Assets

Single Family Housing Guaranteed Loan Program

Revised December 2018

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!
7 CFR Part 3555

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.

7 CFR Part 3555: 3555.152(d)

(i) 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 cash 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 are available to the applicant without retaining or discontinuing employment;
(v) Lump sum receipts such as lottery winnings, capital gains, and inheritance;
(vi) Personal property held as an investment; and
(vii) Any value, as 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 foreclosures, bankruptcy, or a divorce or separation settlement.
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.

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
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). Leaders 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
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

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
Example: Calculate 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

$30 + $62.50 + $450 = $542.50

Include $542.50 in annual income calculation

ENSURE APPLICANT(S) ARE NOT ELIGIBLE FOR CONVENTIONAL CREDIT!

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
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**

<table>
<thead>
<tr>
<th>Income and Documentation Matrix:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Type</strong></td>
</tr>
<tr>
<td>Adoption Assistance or Subsidy</td>
</tr>
<tr>
<td>Documentation Source Options:</td>
</tr>
<tr>
<td>Automobile Allowance</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Continuance: 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 must continue to be included in the debt ratio calculation.
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
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

Asset Inflation

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

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
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

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
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
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
Assets

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

B. FALSE

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

WAY TO GO!
Regulations


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