Closing the Loan

Issuance of the Loan Note Guarantee

Single Family Housing Guaranteed Loan Program (SFHGLP)

May 2022
Today’s Topics

- Regulation 7CFR Part 3555 Subpart C
- SFHGLP Handbook 1-3555, Chapter 16
- Handbook Update: Mandatory Use Update
- Closing the Loan
- Lender Loan Closing (LLC) System
- Agency Review & Issuance of the LNG
- Frequently Asked Questions
- Lender Toolkit
Loan Note Guarantee

Regulation 7CFR Part 3555, Subpart C
Handbook 1-3555, Chapter 16
Grow Rural Homeownership and Your Business with a 90% Guarantee!
Handbook Update

Handbook 1-3555, Chapter 16
Chapter 16 – Closing the Loan and Requesting the Loan Note Guarantee

- Mandatory GUS and LLC Final Rule
- GovDelivery Announcement Published
- Effective May 9, 2022 – Mandatory Use
- Loans not supported by GUS are not impacted
Closing the Loan

Handbook 1-3555, Chapter 16
Closing the Loan

- The lender is required to comply with all conditions as stated on the Conditional Commitment for Single Family Housing Loan Guarantee, Form RD 3555-18/18E and any attachments.

- The loan must close under the same, or better terms as underwritten and approved for in the Conditional Commitment.

- A loan should never close prior to the issuance of the Conditional Commitment.

- If loan should close prior to issuance of the Conditional Commitment, it will jeopardize the issuance of the LNG to the lender.
Timeframe:

- **Purchase and Refinance Transactions**: The lender has 90 days from the issuance of the Conditional Commitment to close the loan - One 90-day extension may be requested prior to the expiration of the Conditional Commitment.

- **Construction Transactions**: The expiration date for the new construction, other than the “combination construction permanent loan” AKA “Single-Close loan”, should correspond with the estimated project completion date but not exceed 12 months.

- The Agency must grant any approved extensions in writing.

- Once the loan closes, the lender should submit the required documentation to the Agency within 30 days for issuance of LNG. 

`Closing the Loan
HB-1-3555, Chapter 16 and 7CFR 3555.107`
Compliance:

- The loan must close under the same, or better terms as underwritten and approved for as reflected on the Conditional Commitment.
- Adverse changes may require the release of the application submitted in GUS to the lender for correction and resubmission.
- The Agency must verify in writing prior to loan closing that the changes are acceptable.
- Rural Development does not require specific loan documents for closing.
- Any cash back to the borrower must be for pre-paid eligible loan purposes only.
Signatures:

- All parties applying for the loan and assuming the responsibility of the mortgage debt must sign the loan application and addendum.
- Standard industry closing documents are utilized when closing the loan.
- Any person whose signature is required by state law, such as a non-purchasing spouse, must sign the security instruments and/or note.
- All owners that will be vested on title must sign the security instrument.
- Lenders should never encourage or ask borrowers to sign blank or incomplete documents.
- E-signatures are acceptable.
Power of Attorney:

- Any specific or general POA must comply with state law and allow for legal enforcement of the mortgage note.
- For military personnel, a POA may only be used for one of the applications (initial or final) – but not both.
- For incapacitated borrowers, a POA may only be used in specific situations.
- Electronic signatures may be accepted with certain criteria.
Interest Credit Closing:

- Allowed for loans that were scheduled to close at the end of the month but did not due to unforeseen circumstances
- Lenders and Borrowers may agree to credit the per diem interest to the borrower and have mortgage payments begin the first of the succeeding month
The lender will certify that the loan has been underwritten and closed in accordance with the regulation and that it meets all conditions set forth from the Conditional Commitment.

The lender certification attests that all required documentation has been provided to the Agency.

The lender will acknowledge that upon receipt and acceptance of the conditions of the Conditional Commitment and the required fees that the Agency will issue the Loan Note Guarantee.
## Forms of Ownership

**HB-1-3555, Chapter 16.12**

<table>
<thead>
<tr>
<th>Secure Leasehold Interest</th>
<th>Native American Restricted or Trust</th>
<th>All Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant must be unable to obtain fee-simple title to the property</td>
<td>Evidence that the tribe has enacted legally binding and effective foreclosure &amp; eviction procedures</td>
<td>Leasehold estates are an accepted practice and readily marketable in the area where the subject property is located</td>
</tr>
<tr>
<td>The rent charged for the lease must not exceed the rate paid for comparable leases</td>
<td>Evidence that the tribe has adopted procedures ensuring that the guaranteed loan will always have 1st lien position</td>
<td>Neither the leasehold nor the fee-simple title may be subject to a prior lien unless Agency authorizes acceptance</td>
</tr>
<tr>
<td>The appraisal must document these conditions</td>
<td>Lender must have a copy of the tribe’s lease for use on residential land</td>
<td>The lease must be in writing, recorded and contain all required provisions</td>
</tr>
<tr>
<td>The lessor must own the fee-simple title</td>
<td>Lender will adhere to the Tribe’s mortgage, foreclosure and eviction ordinances and terms of lease</td>
<td>The language regarding amendments to mortgages with leasehold interest must be inserted in the mortgage</td>
</tr>
</tbody>
</table>
Hazard Insurance

- Lenders must ensure that borrowers continuously maintain insurance
- Hazard policy must be in effect at the time the loan is closed
- Borrower occupied properties should have replacement cost coverage
- Lenders should adopt accepted industry standards
- Deductibles should not exceed the GREATER of $1,000, 1% of the policy coverage or minimum deductible offered by borrower’s chosen insurance carrier

Flood Insurance

- Required for properties located within a SFHA
- Property must be located in NFIP participating community
- Flood policy must be in effect at the time the loan is closed
- Flood insurance must cover the LESSER of the outstanding principal balance of the loan or the maximum amount of coverage allowed under NFIP
- Deductibles should not exceed the GREATER of $1,000, 1% of the policy coverage or minimum deductible offered by borrower’s chosen insurance carrier
Loan Closing
HB-1-3555, Chapter 16

**Closing Date** The date of closing will be defined as the closing date listed on the Closing Disclosure.

**Duplicate LNG** Lenders utilizing the LLC system can retrieve a reissued LNG from the LLC system, or request a certified copy, scanned copy or duplicate original.

**Transfer of Loans/Servicing Rights** Lenders may transfer guaranteed loans to other USDA approved lenders by following the requirements in Chapter 4 of our handbook.

**Lien Position** The guaranteed loan must have first lien position at closing, however, the lender may permit liens junior to the guaranteed if certain criteria is met.
Lender Loan Closing (LLC) System

HB-1-3555, Chapter 16
Electronic Closing – Lender Loan Closing (LLC)

HB-1-3555, Chapter 16

**Submission Method**
Closing documents submitted electronically through LLC system

**Fees**
Upfront Guarantee Fee and Technology fee submitted electronically through pay.gov

**Required Documents**
Minimal documentation needed to satisfy closing requirements

**Level 2 eAuthentication**
Apply through an approved participating SFHGLP lender
Lender Loan Closing System (LLC)

Lender Approval for LLC

- Lenders must complete and submit “User Agreement for Single Family Housing Guarantee Lender Loan Closing”
- Lenders must also have an approved Form RD 3555-16
- Access the Lender Loan Closing (LLC) User Guide on the LINC Training & Resource site
Lender Loan Closing System (LLC)

https://usdalinc.sc.egov.usda.gov/RHSHome.do

Submitting the Closing Package

- Lenders will access the LLC system through the USDA LINC site.
- Lenders can submit a loan closing, cross reference borrowers and view documents and payment history.
- Lenders will complete all applicable field and upload required documents through this link.
- Payment of the guarantee fee and the technology fee will be completed through the pay.gov interchange.
Lender Loan Closing System (LLC)

SFH Add Loan Closing

• This page will be partially completed with information submitted by the lender through GUS

• Borrower and application information will be pre-populated based on lender’s input from application

• All editable fields will be completed by the lender

• Non-editable fields will be grayed out
Important Tips

- Enter Promissory Note Amount as it appears on the Note
- Complete Closing Date must be entered as it appears on the Closing Disclosure
- Maturity Date should match that of Promissory Note
- Interest Rate defaults to 365 days but can be changed to 360 by selecting drop down box
- Guarantee Interest Rate should match Promissory Note
### Fees

- The Fee section is pre-populated based on the Loan Amount established for the Upfront Guarantee Fee and the current Technology Fee.

- If Loan Amount DECREASES, the Upfront Guarantee Fee amount is modified when the page is submitted by the lender.

- Deposit Date should remain blank until the fees have been transferred from the lenders PAD account.
Lender Loan Closing System (LLC)

Lender Submission

- Confirm lender submission will take the lender through a series of screens to review the information as input.

- If any of the information is noted to have an error or incorrect data, the lender may click “Cancel” which will take the user back to the “Add Closing” page so that the data may be corrected.

- Once all data has been verified, click “OK” at last prompt to submit for processing.
Lender Loan Closing System (LLC)

Document Upload

- Once the package has been submitted, the lender will need to upload the applicable documents.
- Input the borrower ID at the SFH Lender Administration List page.
- Select appropriate action from the Borrower ID hyperlink.
**Document Upload**

- At Lender Upload Document(s) page, select files to upload
- At minimum:
  - Promissory Note
  - Closing Disclosure
- Click “Upload Documents Completed”
Loan Fees

HB-1-3555, Chapter 16
Current fee is 1.00%

Subject to change to maintain a subsidy neutral program (not to exceed 3.5%)

Applies to purchase and refinance loans

May finance with loan funds, personal funds, or seller concessions

Collected via the Lender Loan Closing (LLC) system at loan closing

Non-refundable once the Loan Note Guarantee is issued

Upfront Loan Guarantee Fee

HB-1-3555, Chapter 16.4
Current fee is 0.35%

Based on scheduled unpaid principal balance

Applies to purchase and refinance loans

Due the 1st day of the billing month

Servicing lender submits payment via the Guaranteed Annual Fee (GAF) system

Late fees may not be passed onto the borrower

Annual Fee

HB-1-3555, Chapter 16.4
Lenders utilizing the LLC system must establish a PAD for pay.gov.

System administrators must have verified identity in e-Authentication.

Adding a PAD account is completed through “Lender PAD Account Maintenance”.

The Lender Loan Closing User Guide offers step by step guidance.
Current fee is $25.00
Applies to all loans processed through the Guaranteed Underwriting System (GUS)
Applies to purchase and refinance loans
Can be included in the loan amount
Collected via the Lender Loan Closing (LLC) system at loan closing
Non-refundable once the Loan Note Guarantee is issued
Lender Loan Closing System (LLC)

Lender Payment History

Select the Payment History tab from the Single Family Housing Lender Administration List to confirm receipt of required fees.

There are several ways to search for the loan:

- Lender Branch
- Borrower SSN
- Borrower ID
- Lender Loan Number
- Date Range
Evidence of documentation supporting the properly closed loan may be submitted to the Agency.

The lender will certify the loan was closed in accordance with the Conditional Commitment.

The lender will maintain evidence of hazard insurance and, if applicable, flood insurance.

Self-certified lenders must still submit the settlement statement and promissory note and obtain written authorization from Agency.

Authorization for self-certification may be granted if certain requirements are met.

Within 30 days of loan closing, the lender must request issuance of a loan guarantee.

Evidence of documentation supporting the properly closed loan may be submitted to the Agency.

 HB-1-3555, Chapter 16.3 and 7CFR 3555.107(i)(5)
Agency Review and Issuance of LNG
HB-1-3555, Chapter 16.7

**INCOMPLETE**
- Additional 30 days granted to correct
- Agency will contact lender
- Agency will return if corrections cannot be made within 30 days

**ACCEPTABLE**
- Lender will submit electronically
- Fees through pay.gov
- Lender will retrieve LNG through LLC system

**UNACCEPTABLE**
- Agency will not issue LNG if errors on closing docs
- If Lender makes necessary corrections the Agency will ensure the loan meets regulatory requirements
- FAQs regarding corrections can be found in Attachment 16-B
Loan Note Guarantee

• Once the agency has reviewed and approved the loan closing package as submitted, the LNG will be available on the LLC site

• To access, select “Display Documents” from the Single Family Housing Lender Administration List page

• Select “Display Documents” from the Action Dropdown
Post Issuance of the Loan Note Guarantee

HB-1-3555, Chapter 16
Retrieving the Loan Note Guarantee

Loan Note Guarantee

- The LNG for Lender Loan closing may be viewed from the Single Family Housing Lender Administration List OR

- Select Obligation or Loans and “submit”

- To display available documents, select “Display Documents” from the Action Dropdown
Single Close Construction Close Out

- Once construction is complete, the lender will need to go back into the LLC System to select the appropriate “Completion Type”

- Access loan by inputting Borrower ID, SSN, Name/State, or Lender Loan Number

- Select “Single Close Construction/Rehab” in the Action drop down
Single Close Construction Close Out

Principal Reduction Only

- Enter the construction complete and principal reduction fields
- Update the modified unpaid principal balance and the amount of the principal reduction
- Upload documentation of evidence of the principal reduction and lender certification
**Single Close Construction Close Out**

**Principal Reduction w/ Loan Modification**

- Enter the construction complete and principal reduction fields.
- Update the modified unpaid principal balance and the amount of the principal reduction.
- Loan Modification Date and lower Interest Rate, when applicable.
- Upload documentation of evidence of the principal reduction and lender certification.
Single Close Construction Close Out

**Construction Complete (No Principal Reduction or Loan Modification)**

- Enter only the construction completion date
- Upload documentation of evidence of the principal reduction and lender certification
Lender and Agency Responsibilities

- Lender must compare the DOT or Mortgage with Title Opinion to ensure 1st lien priority
- Lender must ensure that closing instructions have been followed
- Agency does not set policy for survey requirements
- Lender must ensure ownership interest protects the security property
- Lender must be able to foreclose on property in the event of borrower default
- Originating lender may be subject to indemnification if they fail to meet lien requirements
Viewing the Loan

The Single Family Housing Lender Administration List allows users to search the loan by status and view loan information.

This information is only available to the Holding Lender.
Viewing the Loan

This allows the Holding Lender to view:
- Annual Fee Amortization
- Annual Fee Due Date
- Fee Amount
Frequently Asked Questions
A loan closed at a higher loan amount than what was authorized on the Conditional Commitment. Can a principal reduction for the overage amount be completed?

No. Since the loan has closed, a principal reduction is not acceptable. The lender may perform a loan modification to correct the loan amount to match the issued Conditional Commitment or request Rural Development to release the GUS loan back for correction.
Frequently Asked Questions

Property taxes in many states are paid in arrears, which results in a large tax credit at closing. Can an applicant receive cash back as a result of this credit?

The credit may be used to pay closing costs, but cannot result in cash back to the applicant. Only costs initially paid by the applicant out of pocket can be returned to the applicant at closing.
What options are available when the Conditional Commitment will expire prior to loan closing?

The lender has 90 days from the issuance of the Conditional Commitment to close the loan with an opportunity for one 90-day extension. The extension must be requested prior to the expiration of the Conditional Commitment. The lender is responsible for ensuring documentation of credit, income, assets, etc. are updated as needed.
An application has been submitted to Rural Development for review, however, a Conditional Commitment has not yet been issued. Can the loan close since the file has been submitted to Rural Development?

No. The loan cannot close prior to the lender’s receipt of the Conditional Commitment.
Now that the mandatory use of the LLC System is in effect, will the Form RD 1980-19 be required?

Is a principal reduction at closing acceptable to prevent the applicant from receiving excess cash back?

Yes, a principal reduction at the time of closing is acceptable.
Since a principal reduction at closing is acceptable for borrowers that would be receiving excess cash back, is there a maximum amount that is allowed?

No. There is no limit on the amount of the principal reduction, however, the lender should determine if a loan modification would be a better option for the borrower.
Does USDA allow an applicant to close in a trust?

No. The two forms of ownership that are acceptable to the program are fee-simple and a secured leasehold.
Can the USDA Upfront Guarantee Fee be noted as a Mortgage Insurance Premium on the Loan Estimate and Closing Disclosure?

Although Rural Development does not have a requirement as to how the fee is noted on the disclosures, the preference would be to list the fee on a separate line item and note as a Guarantee Fee payable to USDA/Lender.
Frequently Asked Questions

What is the maximum number of days allowed for an interest credit?

Rural Development does not have a requirement on the number of days allowed on an interest credit. Lender’s standard protocol is accepted.
### PART 3555—GUARANTEED RURAL HOUSING PROGRAM

#### Contents

- **Subpart B** Lender Participation
  - § 3555.51 Lender eligibility.
  - § 3555.52 Lender approval.
  - § 3555.53 Contracting for loan origination.
  - § 3555.54 Sale of loans to approved lenders.
  - §§ 3555.55-3555.99 [Reserved]
  - § 3555.100 OMB control number.

- **Subpart C** Loan Requirements
  - § 3555.101 Loan purposes.
  - § 3555.102 Loan restrictions.
  - § 3555.103 Maximum loan amount.
  - § 3555.104 Loan terms.
  - § 3555.105 Combination construction and permanent loans.
  - § 3555.106 [Reserved]
  - § 3555.107 Application for and issuance of the loan guarantee.
  - § 3555.108 Full faith and credit.
  - § 3555.109 Qualified mortgage.
  - §§ 3555.110-3555.149 [Reserved]
  - § 3555.150 OMB control number.

- **Subpart D** Underwriting the Applicant

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https://www.rd.usda.gov/resources/regulations/program-regulations
HB-1-3555

Bookmark It!

Use Ctrl-F to find answers quickly!

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

**HB-1-3555 SFH Guaranteed Loan Program Technical Handbook**

Consolidated version (large document may take long to load)

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- Chapter 3: Lender Approval
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- Chapter 5: Origination and Underwriting Overview
- Chapter 6: Loan Purposes
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- Chapter 8: Applicant Characteristics
- Chapter 9: Income Analysis
- Chapter 10: Credit Analysis
- Chapter 11: Ratio Analysis
- Chapter 12: Property and Appraisal Requirements
- Chapter 13: Special Property Types
- Chapter 14: Funding Priorities
- Chapter 15: Submitting the Application Package
- Chapter 16: Closing the Loan and Requesting the Guarantee
- Chapter 17: Regular Servicing-Performing Loans
- Chapter 18: Servicing Non-Performing Loans - Accounts with Repayment Problems
- Chapter 19: Loss Claim - Collecting on the Guarantee
Origination FAQs

Bookmark It!

Use Ctrl-F to find answers quickly!


FAQ
Frequently Asked Questions

Single-Family Housing
Guaranteed Loan Program
Origination
# USDA LINC Training & Resource Library

The Single Family Housing Guaranteed Loan Program has prepared a comprehensive library of resources for all lending partners. In the categories below you have access to all of the training, resources, and important forms for program participation.

If you have questions or need additional information, please contact us. Contact Information: SFHGLP Contact List

<table>
<thead>
<tr>
<th>Category</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender Approval</td>
<td><img src="image1" alt="Lender Approval" /></td>
</tr>
<tr>
<td>Loan Origination</td>
<td><img src="image2" alt="Loan Origination" /></td>
</tr>
<tr>
<td>Lender Training</td>
<td><img src="image3" alt="Lender Training" /></td>
</tr>
<tr>
<td>Loan Closing</td>
<td><img src="image4" alt="Loan Closing" /></td>
</tr>
</tbody>
</table>


Don't forget to sign up for GovDelivery updates

Check back for updates
Monitor posted turn times daily

Don’t forget to sign up for GovDelivery updates

https://www.rd.usda.gov/page/sfh-guaranteed-lender

SFH Guaranteed Lender

HOME > SFH GUARANTEED LENDER

COVID-19
An important notice for servicing loans insured or guaranteed by the Rural Housing Service CARES Act
Forbearance Fact Sheet for Mortgages and Servicers

Loan Status
We are currently reviewing new loan applications and conditions received on or before 01/10/2022
Subscribe to Notifications
Critical program information such as policy updates, funding status, and automation changes are sent by email through GovDelivery. Sign up to receive Critical Updates!

Overview
On February 16, 2020 we integrated the Guaranteed Loan Program into a single integrated national team! For more information, please reference our Integration Information sheet.

USDA Rural Development’s Guaranteed Loan Program assists approved lenders in providing up to 100% financing for eligible borrowers (households that do not exceed 115% of the Median Household Income) purchasing homes in eligible rural areas. Automated underwriting assistance through GUS (Guaranteed Underwriting System) allows for expanded ratios and flexible credit. Download the Guaranteed Rural Housing Lender fact sheet.

We now have Single Close Construction-to-Permanent Financing! A single-close loan combines the features of a construction loan and a long-term permanent mortgage. Since there is only one closing, which can save considerable closing costs, the loan is considered a purchase transaction by the agency. The loan note guarantee may be issued once the interim construction loan is closed without waiting for the completion of the property.
SFHGLP Integrated Unit – How to Contact Us:

**Very Important** Effective February 16th, 2020, all states were aligned to one of four production teams. Each production team has their own email inbox as shown below.

<table>
<thead>
<tr>
<th>Production Teams</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Team One</td>
<td>AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY</td>
</tr>
<tr>
<td>Production Team Two</td>
<td>AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK</td>
</tr>
<tr>
<td>Production Team Three</td>
<td>CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV</td>
</tr>
<tr>
<td>Production Team Four</td>
<td>FL, IN, OH, PA, PR, TN, VA, VI</td>
</tr>
</tbody>
</table>

File specific questions should be emailed to the production team responsible for the state. For example, if you had a question regarding a guaranteed loan application in Nebraska, you would email SFHGLPTWO@usda.gov to contact Team Two.

In most cases, our staff can provide a response within 24 hours during normal business days. We can answer faster if you:

1. Identify the state the application is located; if applicable;
2. Provide applicant’s name, if applicable;
3. Include contact information; and
4. Indicate if you would like a call back (otherwise you will receive an email reply).
### Contacts & Resources

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>CONTACT</th>
</tr>
</thead>
</table>
| File-Specific Questions | Production Team One: SFHGLPLONE@usda.gov  
AK, AL, AZ, CA, CO, GU, HI, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY. |
|  | Production Team Two: SFHGLPITWo@usda.gov  
AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK. |
|  | Production Team Three: SFHGLPCTE@usda.gov  
CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV. |
|  | Production Team Four: SFHGLPCHUR@usda.gov  
FL, IN, OH, PA, PR, TN, VA, VI. |
| Lender Approval | sfhgl.compliance@usda.gov |
| Lender Recertification | |
| Program Training | sfhgl.loanpartners@usda.gov |
| Program Marketing & Outreach | |
| General Loan Scenario Questions | sfhgl.program@usda.gov |
| Loan Policy/Regulation/Handbook | |
| Loan Servicing | sfhgl.servicing@usda.gov |
| Technical Issues: e-Authentication | eAuthHelpCheck@hr.usda.gov  
800-457-3642, option 1 (USDA e-Authentication Issues). |
| Technical Issues: GUS | RD.HD@Stl.usda.gov  
800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development). |
| Loss Claims | guarantee.csc@rt.usda.gov |
| Monthly & Quarterly Status Reporting | sfhgl.compliance@usda.gov |
| GUS User Agreements | |

### Tools & Resources

- [USDA Rural Development](https://www.rd.usda.gov) Resources
- [Lender Webpage](https://www.rd.usda.gov) - Turn times, contact information, and helpful links
- [USDA LMC](https://www.rd.usda.gov) - Training modules, user guides, and more useful resources
- [Loan Servicing Training Resource Library](https://www.public.govdelivery.com/accounts/USDARD/subscriber/new) - Receive notifications regarding origination, servicing, and GUS updates.