The value of necessary items of personal property;

  (iv) Assets that are part of the business, trade, or farming operation of any member of the household who is actively engaged in such operation;

  (v) Amounts in voluntary retirement plans such as individual retirement accounts (IRAs), 401(k) plans, and Keogh accounts (except at the time interest assistance is initially granted);

  (vi) The value of an irrevocable trust fund or any other trust over which no member of the household has control;

  (vii) Cash value of life insurance policies; and

  (viii) Other amounts deemed by the Agency not to constitute net family assets.
When is an asset calculation required?

9.4 CALCULATING INCOME FROM ASSETS [7 CFR 3555.152(d)]

Household members with cumulative net family assets (non-retirement) of $50,000 or greater, must have those assets reviewed for annual income purposes as indicated in 3555.152(d). Lenders must review asset information provided by applicant(s) and household members at the time of loan application. Net family assets with actual earnings will use the stated rate of interest to calculate annual income. Net family assets that do not earn interest will use a current passbook savings rate (verified through the lender’s personal banking rates, online website, etc.) to calculate annual income.

Refer to the Asset section in Attachment 9-A for individual asset types and options for documentation/verification.
### Verify & Document

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Reserves:</th>
<th>Funds to Close:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence of the loan proceeds, where they are held (depository account, etc.), and balance remaining</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
<tr>
<td>Confirm corresponding liability for this debt is included in the total debt ratio if applicable</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
</tbody>
</table>

### Business Accounts

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Reserves:</th>
<th>Funds to Close:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two months of recent bank statements, or Verification of Deposit (VOD) and a recent bank statement, or Alternate evidence (example: statement print outs stamped by lender) to support account activity and monthly balances</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
<tr>
<td>Lenders must use the lesser of the current balance or previous months ending balance</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
</tbody>
</table>

### Cash on Hand

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Reserves:</th>
<th>Funds to Close:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant must supply a letter of explanation to state how the funds were accumulated (how much weekly/monthly/etc.)</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
</tbody>
</table>

### Certificate of Deposit (CD)

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Reserves:</th>
<th>Funds to Close:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent account statement (monthly, quarterly, etc.) to evidence the account balance and early withdraw penalty if applicable</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
<tr>
<td>Lenders may use the current vested balance, minus applicable fees/penalties</td>
<td>Eligible</td>
<td>Eligible</td>
</tr>
</tbody>
</table>
Things to keep in mind:

- Income from eligible assets may be required to be included in annual income.
- Assets are considered a compensating factor which do impact underwriting recommendations in the GUS.
- Lenders will determine if assets are to be included in the underwriting analysis.
Asset Verification is Always Required!

Worksheet for Documenting Eligible Household and Repayment Income

Required (if over $50,000)
Asset Inflation

- Invalid GUS underwriting recommendations
- Invalid compensating factors
- Inaccurate annual income calculation
- Potential fraud
Example: Calculating Income from Assets

- Checking account (non-interest bearing): $17,000
- Savings account (.25% interest): $24,000
- Certificate of Deposit (3% interest): $15,000

Total Assets: $56,000 less $5,000 from checking used to purchase the home

Remaining Assets = $51,000
Example (continued): Calculating Income from Assets

- Checking: $17,000 - $5,000 = $12,000 x .25% = $30
- Savings: $25,000 x .25% = $62.50
- CD: $15,000 x 3% = $450

**Asset Calculation:** 30 + 62.50 + 450 = $542.50

*Include $542.50 in annual income calculation*
Reserve Calculations

- Previous Month Balance: $1,456
- Current Balance: $2,444.38

*Previous Month Balance: $1,456*
LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555
Which of the following assets may be required in the annual income calculation?

SELECT ALL THAT APPLY:

A. Checking account
B. Net proceeds from sale of current home
C. Certificate of deposit
3555.152(d)(1), HB 9

A. Checking account
B. Net proceeds from sale of current home
C. Certificate of deposit

All of the above must be considered when determining the annual income calculation.
Which assets are excluded from a conventional credit test?

SELECT ALL THAT APPLY:

A. Checking account
B. Antiques and collectibles
C. Savings account
D. 401k/Retirement accounts
3555.152(d)(2), HB 9

- B. Antiques/Collectibles
- D. Retirement Plan

Exclude personal property such as antiques and collectibles, as well as funds in a voluntary retirement account.
What is the asset threshold when a calculation is required for annual income?

A. $5,000  
B. $20,000  
C. $50,000  
D. $10,000
Net family assets of $50,000 or more must be reviewed for annual income purposes.
Lenders must enter all assets into the GUS “Assets and Liabilities” application page and the 1003 loan application.

A. TRUE    B. FALSE
ANSWER
Assets

3555.152(d)(1), HB 9

B. FALSE

Assets are not required to be entered in GUS or on the URLA if below the acceptable threshold
• **Checking**: $1,500, non-interest, local passbook savings rate is .25%
• **Savings**: $15,000, earns .50% annually
• **Certificate of Deposit**: $65,000, earns 2% annually

What amount of income must be added to annual income?

A. $1,378.75  
B. $0
3555.152(b)(4), HB 9

A. $1,378.75

• Assets are $50,000 or greater
  – $1,500 x .25% (passbook rate) = $3.75
  – $15,000 x .50% = $75.00
  – $65,000 x 2% = $1,300
• $3.75 + $75.00 + $1,300 = $1,378.75
Which of the following assets can be excluded when calculating annual household income?

SELECT ALL THAT APPLY:

A. IRA Account
B. Money Market Savings Account
C. Trust Fund Controlled by Borrower’s Grandfather
D. $2,500 Lotto Winnings
E. 50 Shares of Stock Interest
Excluded assets include retirement accounts, trust funds that are not controlled by a household member, and lump sum/one-time payments that are nonrecurring.
Way to Go!
LEARNING CHECK COMPLETED!
Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

Available on the USDA LINC:

https://www.rd.usda.gov/resources/regulations/program-regulations

Subpart D—Underwriting the Applicant

§3555.151 Eligibility requirements.
§3555.152 Calculation of income and assets.
§§3555.153-3555.199 [Reserved]
§3555.200 OMB control number.

https://rd.usda.gov/resources/directives/handbooks

**HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK**

A consolidated version of the handbook is available. **HB-1-3555** is a large document and may take sometime to load.

**Table of Contents**
Chapter 1 - Overview
Chapter 2 - Record Retention
Chapter 3 - Lender Approval
Chapter 4 - Lender Responsibilities
Chapter 5 - Origination and Underwriting Overview
Chapter 6 - Loan Purposes
Chapter 7 - Loan Terms and Conditions
Chapter 8 - Applicant Characteristics
Chapter 9 - Income Analysis
Chapter 10 - Credit Analysis
Chapter 11 - Ratio Analysis
Chapter 12 - Property and Appraisal Requirements
Can’t find your answer in the regulation or handbook?  
**Contact the PAC team!**

Want additional live program training?  
**Contact the LPA team!**