Conditional Commitment

Form RD 3555-18

Single Family Housing Guaranteed Loan Program (SFHGLP)

December 2020
Form RD 3555-18

“Conditional Commitment for Single Family Housing Loan Guarantee”

“NEVER CLOSE A LOAN WITHOUT IT”
Loan Guarantee is Approved

✓ Loan file meets Agency requirements.
✓ Conditional Commitment establishes conditions for issuing the Loan Note Guarantee.
✓ Lender must submit and certify all conditions have been met.

Return of Incomplete Application

✓ Application is missing information and/or final GUS Underwriting Findings Report.
✓ Lender cannot provide necessary information.
✓ Agency will suspend application until complete application is received.

Loan Guarantee is Denied

✓ Loan guarantee request will be denied if proposed loan fails to meet program requirements.
✓ Agency will notify lender in writing with reason for denial and provide appeal rights per Appendix 3.
✓ Agency will process in the GLS database to record denial.
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.

1. **ACCEPTING THE CONDITIONS**
   - Loan amount equal to or less than the authorized amount.
   - Interest rate equal to or less than the authorized amount.
   - All stated conditions have been met.

2. **DECLINING THE CONDITIONS**
   - Stated terms and conditions cannot be met.
   - Loan guarantee is not needed.
   - Loan will not go to closing.

3. **REQUESTING CHANGES**
   - Lender believes there are erroneous conditions or requirements.
   - Modifications that adversely affect the loan.
   - Not authorized to close without a new 3555-18.
Borrowers added or deleted
Decrease in income
Decrease in cash assets
Increase in loan amount
Increase in interest rate
Increase in mortgage or personal liabilities of $51 or more
Decrease in interest rate
Decrease in loan amount
Decrease in mortgage or personal liabilities
Increase in assets
Increase in mortgage or personal liabilities of $50 or less

Lender Response to Conditional Commitment
HB-1-3555, Chapter 15.7

- Lender believes there are erroneous conditions or requirements.
- Modifications that adversely affect the loan; increase in loan amount, interest, monthly liabilities, etc.
Form RD 3555-18, “Conditional Commitment”

HB-1-3555, Chapter 15

7 CFR 3555.107 (f)
Closing the Loan

HB-1-3555, Chapter 16.2

Required Closing Timeframe

Purchase Transactions

- Conditional Commitment expires in 90 days.
  - One 90-day extension may be requested.
Closing the Loan

HB-1-3555, Chapter 16.2

Required Closing Timeframe

Construction Transactions

- Conditional Commitment expiration date should correspond with estimated project completion date.
  - Not to exceed 12 months.
  - Does not apply to “Combination Construction to Permanent Loans”.
- The Agency must grant any approved extensions in writing.
Closing in Compliance with Conditional Commitment

- Loan must close under same terms as underwritten and approved for on Conditional Commitment.

- Adverse changes may require the release of application submitted in the GUS to the lender for correction and resubmission.

- The Agency must verify in writing prior to loan closing that the changes are acceptable.
All applicants must sign the loan application and any addendums.

Follow state laws and ensure a valid first lien.

Any individual whose signature is required by state law must sign the security instruments and/or note to create a valid first lien, to pass clear title, or to waive inchoate rights. All owners to be vested in title must sign the security instruments.

Lenders should not encourage borrowers to sign blank or incomplete documents.

Electronic signatures are allowable as outlined in Handbook Chapter 15.
Power of Attorney

- May be used when the mortgagee verifies and documents the following applicable requirements have been satisfied:
  - Specific or general POA must comply with state law and allow legal enforcement of mortgage note.
  - Military Personnel
    - POA may only be used for one of the applications (initial or final) but not both.
Power of Attorney

- May be used when the mortgagee verifies and documents the following applicable requirements have been satisfied:
  - For incapacitated borrowers, a POA may only be used where:
    - Borrower is incapacitated and unable to sign the application.
    - Incapacitated individual will occupy the property.
    - Attorney-in-fact has specific authority to encumber the property.
Interest Credit Closing

- Loans were scheduled to close at the end of the month but were not able to due to unforeseen reasons.
- Lenders and borrowers agree to credit the per diem interest to the borrower.
- Mortgage payments begin the first of the succeeding month.
Closing the Loan

HB-1-3555, Chapter 16.2

- Loan has been underwritten and closed in accordance with the Regulation.
- Meets all conditions set forth in the Conditional Commitment.
- All documentation has been submitted to Rural Development.
- Agency will issue Loan Note Guarantee once conditions and required fees are received.
§3555.107(f)  Application for and issuance of the loan guarantee

(f) **Issuance of a conditional commitment.** The lender must demonstrate that all the general loan, applicant, and site eligibility requirements of this part are met before Rural Development will issue a conditional commitment. The lender, however, may obtain any required property inspection reports, such as a well test or construction phase inspections, if applicable and not needed for environmental compliance, after the issuance of the conditional commitment, but prior to loan closing.

(1) The conditional commitment will expire in 90 days from issuance, unless new construction is involved.

(2) The expiration of a conditional commitment may coincide with projected completion of new construction.

(3) An extension may be granted if the loan cannot be closed due to circumstances beyond the lender's control.

(4) Lenders may accept or decline the conditional commitment, or submit requests for changes with adequate support and documentation to be reviewed by the Agency.
Form RD 3555-18/18E

HB-1-3555, Chapter 16

7 CFR 3555.107 (f)
Verify the Terms Listed are Correct

Note the Expiration Date and Plan Accordingly

USDA-RD
Form RD 3555-18
(Rev: 09-21)

CONDITIONAL COMMITMENT FOR SINGLE FAMILY HOUSING LOAN GUARANTEE

TO: [Lender’s Name and Address]

RIS Borrower ID:

State: [State]
County: [County]
State Code: [State Code]
County Code: [County Code]

Borrower:

Principal Amount of Loan: $ [Principal Amount]

From a review of all submitted information, the United States of America, acting through the Rural Development-Rural Housing Service (RHS or Agency), or its successors, will execute Form RD 3555-17/TE “Loan Note Guarantee” in accordance with Agency regulations at 7 CFR part 555, Agency guidance, and terms set forth in this Conditional Commitment.

- Up-front Loan Note Guarantee fee payable by the Lender to Agency is $ [Up-front Fee]
- Interest rate for the loan is [Interest Rate]
- Annual fee for the first year of the loan, based upon the above stated principal amount of loan and stated interest rate of this commitment is $ [Annual Fee]
- Guarantee System Technology Fee payable by the lender is $ [Guarantee Fee]

A Loan Note Guarantee will be issued when the Lender executes the attached Lender Certification for SFH Guaranteed Loan. The Lender Certification confirms that the loan was underwritten and closed in accordance with applicable laws and guidance, and meets the terms set forth in this Conditional Commitment. Changes to these terms must have been approved by the Agency in writing before loan closing.

The Lender should submit the request for a Loan Note Guarantee in accordance with 7 CFR 3555.507(c) within 30 days from date of loan closing. Once the Loan Note Guarantee is issued, no change of conditions will be permitted.

For additional conditions and requirements see Attachment to this form.
- The attached “Lender Certification” for SFH Guaranteed Loan must be executed by the Lender prior to issuance of a Loan Note Guarantee.
- Subject to conditions of the final official “GUS Underwriting Findings Report.”

This Conditional Commitment will expire on [Expiration Date] unless extended by the Agency upon request of the Lender, or the Lender notifies the Agency that it does not desire to obtain a Loan Note Guarantee.

UNITED STATES OF AMERICA

By: [Signatory]

Date: [Date]

1 The annual fee is calculated as a % of unpaid balance. The annual fee for the first year will be calculated when the loan is closed based upon the unpaid balance outstanding. The annual fee will be paid quarterly to coincide with the due dates for the first year of the loan. The annual fee for subsequent years of the loan will be calculated based upon the unpaid principal balance outstanding at the end of the first quarter of the previous year. Changes in either element will change the annual fee amount.

2 The Agency will determine the expiration date of this contract. The initial date will be 90 days from the date of issuance. The Agency may grant a loan note guarantee if requested by the Lender. The expiration date will be based upon the expiration date of the guarantee. The expiration date will be no later than the last day of the 6th year following the date of issuance. On or prior to the expiration date, the Agency will notify the Lender of its intention to extend the guarantee.

According to the Fair Credit Reporting Act of 1970, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0581-0071. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information collection.
Lender Certification

In requesting a Loan Note Guarantee from United States Department of Agriculture, Rural Development-Rural Housing Service (Agency), I certify on behalf of the Lender (identified below), that this loan has been underwritten and closed in accordance with applicable law and guidance, and meets all conditions set forth in the Conditional Commitment except for changes previously approved in writing by the Agency. All documentation and fees have been submitted to the Agency.

At this time, the loan will be:

- [ ] retained
- [ ] sold as follows: [Purchasing Lender must be an approved FNMA, FHLMC, FHA, VA or GNMA lender]

**Servicing Lender:** The lender that will be servicing the loan(s):
- Lender Tax ID: __________________________
- Lender Name: __________________________
- Address: __________________________
- City: __________________________
- State: __________________________
- Zip Code: __________________________
- Agency Assigned Branch Number: __________________________

**Holding Lender:** The RHS approved Lender who will be holding/owning the mortgage note i.e. Fannie Mae, Freddie Mac, etc., not Ginnie Mae:
- Lender Tax ID: __________________________
- Lender Name: __________________________
- Address: __________________________
- City: __________________________
- State: __________________________
- Zip Code: __________________________
- Agency Assigned Branch Number: __________________________

**Borrower Information**
- Borrower’s USDA ID Number: __________________________
- Borrower’s Name: __________________________
- Address: __________________________
- City: __________________________
- State: __________________________
- Zip Code: __________________________

- [ ] This Loan was securitized into a Ginnie Mae Pool
  (Mark an X in the box if loan is securitized into a Ginnie Mae pool)
The following are to accompany the Loan Note Guarantee request:

- Promissory Note
- Final Closing Disclosure
- Up Front Loan Note Guarantee Fee
- Guarantee Systems Technology Fee
- Guarantees Loan Closing Report, Form RD 1900-19
- Lender Certification

Any other conditions as recorded on the Conditional Commitment for Single Family Housing Loan Guarantee, Form RD 3555-18/1E or Attachment 3555-18A.

3. Lenders using the Agency's Lender Loan Closing (LLC) system are required to submit fees and documentation electronically as outlined in the LLC system documentation.
LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555
A Conditional Commitment is typically valid for _____ days.

A. 60  B. 90  C. 180
A Conditional Commitment is *typically* valid for 90 days.
QUESTION

Conditional Commitment

• Approved lender signs the Lender Certification of Form RD 3555-18/18E.
• Their signature certifies that all Agency conditions listed have been met.

A. TRUE   B. FALSE
A. TRUE

- Lender certification is verified through signature.
- Lenders also certify that all required documentation is retained as applicable.
The Agency issued a Conditional Commitment based on:

- Loan Amount $162,000
- Interest Rate 3.75%
- 30 Years
- Appraised Value $175,000

The Borrower would like to increase the loan amount to $170,000 to pay for repairs needed to the HVAC system.

The loan may close on the original issued Conditional Commitment.

A. TRUE  B. FALSE
B. FALSE

- Modifications that adversely affect the loan such as an increase in loan amount must be re-submitted to the Agency for a new underwriting review.
- The lender is not authorized to close the loan until a new Form RD 3555-18/18E is reissued.
The lender has three responses to the issuance of Form RD 3555-18/18E.

A. TRUE  B. FALSE
A. TRUE

- The lender has three responses to the issuance of Form RD 3555-18/18E, Conditional Commitment:
  - Accepting the Conditions
  - Declining the Conditions
  - Requesting Changes in Conditions
Way to Go!

LEARNING CHECK COMPLETED!
Lender Toolkit
PART 3555—GUARANTEED RURAL HOUSING PROGRAM

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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.

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.

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Chapter 10 - Credit Analysis
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Chapter 12 - Property and Appraisal Requirements
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Have a question on POLICY?
Contact the PAC team!

Need TRAINING?
Contact the LPA team!

Have a question on a SPECIFIC FILE?
Contact the OPD!
Lender Webpage

Monitor posted turn times daily

Don't forget to sign up for GovDelivery updates