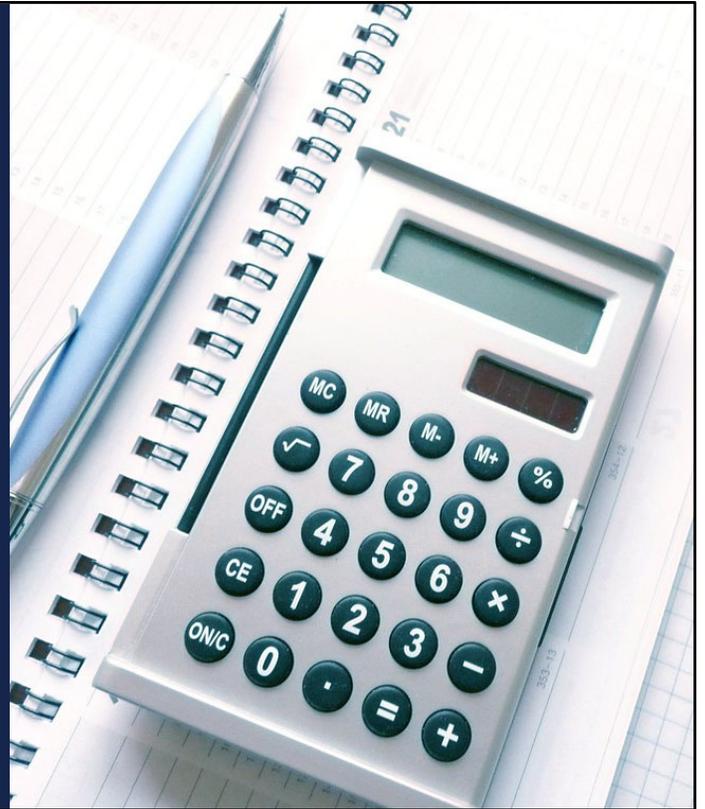


Assets

Single Family Housing Guaranteed Loan Program
(SFHGLP)

09/2020



Welcome to the Assets online training module presented by USDA's Single Family Housing Guaranteed Loan Program.

ASSETS

- ✓ Verify
- ✓ Document
- ✓ Calculate



Assets are an important piece of an applicant's financial puzzle. Understanding different asset types and how they affect your applicant's single-family housing guaranteed loan is essential. This module will assist you in determining how to verify and document assets and how to calculate asset income when necessary.

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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- 3555.152(d) requires net family assets of all household members (adults age 18 and up) to be included in the calculation of annual income.
- It is specifically the income derived from the net family assets that must be included in the annual income calculation.
- This income may be derived from equity in real property, cash on hand and funds in savings and checking accounts, trust account funds available to the household, and non-retirement investments.
- Other net family assets that may derive income include lump sum amounts, personal property that is held as an investment, and any asset disposed of for less than fair market value during the preceding two years, unless the assets were disposed of as a result of foreclosure, bankruptcy, 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.

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- 3555.152(d)(2) lists net family assets that do not have to be considered in the annual income calculation.
- These include assets such as cash on hand that will reduce the loan amount, personal property, and business assets.
- Other net family assets that are excluded when calculating annual income include voluntary retirement accounts, cash value of life insurance policies, and any other amount deemed by the agency not to constitute net family assets.

7 CFR Part 3555: 3555.152 (d)

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.



- An asset calculation must be performed when the household has cumulative net family assets of \$50,000 or more.
- If the total value of eligible assets is less than \$50,000, then no calculation is required to be added to the annual income calculation.
- If the total value is \$50,000 or more, then the lender must use the greater of actual income earned on the asset, or perform a calculation utilizing a passbook savings rate.
- An asset earning zero interest will require a local passbook savings rate.

Review Attachment 9-A
Pages 28-32

Verify & Document

Calculate Asset Income
If cumulative total is \$50,000 or more

HB-1-3555
Attachment 9-A
Page 28 of 32

Assets and Reserves

3555.152(d)

Funds to close will be subtracted from the assets entered on the Assets and Liabilities and/or Transaction Details GUS application pages. Remaining funds eligible for reserves must be available to the applicant post loan closing. Lenders must use caution and not overstate assets utilized for reserves. USDA does not require evidence from all parties to access joint or business accounts unless access to the funds are restricted without it.

Bridge Loan

Documentation:

- Evidence of the loan proceeds, where they are held (depository account, etc.), and balance remaining
- Confirm corresponding liability for this debt is included in the total debt ratio if applicable

Reserves: Eligible

Funds to Close: Eligible

Business Accounts

Documentation:

- 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

Reserves: Eligible

- Lenders must use the lesser of the current balance or previous months ending balance

Funds to Close: Eligible

Cash on Hand

Documentation:

- Applicant must supply a letter of explanation to state how the funds were accumulated (how much weekly/monthly/etc.)

Reserves: Eligible

Funds to Close: Eligible

Certificate of Deposit (CD)

Documentation:

- Recent account statement (monthly, quarterly, etc.) to evidence the account balance and early withdraw penalty if applicable

Reserves: Eligible

- Lenders may use the current vested balance, minus applicable fees/penalties

Funds to Close: Eligible

- To better assist with income review and documentation, Chapter 9 includes Attachment 9-A: "Income and Documentation Matrix."
- The matrix was designed to assist lenders and USDA in efficiently locating many income sources, annual income adjustments, and asset guidance.
- Pages 28-32 specifically address Assets and Reserves.
- Under each asset type there are documentation options to assist the lender when obtaining a complete loan file and to support their calculations.
- Please note that not every documentation item listed is required.
- USDA is providing flexibility to the lender to determine the best documentation option.

7 CFR Part 3555: 3555.152 (d)

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.



When reviewing the assets of an applicant and other adult household members please keep the following in mind:

- Income from eligible assets may be required to be included in the annual income calculation. The technical handbook provides flexibility in asset amounts held by the household to help determine when a calculation is required.
- Assets are important because they may be a compensating factor. Compensating factors strengthen the loan file and may affect underwriting recommendations rendered by GUS.
- Assets documented by the lender are not required to be included in the loan application. If a lender wishes to obtain a conservative underwriting recommendation or perform a conservative underwriting analysis, the assets do not have to be included on the loan application. However, the lender must include income from an asset in the annual income calculation, if applicable.

7 CFR Part 3555: 3555.152 (d)

Asset Inflation

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



- When assets are utilized in GUS or in manual underwriting it is important that the assets are not inflated.
- Inflated assets will result in: Invalid GUS underwriting recommendations, invalid compensating factors, inaccurate annual income calculations, and potential fraud.
- When assets are inflated or incorrectly calculated to achieve a GUS Accept underwriting recommendation or loan approval, it will impact the validity of the Loan Note Guarantee, loss claim payment, etc.

7 CFR Part 3555: 3555.152 (d)

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



- This is an example of when and how to calculate assets to be included in the total household annual income.
- This applicant has a non-interest bearing checking account with a balance of \$17,000 as well as a savings account that earns .25% interest annually with a balance of \$24,000.
- The applicant also has a Certificate of Deposit that earns 3% annual interest with a current balance of \$15,000.
- The applicant will use \$5,000 from checking towards the purchase of the dwelling.
- The total of all eligible non-retirement assets is \$56,000, minus the \$5,000 that will be used to purchase the home, bringing the remaining balance of assets to \$51,000.
- This is more than the \$50,000 threshold, therefore an income calculation is required.

7 CFR Part 3555: 3555.152 (d)

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



- When considering asset balances, any fluctuation should be evaluated carefully.
- In this example, the applicant had a balance of over \$4,000 in January, the balance fell below \$400 in February, and then increased to \$1,456 for the current reported balance.
- The two-month average balance for January and February is \$2,444.38, which is more than the current balance of \$1,456.
- The lessor of the two figures, in this case, \$1,456, should be used.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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The best way to learn information is to test your knowledge!

QUESTION

Topic

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed



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The following question slides will list:

- The topic,
- A question or scenario, and
- potential responses.

ANSWER

Topic

7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided



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The answer slides will list:

- The topic,
- the reference to the answer from the regulation and handbook,
- the correct response, and
- any additional clarification that may be helpful.

Ready?

**LET'S GET
STARTED!**



Let's get started!

QUESTION

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. Certificate of deposit



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Read the question on the slide and select a response.

ANSWER

Assets

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.



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- Answer: All of the Above.
- Each of the assets listed must be considered when evaluating the total household annual income.

QUESTION

Assets

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



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Read the question on the slide and select a response.

ANSWER

Assets

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.



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- Answer: B and D
- For the purpose of calculating annual income, net family assets do not include the value of necessary items of personal property nor do they include amounts placed in a voluntary retirement plans

QUESTION

Assets

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



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Read the question on the slide and select a response.

ANSWER

Assets

3555.152(d)(1), HB 9.4

C. \$50,000

Net family assets of \$50,000 or more must be reviewed for annual income purposes.



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- Answer: C. \$50,000
- Household members with combined net family assets of \$50,000 or more must have those assets reviewed for annual income purposes.
- Lenders must review asset information provided by the applicant and other household members at the time of loan application.
- Net family assets which have actual earnings will use the documented rate of interest to calculate annual income.
- Net family assets that do not earn interest will use a current passbook savings rate to calculate the annual income.
- Current passbook savings rates may be found through the lender's own banking rates or by an online website for current savings rate in the area.

QUESTION

Assets

Lenders must enter all assets into the GUS “Assets and Liabilities” application page and the 1003 loan application.

A. TRUE B. FALSE



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Read the question on the slide and select a response.

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



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- Answer: B. False
- Lenders are not required to enter assets into the GUS or on the loan application.
- The lender may underwrite the loan or obtain an underwriting determination in the GUS without assets being included as a compensating factor.
- However, when the net family assets exceed the acceptable threshold as indicated in HB-3555, Section 9.4, then the income earned from the assets must be included as annual income.
- Again, it is important to note that the lender is always required to verify the assets, regardless of the amount or the exclusion in the GUS or on the URLA.

QUESTION

Assets

- **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



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Read the question on the slide and select a response.

ANSWER

Assets

3555.152(b)(4), HB 9

A. \$1,378.75

- **Assets are \$50,000 or greater**
 - $\$1,500 \times .25\%$ (passbook rate) = \$3.75
 - $\$15,000 \times .50\%$ = \$75.00
 - $\$65,000 \times 2\%$ = \$1,300
- **$\$3.75 + \$75.00 + \$1,300 = \$1,378.75$**

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- Answer: A
- The total assets are greater than \$50,000.
- Therefore, the greater of the actual income earned or a local passbook savings rate must be used for the calculation.
- The \$1,500 checking is non-interest bearing.
- Therefore the local passbook savings rate of .25% will be used, which equals \$3.75
- The \$15,000 savings earns .50% for an annual total of \$75.00
- The \$65,000 CD earns 2% for an annual amount of \$1,300.
- Add these together for a total of \$1,378.75. This amount must be included in the household annual income.

QUESTION

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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Read the question on the slide and select a response.

ANSWER

Assets

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, and lump sum/one-time payments that are nonrecurring.



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- Answer: A. IRA Account, C. Trust fund controlled by borrower's grandfather, and D. \$2,500 lotto winnings.
- The IRA account is a retirement fund and therefore excluded from the income calculation.
- Trust funds that are not controlled by the household are also excluded because the borrower cannot actively access the funds at any time.
- Lump sum additions to the household assets that are nonrecurring are also not considered in the annual income calculation.
- The lender should review the bank statements to ensure that winnings from gambling, the lottery, or other such ventures are not occurring on a regular basis.

Way to Go!

LEARNING CHECK
COMPLETED!



Way to go! You have completed the learning checks!

Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

Available on the USDA LINC:
<https://www.rd.usda.gov/page/usa-linc-training-resource-library>

<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.

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Chapter 9 - Income Analysis

Chapter 10 - Credit Analysis

Chapter 11 - Ratio Analysis

Chapter 12 - Property and Appraisal Requirements

- This training module has provided you with an overview of the key requirements of assets and asset income.
- Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart D, Section 3555.152(d) and Chapter 9, Paragraph 9.4 of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.

Can't find your answer in the regulation or handbook?

Contact the PAC team!

Want additional live program training?

Contact the LPA team!

USDA Rural Development U.S. DEPARTMENT OF AGRICULTURE	
Single Family Housing Guaranteed Loan Program (SFHGLP)	
Contacts & Resources	
TOPIC	CONTACT
File-Specific Questions Information to include in email: <ul style="list-style-type: none"> Identify the state the application is located; if applicable; Provide applicant's name and USDA borrower ID, if applicable; GUS loan number, if applicable Include contact information; and Indicate if you would like a call back (otherwise you will receive an email reply) 	Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NI, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval/Recertification	sfhgld.compliance@usda.gov
Lender Self-Report	sfhgld.compliance@usda.gov
Program Training	sfhgld.lenderpartner@usda.gov
Program Marketing & Outreach	sfhgld.lenderpartner@usda.gov
General Loan Scenario Questions	sfhgld.program@usda.gov
Loan Policy/Regulation/Handbook	sfhgld.program@usda.gov
Loan Servicing	sfhgld.servicing@usda.gov
Technical Issues: GUS	RD.HD@USDA.GOV
Technical Issues: e-Authentication	E-Authentication FAQs: (https://www.eauth.usda.gov/eauth/h/usda/fsa) E-Authentication Contact Us: (https://www.eauth.usda.gov/eauth/h/usda/contactus)
Loss Claims	guaranteee.svc@usda.gov
Monthly & Quarterly Status Reporting	rd.infaoc.hsb@usda.gov
GUS User Agreements	rd.infaoc.hsb@usda.gov
TOOLS & RESOURCES	
Regulation and Handbook: https://www.rd.usda.gov/resources/objectives Lender Website—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/rfh-guaranteed-lender USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscribe/new	

- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.



Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!



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This will conclude the training module. Thank you and have a great day!