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Rural Development

# Assets

## Single Family Housing Guaranteed Loan Program

Revised December 2018

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### Training Objectives

- Where is the topic located?
  - \* 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

**Always refer to the current version of published guidance!**

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## 7 CFR Part 3555

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- Rural Cooperatives Magazine

**Handbooks**

- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook
- HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
- HB-4-3555 SFH Guaranteed Loan Program Technical Handbook**
- HB-1-3560 MFH Loan Origination Handbook
- HB-2-3560 MFH Asset Management Handbook
- HB-3-3560 MFH Project Servicing Handbook
- HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook
- Application Information Systems Support Handbook
- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

**HB-4-3555 SFH Guaranteed Loan Program Technical Handbook**

**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
- 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 - Custodial and Real Estate Owned Property
- Chapter 20 - Loss Claims - Collecting on the Guarantee

**Acronyms**

**Glossary**

- Appendix 1 - 7 CFR part 3555**
- Appendix 2 - Forms and Instructions
- Appendix 3 - Review and Appeals
- Appendix 4 - Agency and Employee Addresses
- Appendix 5 - Income Limits
- Appendix 6 - Interest Assistance
- Appendix 7 - Calvis Access Instructions
- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements

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## 7 CFR Part 3555

3555.152 Calculation of income and assets.

- (a) Repayment income.
- (b) Annual income.
- (c) Adjusted annual income.
- (d) Net family assets.

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## 7 CFR Part 3555:

### 3555.152(d)

(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.

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**7 CFR Part 3555:  
3555.152(d)**

(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.

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**Asset Reminders:**

- Income from eligible assets may be required to be included in annual income
- Assets = compensating factors
- Compensating factors affect underwriting recommendations
- Lenders may determine if they wish to include assets in the uw analysis
- Lenders must include asset income in annual income if applicable

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**HB 9: 9.4 Assets**  
When is a calculation required?

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

Household members with cumulative **net family assets 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.

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**Calculate Income from Assets**

1. Total value of less than \$50,000 = no calculation required
2. Total value is \$50,000 or more, use the greater of:
  - A. Actual income earned **OR**
  - B. Calculated income of assets: multiply cash value by current passbook savings rate

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### Example: Calculate Income from Assets


- Checking account (non-interest bearing): \$12,500
- Savings account (2% interest): \$7,500
- \$5,000 from savings used to purchase home

Total assets: \$20,000  
 Minus \$5,000 used to purchase home  
 Remaining assets = \$15,000

**No calculation required!**

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### Example: Calculate Income from Assets

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

Total assets: \$57,000  
 Minus \$5,000 used to purchase home from checking  
 Remaining assets = \$52,000

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**Example: Calculate Income from Assets**

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

$$\$30 + \$62.50 + \$450 = \$542.50$$

Include \$542.50 in annual income calculation  
**ENSURE APPLICANT(S) ARE NOT ELIGIBLE FOR CONVENTIONAL CREDIT!**

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**Example: Finding a Passbook Savings Rate**

- Check your institutions rates
- Research rates online where the applicant banks
- Do not select rates that apply to high balance accounts

Savings Accounts and CD (Time Account) Rates IL, 61761 [Change Location](#) Print Share

Savings Rates


Savings

Savings account

\$25 minimum opening deposit

Balance	Interest Rate	APY
\$0 or more	0.01%	0.01%


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## Assets vs. Asset Income

- Assets are not required to be entered on the Uniform Residential Loan Application (URLA) or in GUS
- Required asset income must be entered on:
  - Income worksheet
  - GUS Eligibility application page

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## HB-1-3555: Attachment 9-A

### ATTACHMENT 9-A

#### Income and Documentation Matrix


**Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)**

Income Type	Annual	Repayment
<b>Adoption Assistance or Subsidy</b>	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<b>History:</b> 2 years <b>Continuance:</b> 3 years Benefits that do not include expiration dates on the documentation will be presumed to continue.
<b>Documentation Source Options:</b> <ul style="list-style-type: none"> <li>• Benefit/Award letter to document the amount and duration of payments</li> <li>• 2 years of Federal income tax returns or IRS tax transcripts with all schedules</li> </ul>		
<b>Automobile Allowance</b>	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<b>History:</b> 2 years <b>Continuance:</b> Income will be presumed to continue unless there is documented evidence the income will cease The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt <u>must</u> continue to be included in the debt ratio calculation.

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## HB 9: Attachment 9-A

Assets
3555.152(d)
<b>Business Accounts</b>
<b>Documentation Options and Guidance:</b>
<ul style="list-style-type: none"> <li>2 months of bank statements, Verification of Deposit (VOD), or acceptable evidence to support average 2 month balance carried and current balance</li> <li>Lenders may use the lesser of the average 2 month balance or the current balance</li> <li>Lenders must use caution and not overstate assets</li> <li>USDA does not require evidence for access to joint accounts from all parties to the account</li> </ul>
<b>Cash on Hand</b>
<b>Documentation Options and Guidance:</b>
<ul style="list-style-type: none"> <li>Applicant must supply a letter of explanation to state how the funds were retained (how much weekly/monthly/etc.)</li> <li>Lender may accept applicant explanation to verify funds for closing</li> <li>Cash on hand cannot be considered for reserves</li> </ul>
<b>Certificate of Deposit (CD)</b>
<b>Documentation Options and Guidance:</b>
<ul style="list-style-type: none"> <li>2 statements (monthly, quarterly, etc.) to evidence the account balance and early withdraw penalty if applicable</li> <li>Lenders may use the lesser of the average 2 month balance or current balance, minus applicable fees</li> <li>Lenders must use caution and not overstate assets</li> <li>USDA does not require evidence for access to joint accounts from all parties to the account</li> </ul>
<b>Depository Accounts: Checking and Savings</b>
<b>Documentation Options and Guidance:</b>
<ul style="list-style-type: none"> <li>2 months of bank statements, Verification of Deposit (VOD), or acceptable evidence to support average 2 month balance carried and current balance</li> <li>Lenders may use the lesser of the average 2 month balance or the current balance</li> <li>Lenders must use caution and not overstate assets</li> <li>USDA does not require evidence for access to joint accounts from all parties to the account</li> <li>Investigate additional deposits on the statements that are not attributed to wages or earnings. Ensure these additional deposits are not from undisclosed income sources. There is no tolerance or percentage</li> </ul>

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## EVERY ASSET TYPE CANNOT BE LISTED

### KEEP CALM AND KEEP IT SIMPLE

- Can the source be documented?
- Determine the average amount of the asset that has been readily available to the applicant for the previous 2 months
- Lessor of 2 month average or current balance

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### Average Asset vs. Current Balance

- January Average Balance: \$4,534.52
- February Average Balance: \$354.23
- Current Balance: \$1,456

- Two month balance: \$2,444.38
- **Current Balance: \$1,456**

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### Asset Inflation

- Invalid GUS underwriting recommendation
- Invalid compensating factors
- Inaccurate annual income calculation
- Potential fraud


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## 7 CFR PART 3555 / HB-1-3555 LEARNING CHECKS

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### Assets

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. Vested balance in 401K account
- D. 2004 Chevy Truck

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**Assets**

**ANSWER: 3555.152(d)(1), HB 9**

- A. Checking account
- B. Net proceeds from sale of current home

- Retirement assets and personal property that is not held as an investment are not required to be considered

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**Assets**

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

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**Assets**


**ANSWER: 3555.152(d)(2), HB 9**

- A. IRA Account
- C. Trust fund controlled by Borrower's Grandfather
- D. \$2,500 lotto winnings

Excluded assets include:

- Retirement accounts
- Trust funds that are not controlled by a household member
- Lump sum/one time payments that are nonrecurring

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**Assets**

Applicant assets:

- \$950 checking account, 0% interest
- \$1,050 savings account, 1.5% interest
- \$4,700 IRA account, recent rate of return 4.8%
- These assets require an annual income calculation

A. TRUE    B. FALSE

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## Assets

**ANSWER: 3555.152(d), HB 9**

B. FALSE

- IRA account is excluded
- Remaining accounts do not total \$50,000 or more

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## Assets


John and his fiancé hold these assets:

- \$4,500 checking account balance, 0% interest
- \$2,100 savings account balance, 2% interest
- \$3,000 will be used to pay for closing costs and appraisal
- An annual income asset calculation is required.

A. TRUE    B. FALSE

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### Assets

**ANSWER: 3555.152(d), HB 9**

B. FALSE

- Total assets:  $\$6,600 - \$3,000 = \$3,600$
- Assets remaining are below  $\$50,000$

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# WAY TO GO!

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