



Self-Help 502 Loan Guidebook

PROVIDED BY REGIONAL T&MA CONTRACTORS

SECTION 523 MUTUAL SELF-HELP PROGRAM

Disclaimer

A handbook for grantees of the United States Department of Agriculture (USDA) Section 523 Self-Help Housing Program developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

- *Florida Non-Profit Housing, Inc. (FNPH)*
- *LIFT Community Action Agency, Inc. (LIFTCAA)*
- *NeighborGood Partners*
- *Rural Community Assistance Corporation (RCAC)*

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CHAPTER 1:

INTRODUCTION

The Self-Help Program

Self-help housing is just as it sounds, participants working to build or repair their own homes. This program is a direct application of the barn raising traditions of pioneering rural Americans. The Self-Help Program originally began as the Mutual Self-Help Method, where participants, working in groups, supply the necessary labor to build their homes, having qualified for mortgage financing to purchase land, building materials, and some subcontracted work on the more technical items. The program authority also allows for two additional methods of home repair (owner occupied and acquisition rehab).

Regardless of the method selected, the participants must be low or very low income. At the end of the grant, at least 40% of the total participants served should be in the very low-income category. The remaining participants must be in the low-income category (see income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>).

Mutual Self-Help Method: With the assistance of the skilled staff, a group of generally 4 to 10 households is formed. The participants typically select lots, house plans, and apply for individual mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management. This time is known as the pre-construction stage.

Once the loans are closed, the group begins to build under the guidance of a skilled construction supervisor. The participants must complete a minimum of 65% of the construction labor tasks; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage typically lasts from 8 to 12 months, depending on the size of the group and other factors. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household employment.

Acquisition Rehabilitation and Owner/Occupied Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they purchase or one in which they already own and reside in. The participant applies for a loan and/or grant and once

qualified, they enter into a contract to purchase a property or in the case of owner/occupied, provide proof of ownership and residency. The property is inspected, and the scope of work is developed. This information is submitted to Rural Development for approval. Once the loan is approved and closed, the participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

Rural Development

Rural Development is an agency of USDA. The Rural Development mission is to help rural Americans improve the quality of their lives. Rural Development helps rural communities meet their basic needs by building water and wastewater systems; financing decent, safe, sanitary and affordable housing; supporting electric power and rural businesses, including cooperatives and supporting economic and community development with information, technical assistance, and funding.

Rural Development has been providing funds for the self-help housing program since the late 1960s. They provide Section 523 self-help technical assistance grants to eligible entities to start and implement the program. Rural Development thoroughly reviews the self-help application before a grant is awarded and will continue to monitor and provide oversight in the areas of construction and administration, through quarterly meetings, construction inspections, and participant accounts throughout the term of the grant.

In most cases Rural Development provides another important ingredient to the self-help program; construction to permanent financing at favorable interest rates in the form of a Single-Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions and the financing is directly between Rural Development and the borrower. Each applicant must qualify and obtain a loan individually from Rural Development. Rural Development's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms which can be a barrier to homeownership.

Rural Development Offices

Rural Development operates from four levels: national, state, area and local. The Rural Housing Service Administrator in the National Office and the State Directors are politically appointed – all others are federal civil service employees.

Rural Development National Office

The Rural Development National Office is responsible for developing policy and interacts with Congress for legislation, policy development and program funding. They also obligate and monitor all Section 523 self-help grants, maintain reports and statistics on operating self-help organizations and project needs for funding. At the national level, USDA has a separate Appeals Division that hears appeals on actions unresolved at the state level.

Rural Development State Office

The State Office has the approval authority over smaller Section 523 Self-Help grant applications up to \$300,000. Section 502 home loan funds are allocated on a state-by-state basis and the State Office distributes the 502 funds based on a state RD formula that is released annually via a funding policy memorandum. Staff members who are key to the operation of a self-help program located in the State Offices are the:

- Rural Development State Director – Has the authority to sign grant agreements.
- Rural Housing Program Director – Oversees the self-help program.
- Rural Development Housing Specialist – Reviews and approves the 502 direct loans and 504 grant/loans, also approves building sites, and completes environmental reviews.

Rural Development Area Office

The Rural Development Area Director is typically responsible for the Section 523 grant. In some states however, the grant monitoring has been retained at the State Office level with the Single Family Housing Program Director or it has been assigned to the Local Office. In any case, the Rural Development grant manager is responsible for ensuring that the grant is operated effectively and in accordance with the regulations.

Rural Development Local Office

Within this office, the Loan Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. They will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts and will process the construction draws. They are also the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

Rural Development Section 502 Single Family Direct Home Loan

Most applicants that participate in the self-help housing program use Rural Development's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA (<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd>). In order to qualify for a Section 502 loan, prospective self-help applicants must meet Rural Development income eligibility requirements as low-income or very low-income (see the income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>). They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. The income limits, developed in consultation with the U.S. Department of Housing and Urban Development, are subject to local variation and are published annually. Current information on income limits and eligibility requirements for Section 502 loans is available at RD local offices or online (links above).

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is between 1% and the current market rate. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called "payment assistance." The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The payment is either determined based on 24% of their monthly income or the loan at a 1% interest rate, whichever is the higher of the two, but can never be higher than the loan at full note rate. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. A portion of this subsidy must be repaid at the time of sale or loan payoff based on equity, time, etc.

Some other benefits of a 502 loan are that there is no requirement for a down payment, closing costs can be included in the loan (up to the appraised value with authorized exceptions to include the tax service fee, homeownership education fee, appraisal fee, and any required contribution to an escrow account for taxes and insurance (excluding the first-year insurance premium)) and there is no requirement for private mortgage insurance. Rural Development can offer a moratorium on loan payments for up to two years if a borrower's income decreases by at least 20% by no fault of their own.

During home construction, Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices to the self-help grantee. Grantees

prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction.

Rural Development Section 504 Single Family Housing Repair Loan & Grant

Also known as the Section 504 Home Repair program, this provides loans to very-low-income homeowners to repair, improve or modernize their homes or grants to elderly households (62 or older) very-low-income homeowners to remove health and safety hazards. Grants can only be given to elderly households (62 or older). The maximum loan is \$40,000 and the maximum grant amount is \$10,000. This funding could be used with the repair or rehab program, or other funding could be sought.

The 523 Self-Help Housing Technical Assistance Grant

For organizations to operate a self-help housing program, Rural Development provides technical assistance (TA) grants. The TA grant is for a period of up to two years, and is available to public and private nonprofit organizations, federally recognized Tribes, and units of state or local government. The amount of grant funds an organization can receive is based primarily upon how many houses they build or repair in a grant period. For new construction programs, an organization can receive up to 15% of the average cost of a new home financed under the 502 program in their area, for every home they are planning to build. Check with your Contractor for other methods of determining grant amounts for repair programs.

Allowable uses of Section 523 technical assistance grant funds include:

- Recruit eligible households to participate in the self-help program.
- Hold training meetings with participants on the self-help process and homeownership topics such as mortgages, insurances, taxes, and maintenance.
- Assist participants to obtain and develop building sites; obtain or create Rural Development-approved house plans and help participants select theirs.
- Help participants bid and select building supplies and subcontractors; train participants in construction techniques and provide construction supervision.
- Supervise participant Section 502 loan accounting, including:
 - Totaling invoices and itemizing payments to suppliers and subcontractors.
 - Maintaining records of deposits and withdrawals.
 - Preparing checks (accompanied with invoices and statements).

Disallowed activities using Section 523 Technical Assistance grant funds are:

- The use of any TA funds to pay staff to provide labor on the houses.
- Purchasing any real estate or building materials for participating families.

- Paying any debts, expenses or costs, which should be the responsibility of the participating families.
- Any lobbying activities as prohibited in 2 CFR 200 subpart F.

Regulations

The main regulation that governs the Self-Help Housing Program is [RD Instruction 1944-I](#). Additionally, USDA Rural Development provides an overview and guidance for the Self-Help Housing Program in the [USDA RD Handbook 3550 Appendix 13](#). Appendix 13 guidance includes an overview of the following:

- Application Processing Priority
- Self-Help Loan Application Packaging
- Environmental Reviews
- Appraisals
- Selecting a Contractor
- Construction Documents
- Sub-Contracts
- Administering Construction Funds
- Self-Help Inspections
- Post Closing Leveraged Loans/Grants
- Participant Withdrawal
- Construction Closeout
- Self-Help Take-out Loans
- Other Loan Financing

The T&MA Contractors

Rural Development contracts with four Technical and Management Assistance (T&MA) Contractors to assist operating and potential self-help housing grantees. This assistance ranges from staff and board training, grant management, and development of applications to 502 loan program and processing training, newsletters and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- Florida Non-Profit Housing – covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico and the Virgin Islands.
- LIFT CAA fka Little Dixie CAA – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NeighborGood Partners fka NCALL – covering Region III, the Northeast and Midwest,

including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, WV.

- Rural Community Assistance Corporation (RCAC) – covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA, and the Western Pacific.

Self-Help Training Handbooks

The T&MA Contractors have produced a variety of training materials for the purpose of assisting grantees and training grantee staff. The following is a list of the available self-help handbooks. Please contact your T&MA Contractor for a copy or for more information.

- Orientation Handbook
- Feasibility Handbook
- Application Handbook
- Board of Directors Handbook
- Program Director Handbook
- Construction Supervisor Handbook
- Group Coordinator Handbook
- Financial Management Handbook for Federally Funded Organizations
- Accounting for Individual Family 502 Loan Accounts Handbook
- 502 Loan Processing Guidebook
- Preconstruction Meetings Handbook
- SHARES Handbook
- Acquisition and Owner-Occupied Rehab Handbook
- Section 523 Technical Assistance Grant Application Handbook

CHAPTER 2: OVERVIEW

Rural Development (RD) provides a critical ingredient to the self-help program by offering financing through Section 502 Direct Loans to eligible low-income, rural residents for the land and all related costs during construction, which then converts to a long-term affordable mortgage upon completion. This chapter is an overview, with details on key aspects in following chapters.

Advantages of the Section 502 Loan

- ✓ Reasonable rates and terms
- ✓ Typically, no down payment requirements
- ✓ Some closing costs may be included in the loan, up to the appraised value
- ✓ Private Mortgage Insurance (PMI) is not required (this can be hundreds of dollars per month)
- ✓ Up to 100% financing on new construction homes or to purchase an existing home
- ✓ Payments are based on household income
- ✓ Direct loan from Rural Development
- ✓ Additional loan servicing components such as workouts and moratoriums as needed

Section 502 Direct Loans are loans that are directly funded by the government and not funded by a lender and then guaranteed by the government. These loans are available for low and very low-income households located in rural areas to achieve homeownership.

The purpose of this loan is to provide financing at reasonable rates and terms typically with no down payment. Funds are loaned directly to the borrower from Rural Development and initially function as a construction loan and then permanent financing. Mortgage payments are based on the household's adjusted income. The repayment period is typically 33 or 38 years, and the interest is similar to market rate and is then subsidized by lowering the interest rate to between 1 percent and the current market rate as a means to create affordability. The actual accrual of interest the borrower pays depends on the borrower's income, as does the loan term.

If a borrower is eligible to pay less interest than market rate, the borrower then receives a subsidy called “payment assistance.” The amount of payment assistance a borrower receives is determined by the loan amount, loan period and the household income. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. Borrowers are required to repay all, or a portion of the payment subsidy received over the life of the loan when the title of the property transfers or the borrower is no longer living in the dwelling. The amount an applicant may be required to repay is based on a formula including the amount of subsidy received, time elapsed, equity, etc.

While the labor and construction are a group effort, each participant must qualify and obtain a loan individually from Rural Development. In order to qualify, a participant must fall within the income guidelines set by Rural Development, must have demonstrated repayment ability, must have reliable credit history and should have a low debt load. Because the application process can be complicated for the individual, the self-help grantee is responsible for pre-screening applicants for program eligibility and preparing the application packages for Rural Development.

In order to qualify for a Section 502 loan, prospective self-help applicants must meet Rural Development’s eligibility requirements:

- ✓ Income eligibility requirements at or below low-income
- ✓ Credit-worthiness; have repayment ability for the loan requested
- ✓ Be unable to secure credit from other sources on terms and conditions that they can reasonably be expected to meet
- ✓ Have the legal capacity to incur a loan obligation
- ✓ Meet citizenship or eligible noncitizen requirements
- ✓ Not be suspended or debarred from participation in federal programs

Applicants may obtain 100 percent financing to purchase a site and construct a dwelling as long as the area loan limit isn’t exceeded. Some closing costs may be included in the loan, depending on the type and the effect on the loan to value ratio. The Section 502 loan can be combined with other affordable housing funding sources, i.e., Self-Help Opportunities Program (SHOP), Affordable Homeownership Program (AHP), HOME funds or other leveraged sources.

Mutual self-help new construction loans are closed prior to any work beginning on the homes, making the participants true owner builders. During construction, Section 502 loan funds are advanced from Rural Development’s Servicing and Asset Management Office (Servicing Center) in St. Louis and disbursed by the local Rural Development offices to the self-help grantee. The borrowers do not make payments on the loan during construction of the homes. Grantees prepare drawdowns and checks for each participants’ account as needed to purchase materials or pay for subcontracted work as dictated by the grantee, for the different phases of construction. (See Chapter 9 of this guide *Construction to Permanent Loans* and the separate guide, *Guide to Individual Borrower 502 Loan Accounts*). Upon construction completion the checking accounts are closed out, the loans are converted from construction to permanent mortgages and the Servicing Center services the loans for the term of the mortgage.

What regulates 502?

The program is regulated by 7 CFR 3550 and Handbook (HB) 1-3550, Administrative Notices (AN), Procedure Notices (PN), Unnumbered Letters (UL), Forms, Instructions, etc. Changes in program guidance and implementation often are found on the Rural Development website and you can receive notification through their ListServ. Other applicable Rural Development instructions include:

1924-A “Planning and Performing Construction and other Development”

1924-C “Planning and Performing Site Development Work”

1901-E “Civil Rights Compliance Requirements”

1970 series “Environmental”

ListServ

Regulations change often, keep up by signing up for the ListServ.

The Single Family Housing Direct Loan Division has GovDelivery available for you to receive program updates. Using the link, enter your email and select the “SFH Direct Loan and Grant Programs” (and any other programs of interest) and then click “Submit”

https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25

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Rural Development Handbook 1-3550

Handbook 1-3550 is the loan processing handbook designed for the Rural Development Loan Officer and other Rural Development staff and covers everything from receiving the application through loan closing and construction. This handbook will be of great value to you throughout the packaging process and is relatively easy to use. The most current version is always available on-line on Rural Development's website and is searchable for key words by right clicking and selecting "Find" or by selecting "ctrl F." It is not recommended that you print this guidebook, it's rather long and changes often. If you're accessing it on-line, you're always assured you are using the most current version.

Funding Availability and Allocations

Every year the President submits a budget that requires passage by both houses. This can be a protracted process, full of uncertainty, but usually a continuing resolution will keep some funds flowing. Although the budget should be approved prior to the October 1 start of the fiscal year, it may be approved in November or later, there are a lot of reasons for budget delays. Each house of the legislature comes up with their version of the budget, then both houses must agree on the final. Allocations are then made per program at the national level, then allocated internally by the national office by program and by state. Additionally, the national office typically maintains national reserves to fund loans.

Many times, the government is under a continuing resolution because the budget has not been approved. Because of this, loan funds are based on percentage of historical use of funds for the same time frame, for example, a two-week CR on October 1 would mirror the funds obligated in the prior year for the first two weeks in October.

There are special funding allocations under the 502 program. Usually, all of these funding allocations designate between low-income and very low-income. These categories can vary by year and often include self-help housing, check with Rural Development for this year's categories.

Applications are accepted year-round and processed to the extent possible whether funds are available or not. If you are in doubt about the availability of Section 502 funding, contact your local Rural Development office.

Priority Processing

Processing Section 502 applications is *not* always done on a first come first serve basis, there is a priority system that is used only to determine the order in which applications will be processed. Once applicants are selected for processing (e.g. a Certificate of Eligibility is issued), the order in which they actually receive funding will depend on how long it takes the applicant to respond to requests for information and be ready for closing. The priority also applies when funding is insufficient to fund all applications on hand.

Rural Development gives processing priority to applicants who have an especially serious need for immediate assistance and for loans that are to the Agency's benefit. Applicants with higher priorities must be processed before those with lower priorities. Applicants who do not qualify for any priority should be processed only when no applications with a priority remain unprocessed. Within each priority category, applications are processed in the order that they are considered complete. This includes packaged self-help applications in priority #4.

Area Loan Limit and Maximum Loan Amount

Area loan limits are published annually by Rural Development and are 80 percent of the FHA Forward One-Family mortgage limits (HUD 203(b)). In order for a property to be financed, it must be "modest," which is a property that is considered modest for the area, does not have a market value in excess of the applicable area loan limit, and does not have certain prohibited features (like income producing structures/businesses).

The total Rural Development loan, in combination with any other loans or grants on the property, cannot exceed the area loan limit. However, there are four expenses that can exceed the area loan limit, they are Rural Development tax service fee, initial escrow deposit, appraisal fee

and the homebuyer education fee. For self-help new construction, this means the cost of the land, materials, grants, loans and the value of sweat equity cannot exceed the area loan limit. Sweat equity is calculated by subtracting the cost of the land, materials, grants and loans from the appraised value. The appraised value also cannot exceed the area loan limit.

Packaging Process

Packaging Section 502 loans involves many steps, the big picture includes intake, processing the application and information, and submitting a complete package to Rural Development for eligibility determination. All grantees are required to follow the packaging guidance in Attachment 3-A which provides processing guidance for loan application packagers.

Step 1: Intake/Assessment

This involves gathering initial, unverified information from the applicant to conduct an initial eligibility evaluation and program interest. Not all interested applicants will be candidates for self-help once they learn about the labor contribution and/or time commitment, this is a good time to make them aware of these things, share the Group Agreement and the wonderful things about the program as well.

You'll want to use an in-house assessment or intake form to gather information at this stage (an example is in the Group Worker Guide). If the applicant isn't a good fit during this initial intake, the grantee will usually let them know what they need to do, for example, repair credit and wait before moving on to step two. This information may change several times during this phase or when the information they've provided is verified, just be sure the applicant doesn't feel like promises are being made about payment amounts or program participation at this time or at any time prior to Handbook Letter 16A or 16B, Eligibility of Self-Help is issued and actually finalized at closing.

Step 2: Verifying Information

Here the packager begins to collect third party verifications on income, debts and other specific household information. These documents are readily accessible to the applicant and generated by a third-party, such as paycheck stubs, bank statements, and benefit award letters the applicant has received or has available to them. Many grantees provide a

checklist to the applicants including all of the third-party verifications they should gather before they meet during this phase (or even for the first time). Nationally, grantees process 15 to 20 applications before they find an eligible participant.

Step 3: Assembling the Application Package

Once you've gathered verifications, you will begin to put everything together that Rural Development needs to make an eligibility determination. You'll need to make sure all third-party documents (like paystubs) are as current as possible and that all of your documents match: does the 4-A calculator match the loan narrative and paystubs, etc. Do not include anything in the file that won't assist Rural Development to make an eligibility decision.

Step 4: Application Submission

Once you're ready to submit the application to Rural Development, it is important to check again that all of the submission documents are as current as possible and everything lines up; the paystubs match the 4-A calculator, the 4-A matches your loan narrative, etc. There is no set time that applications must be submitted or are accepted. There is an order for documents when filling electronically in Attachment 3-J (Appendix 7), which may be helpful in organizing your documents no matter how you are submitting.

4-A Calculator

The 4-A automated calculator is used to document income, assets, debts and requested loan amounts and other funding. The packager will often use and revise the calculator throughout the application process to determine preliminary program eligibility, calculate estimated loan payments and when combined with the loan narrative, will address all eligibility criteria.

The most current 4-A Calculator and a webinar tutorial on how to use the calculator are available on RD's website. You'll want to frequently check their site to ensure you are using the most current version.

When you're first working with the calculator, don't be afraid to play with it, you can't hurt it. Pretend you're qualifying yourself, a friend or family member and change the circumstances to see how things change.

Loan Narrative and 4-A Calculator

When combined, the loan narrative and the 4-A calculator is how you tell the story of the application and make a recommendation regarding the applicant's eligibility. It is recommended that these documents be the first thing in your submittal that Rural Development sees—everything after these pages will document and support your recommendation. This narrative should address all of the eligibility criteria but does not include any statements of personal opinion, just the facts. Just like every applicant's financial and household information is different, every loan narrative will be different.

4-A Calculator

The 4-A calculator is an automated calculator Rural Development has developed to document income, assets, debts and requested loan amount/funding. Comment sections contained in the calculator can be used to explain income. Both the packager and the Rural Development Loan Officer complete the 4-A, with Rural Development's being the final version. Rural Development will review your 4-A, and based on its underwriting, make any needed changes. Ideally, the calculations you arrive at, and the calculations Rural Development arrives at, should be close or the same. It is helpful to get a copy of Rural Development's completed calculator for each application to determine if there are any differences and why. Ultimately, you want to get to a point where they match and in order to do this some coordination and questions are usually required. There are webinars and instructions for filling out the calculator on Rural Development's website and when updates are made to the calculator, the newest version is always available there. It is important to go there often to ensure you are using the most current form.

Loan Narrative

It is not necessary to restate items from the 4-A calculator in the loan narrative, the narrative supplements the calculator. In the loan narrative, focus on any exceptions, explanations or any requested waivers. Between the loan narrative and the 4-A calculator, you should include analysis of the following:

Purpose

Outline the loan being requested.

Background

This section should include a brief background on the borrower's present situation including household composition/dependents. Do not include any statements of opinion e.g. "They are such a nice and wonderful couple, they'll be great in the program."

Terms of Loan

Outline the various costs that will comprise the total loan amount and how long of a term is recommended; 33 or 38 years. For example, the household is very low income and can only afford the needed loan amount for a self-help home with a 38-term loan.

Employment/Income

Reference the 4-A and provide any context on their employment situation and source of income, how many people work in the household, term of employment, were there any gaps more than 30 days in the last two years (if so, you'll need a statement from the applicant), is there overtime or bonuses, which borrower income category – Low or Very Low. This should also be included in the comments section of the 4-A calculator.

Income Calculations

Reference the 4-A calculator and make sure you address which method you chose and why (i.e. I showed Mary receives an average of 30 hours per year in overtime) on both the loan narrative and 4-A comments, which calculation method did you choose AND WHY.

Deductions

Are they paying childcare to a source that counts (e.g. not a household member) and how much, does this match their tax documents, etc.? How many children do they have, how old, etc.

Assets

Outline source and amount of assets. Double check that their application is accurate, e.g. they pay car insurance so they must own a car. Always mention you reviewed for assets even if they don't have any.

Credit History

Outline the borrower's credit history including their credit score or if nontraditional credit was used to evaluate credit history. If you used nontraditional credit, indicate that you started with the preferred sources and included those in order of preference that were available. Identify how many sources you needed to get and what you included. If there are student loans, are they on an income-based payment, how much did you use for monthly payment and why/what's the justification (and this needs to be backed up with documentation from the lender).

Other Funding Sources

Will there be any other sources of funding needed or contributed and if so, what are the terms (i.e. will there be payments with interest, will it be forgiven at some point, etc.).

Debt Ratios

Provide a breakdown and composition of Total Debt (TD) and Principle, Interest, Taxes and Insurance (PITI) and outline monthly debt amounts.

Payment Shock

Show calculation and/or provide the percentage.

Homebuyer Education (HBE)

HBE is required at the time of submission for eligibility, if you are not including it in your initial application submission, you need to state as such and when it will be completed.

Summary and Conclusions

Outline why the borrower qualifies or does not qualify for a Rural Development loan.

Packagers Recommendations

Do you recommend them for a loan?

Sign and Date

Use the date you actually submit the package.

CHAPTER 3: CALCULATING INCOME AND ASSETS

This chapter correlates with Rural Development Handbook 1-3550 Chapter 4.

Steps for the Packager

1. Use Attachment 3-J or create checklist for applicants of documents required for application submission (example in Appendix 1), i.e. paystubs, tax returns, bank statements, asset documents, other income and deductions.
2. Gather required income documentation to make the best projection of their income, assets and deductions for the next 12 months.
3. Calculate four methods of income on the 4-A income calculator spreadsheet.
4. Recommend method to determine household annual income on 4-A.
5. Calculate assets for their impact on annual and repayment income and down payment requirements on the 4-A.
6. Calculate repayment income for note signers on the 4-A.
7. Calculate adjusted income based on annual income on the 4-A, by completing Section 5 – Deductions.
8. Review results of the 4-A with applicant showing possible loan amount, debt to income ratios including problems and possible solutions.

Three Types of Income (Annual, Repayment, Adjusted)

To be eligible for a loan, the applicant must demonstrate that they have a stable, dependable source of income. Income information is used to determine whether the applicant's household is eligible for the loan and the amount of payment subsidy the household can obtain. The applicant's income is used to determine the amount of the loan they can afford to repay based on the program's criteria. There are three income types, and it is important to use the correct type and income from the appropriate household members for the correct purpose.

Three Types of Income

1. ANNUAL
2. REPAYMENT
3. ADJUSTED

Annual Income

Annual income is the first step to determine the applicant’s eligibility for assistance. Annual income is defined by Rural Development as “All amounts, monetary or not that are not specifically excluded by regulations, which go to, or are received on behalf of, the applicant/borrower, co-applicant/co-borrower, or any other household member (even if the household member is temporarily absent).” In other words, the gross income from all adult (18 years and older) household members is considered. For full-time students, 18 and older, who are considered dependents and not applicants (see dependent definition below), only the first \$480 of earned income is counted. This \$480 of full-time student income will later be cancelled out by a \$480 dependent deduction for full-time students under the adjusted income.

Repayment Income

Repayment income is used to determine whether an applicant has the ability to make monthly loan payments. It is based only on the income of those who will be parties to the note and includes some income sources excluded for the purpose of annual and adjusted income. The parties to the note or note signers are those household members who will continuously live in the home are responsible for the payments for the full 33- or 38-year term and who are legally capable of entering into a mortgage agreement. All sources for the note signers that are considered “stable and dependable” are counted and unlike adjusted income, none of the five deductions are applied. Repayment income is also used during servicing, but only to determine if a borrower is eligible for a Moratorium or Re- amortization as described in HB-1-3550 Appendix 1.

Adjusted Income

Adjusted Income is used to determine whether a household meets the income eligibility and the amount of payment assistance they are eligible for. It is based on annual income and

INCOME NEVER CONSIDERED IN ANNUAL INCOME

1. Payments received for the care of foster children, or foster adults (usually individuals with disabilities who are unable to live alone).
2. Deferred periodic payments of supplemental security income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
3. Adoption assistance payments in excess of \$480 per adopted child.
* See HB-1-3550 Paragraph 4.3 D. for additional excluded income sources and information

provides deductions for certain household circumstances and expenses. There are five different types of deductions, and some applicants will have significant deductions and others none.

Annual Income

Whose Income Is Counted?

The income from all adult (18 years and older) household members is considered. For full-time students who are considered dependents (see dependent definition below), only the first \$480 of earned income is counted (social security, child support and other forms of unearned income are entirely counted). The applicant determines the members of their household on the loan application. Those members who are temporarily absent are also counted if they consider the home their permanent residence. These individuals may be temporarily absent from the household for a variety of reasons, such as temporary employment or students who live away from home during the school year, but their income is included in the household income. An individual permanently confined to a nursing home or hospital may not be the applicant or co-applicant but may be counted as a family member at the family's discretion. Live-in aides, foster children, and foster adults living in the household are not considered household members and therefore their income is not included.

What Income is Counted?

1. You will need to count the gross amount, before any payroll deductions, of base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, and other compensation for personal services.
2. You also count the net income from the operation of a farm, business, or profession. (See Paragraph 4.3A#2 of HB-1-3550 for further details.)
3. Interest, dividends, and other net income of any kind from real or personal property. (See Asset section for further details.)
4. The full amount of periodic payments received from Social Security, before deductions, (including Social Security received by adults on behalf of minors or by minors intended for their own support, or by an applicant who is a representative payee for an adult household member who will reside in the property) is counted.
5. Annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. However, deferred periodic amounts from

supplemental income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts are not counted. You will need to review each of these to determine if they are received regularly or if they are one-time events. If they are one-time or irregular payments, they would be counted as part of their assets.

6. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay. Unemployment income requires a two-year documentation of receipt and reasonable assurance of its continuance.
7. Public assistance (except as indicated in Paragraphs 4.3 C. and D – HB-1-3550)
8. Periodic allowances, such as:
 - Alimony and child support received by the household; or
 - Recurring monetary gifts or contributions from an organization or person who is not a member of the household. This includes if another party provides funds to the applicant for a monthly debt (owed by the applicant), the recurring funds received by the applicant should be considered as recurring gift income and the debt must be included in the total debt (TD) ratio.
9. All regular pay, special pay (except for persons exposed to hostile fire), and allowances of a member of the armed forces who is the applicant or spouse, whether or not that family member lives in the home.

Repayment Income

Repayment Income is used to determine whether the potential applicant has repayment ability and is often not the same as annual income. The key concept in repayment income is whether it is stable and dependable; and will the borrower have the income necessary to make their mortgage payment for the term of the loan. To determine this, it is necessary to consider the income of only the note signers, these are the individuals who will be responsible for the mortgage for the life of the loan. You want to ensure you're evaluating all stable income sources and projecting income for the next 12 months.

Repayment income will then be used to complete ratio calculations and repayment ability. Repayment income typically uses the same income documentation as annual income, which typically includes, but is not limited to, paystubs for their current income and tax returns showing previous income. (See Chapter 6 of this guide for additional verification information.)

Stable and Dependable

The applicant/co-applicant must have adequate and dependable income. Whether or not income is dependable will include consideration of the applicants past employment history. Rural Development has no minimum history requirement for employment in a particular position. The key concept is whether the applicant has a history of receiving stable income and a reasonable expectation that the income will continue.

The packager reviews the applicant's income to establish whether it can reasonably be expected to continue for the next two years. An applicant may have worked for three employers in the past two years, but during that time they exhibited a stable income. For example, when reviewing the past two years of employment history for Sam, you see she worked for a long-haul trucking company for a year and then went to work for a local department store for six months because the hours were better, then she took a job through a temp agency as an office assistant to be closer to her kids' school for the last six months. Last year Sam earned \$30,000; the year before she earned \$28,000; and this year she's projected to earn \$30,500. This applicant has demonstrated a stable income for the past two years even though it has involved multiple work/employers and even though her current job is temporary in nature. This is acceptable. The applicant does not have to show two years with the same employer, in the same position or receive the same wage, the analysis is looking at income stability, not employer stability. Gaps of employment in excess of 30 days, however, must be explained in writing by the applicant, unless it is clearly seasonal in nature. Rural Development will review the employment gap explanation to make a determination on the applicant's ability to receive stable and dependable income. If the applicant's income source is determined to be unstable and undependable, the income must be excluded from repayment but included in annual income.

Another example would be a seasonal worker (i.e. construction worker) who may work for four or five different employers in a year and is typically employed from February through October but doesn't work from November through January. The last two tax returns indicate \$42,000 per year including their unemployment benefits. Let's say that this applicant applies for the loan in December when they are receiving unemployment benefits. They wouldn't necessarily be denied the loan for lack of repayment income just because they are receiving unemployment at the time. They have a history of receiving unemployment benefits so you could determine they have shown a stable income of \$42,000 for the last two years and it is likely to

continue. The applicant wouldn't be denied simply because the applicant is on unemployment due to the seasonal nature of their job.

If there is a known end date to a source of income (child support, contract work, benefits) within two years, this is not considered stable and dependable and will not be included in repayment income. For example, the applicant receives child support for a 16 ½ year old, which is scheduled to end when they turn 18, this would not pass the test for stable and dependable and would only be counted in annual income. But say that same child is 15, this income would be counted in both annual and repayment income because we consider all income likely to continue for the next two years, and this income covers more than the period of review.

Rural Development typically wants a two-year employment history for each applicant, however in some cases, a history of less than two years is acceptable. In these situations, you will need to complete a careful analysis to determine which income sources to include and their projections for the next 12 months. This may include an applicant who is either new to the work force, is on a probationary period, or has returned to the work force after an extended absence. Consider reasonable allowances for less than a two-year history under the following circumstances:

- The applicant has recently changed jobs but remains in the same line of work.
- The applicant frequently changes jobs but demonstrates income continuity.
- The applicant is a recent graduate, as evidenced by college transcripts, or a recent member of the military, as evidenced by discharge papers, entering the civilian workforce.
- The applicant has recently re-entered the workforce after an absence due to an extended medical illness, to care for a family member or minor child, or other similar circumstances.

Income Counted in Repayment Income Only

Repayment income includes all annual income received by the note signers/borrowers with the following differences listed below, which are counted as repayment income only. (Please refer to HB-1-3550 Paragraph 4.3 B. for a complete list.)

1. Housing assistance payment (HAP) through HUD’s Housing Choice Voucher– Homeownership Program sometimes referred to as Section 8 for Homeownership.
2. Adoption assistance payments in excess of \$480 per adopted child.
3. The full amount of student financial assistance received by note signers/borrowers or paid directly to the educational institution. Financial assistance includes grants, educational entitlements, work study programs, and financial aid packages including any amount provided for living expenses. It does not include tuition, fees, student loans, books, equipment, materials and transportation.
4. Amounts paid by a state agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member in the home.
5. The special pay to a family member serving in the armed forces who is exposed to hostile fire.
6. Income received from the Supplemental Nutrition Assistance Program (SNAP) is considered repayment income, if the applicant chooses, however in an amount not to exceed 20 percent of the total repayment income (“not to exceed” amount). The following provisions apply:
 - Only the SNAP benefits attributable to the note signers can be considered for repayment income.
 - Only the lesser of the “not to exceed” amount or the actual SNAP benefits can be included in the applicant’s repayment income.

SNAP BENEFITS
Supplemental Nutrition Assistance (SNAP), formerly called Food Stamps, may contribute to Repayment income only, as long as it’s received by those that are party to the note, not other household members. This is because RD has determined that an applicant who receives SNAP, money designated to spend on food, may have additional income to spend on their housing. The 4-A Income Calculator will automatically calculate the maximum amount using the not to exceed than 20% formula.

Example: Marsha received \$300 in monthly SNAP benefits and has a monthly repayment income of \$1,000.

Step 1: $\$1,000 / .80 = \$1,250$

Step 2: $\$1,250 - \$1,000 = \$250$ (20% of repayment income)

Step 3: The lesser of 20 percent (\$250) or actual SNAP (\$300) is counted for repayment. So, for Marsha, it would be \$250

One challenge with SNAP, is that an applicant cannot apply for SNAP again until their current benefits expire and then it could be a couple of weeks to a month after that they receive the award letter. The SNAP benefits will be retroactive to the date their previous benefits expired; however, you will have a short period of time without a current benefit statement. If you have an applicant whose SNAP benefit award letter shows they expire between application submission and closing, it could be impossible to receive a new award letter in the time frame needed without delaying the submission, Rural Development underwriting and/or closing. An additional challenge is that SNAP benefits can vary throughout the year, especially for seasonal workers, which means that the benefits statement may not accurately reflect the actual amount received. In these situations, the award letter and a statement for the past 12 months of the actual amount received, which is then averaged can be used to verify the monthly SNAP amount.

7. Any other revenue which a federal statute exempts will be considered repayment income. This includes:

- The imminent danger duty pay to a service person applicant or spouse away from home and exposed to hostile fire.
- Payments to volunteers under the Domestic Volunteer Service Act of 1973, including, but not limited to National Volunteer Antipoverty Programs which include Volunteers In Service To America (VISTA), Peace Corps, Service Learning Programs, and Special Volunteer Programs, National Older American Volunteer Programs for persons age 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Programs

to Assist Small Business and Promote Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE).

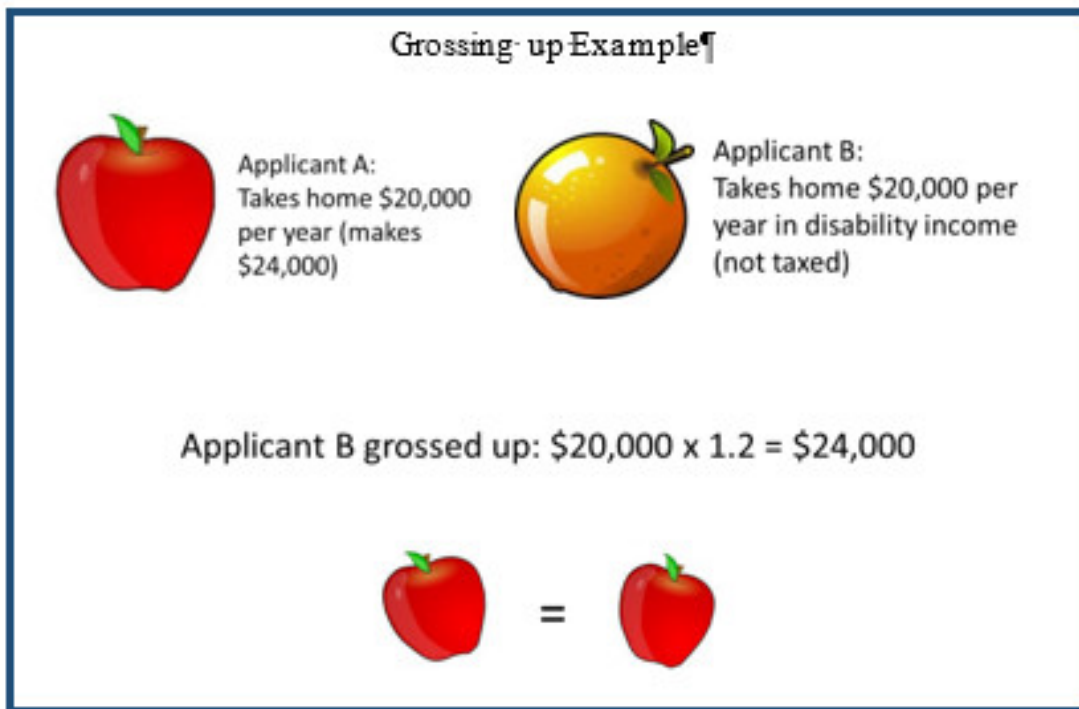
Income That is Never Counted

INCOME THAT IS NEVER COUNTED FOR REPAYMENT OR ANNUAL INCOME (HB-1-3550, 4.3, C)

- Income received by live-in aides:
 - Family members are not considered live-in aides unless they are being paid by a health agency and have an address (other than a post office box) elsewhere.
- Income received by or payments for the care of foster children or foster adults who live in the household.
- Earned income of a minor (less than 18 years of age).
 - Unless the minor is the spouse of the applicant.
 - Child support or Temporary Assistance for Needy Families (TANF) is not considered the earned income of the minor.
- Only count \$480.00 of earned income if an adult is a full-time student, but is NOT a borrower, co-borrower or spouse.
- Payments received on reverse amortization mortgages.
- Special-purpose payments (such as TANF).

Grossing Up

For Repayment Income only, non-taxable income that is considered stable and dependable and expected to continue for at least two years is required to be grossed up by 120 percent. The standard PITI/TD ratio limitations are based on the assumption that the income is taxable. Grossing up income allows income not subject to federal taxes, the amount of tax savings attributable to the nontaxable income will be added to the applicant's repayment income, examples include child support, Section 8 Housing Choice Voucher and Social Security benefits. For example, if child support payments are made as agreed and will continue for at least the next two years, they are considered repayment income and grossed up by 120 percent. However, if it was determined that the child support is not consistent or will end within two years it is not considered stable and dependable and not considered as repayment income. Social Security income is another typical source that is counted for both annual and repayment but is grossed up for repayment income only.



Adjusted Income

Adjusted income is used to:

- 1) Determine income eligibility
- 2) Determine interest subsidy
- 3) Determine interest charged during construction

Deductions for Adjusted Income

There are five deductions used to calculate adjusted income and not all households are eligible for all five deductions and some may not have any. This is why advertising an income limit in marketing materials for self-help can be so challenging, eligibility is actually based on the adjusted income, which could be significantly different than annual income. Because of this, you'll want to figure out adjusted income early in the application process to determine if the applicant is income eligible.

The Five Deductions from Annual Income Equals Adjusted Income

Adjusted income is annual income with the following deductions:

1. Dependent Deduction - \$480 per qualified dependent

- a) Not the note signer
- b) Not the note signer's spouse
- c) Age 17 or younger or disabled or 18 or older and a full-time student

NOTE: Foster children are not considered dependents

2. Qualified Child Care Expenses that meet all of the below criteria

- a) Expenses not reimbursed to the applicant can be deducted. For example, the applicant has \$500 per month in childcare expenses, but a state program reimburses \$300 of these childcare expenses each month. The unreimbursed amount of \$200 per month can be deducted in the adjusted income calculation.
- b) Childcare expenses for children who are 12 years old or under
- c) No other adult member of the household is available to provide childcare and it enables a family member to work, seek employment or go to school
- d) Expense deducted does not exceed income earned by the enabled household member. Limitation does not apply if the childcare allows a household member to go to school.

3. Elderly Household – Single deduction of \$400 for the household if any party to the note is 62 or older or is an individual with a disability

4. Deduction for Disability Assistance Expenses

- a) Identify the disabled person on the application and verify the needed assistance expenses
- b) Reasonable expenses in excess of 3 percent of annual income are deducted if:

- i) The disabled person or another family member is enabled to work
 - ii) Expenses are not reimbursed from insurance or other sources
 - iii) Expenses do not exceed income of the person who is enabled to work
- (1) Typical expenses:
- a) Attendant care to assist with daily living
 - b) Special apparatus such as wheelchair, ramps, vehicle adaptation

5. Medical Expenses – Elderly households (as defined above in #3) can deduct medical expenses of all household members that meet the below criteria.

- a) Medical expenses that are not reimbursed by insurance or other sources
- b) Medical expenses of the entire household that exceed 3 percent of the household's annual income. If the household also has disability assistance expenses these are combined when determining amount that exceeds 3 percent of annual income
- c) Typical expenses include health care providers, hospitals, labs, clinics, medical or Medicaid and/or longer care premiums, prescription medicine, dental expenses, eyeglasses and exams, medical apparatus, attendant care, travel expenses to treatment
- d) If the household qualifies, expenses for the entire household are considered

Assets

Assets that Generate Income

The applicant's assets can affect the Section 502 loan amount or the ability to qualify for

Calculating Medical and Disability Assistance Deduction – Amount in excess of 3% of Annual Income

The Zimmerman family is having a note signer that is more than 62 years old and considered Elderly per RD regulations. The unreimbursed medical expenses of the entire household are \$5,000 per year and they have an annual income of \$30,000. They are able to deduct the medical expenses in excess of 3%, which for the Zimmerman family is \$900 ($\$30,000 \times .03$). The amount deducted for the adjusted income calculation is \$4,100 ($\$5,000 - \900).

a Section 502 loan. Many types of assets generate income that must be considered in calculating the applicant's annual and repayment income. The applicant may also be required to use some of the assets to make a down payment on the property. Assets fall into two categories retirement and non-retirement; and only non-retirement assets are counted.

Applicants must provide net family asset information when they apply for a loan for the annual income calculations and whenever income re-certification is made. Applicants must supply sufficient information to determine which asset category each falls into and to compute the value of the assets and the actual income produced from non-retirement assets. For repayment income, actual income produced from assets received by the note signers is counted.

Non-Retirement Assets Include:

- Checking and savings accounts
- Investment accounts
- Equity in real property and capital investments
- Lump sum receipts
- Personal property held for investment
- Cash value of life insurance
- Revocable trust funds
- Assets in foreign countries

Assets Never Considered

Excluding these types of assets when considering annual income or down payment requirements will help safeguard the assets for their intended purposes and promote a healthy financial support system for the household when it does incur education and health care costs or enters retirement.

- The value of necessary items of personal property, such as furniture, clothing, cars, wedding rings and other jewelry not held as an investment, and vehicles specially equipped for persons with disabilities;
- ATVs, campers, RVs – these are personal property used for recreation
- Assets that are part of any business, trade, or farming operation in which any member of the household is actively engaged;
- The value of an irrevocable trust fund, or the value of any trust over which no member of the household has control;
- The cash value of life insurance policies;
- Interests in American Indian restricted land;
- The value of tax advantaged health, medical savings or spending accounts, and college savings plans; and
- For income calculations, any assets on hand that will be used to reduce the amount of loan.

Retirement Assets

For the purpose of computing annual income, the cash value of all non-retirement assets of all applicants, co-applicants, as well as all household members (adults and children), are considered. Reference Exhibit 4-1 for additional information.

Note: for non-retired applicants income earned on a retirement account, from interest, dividends, or capital gains when funds can only be accessed by retiring, terminating employment, loaning against the account, or withdrawing with penalties is never considered for annual or repayment income.

Assets for Down Payment

Rural Development considers the cash value of non-retirement assets, which is the market value of the asset less reasonable expenses to convert the asset to cash. The cash value of these assets must be used toward down payment if they exceed the following limits:

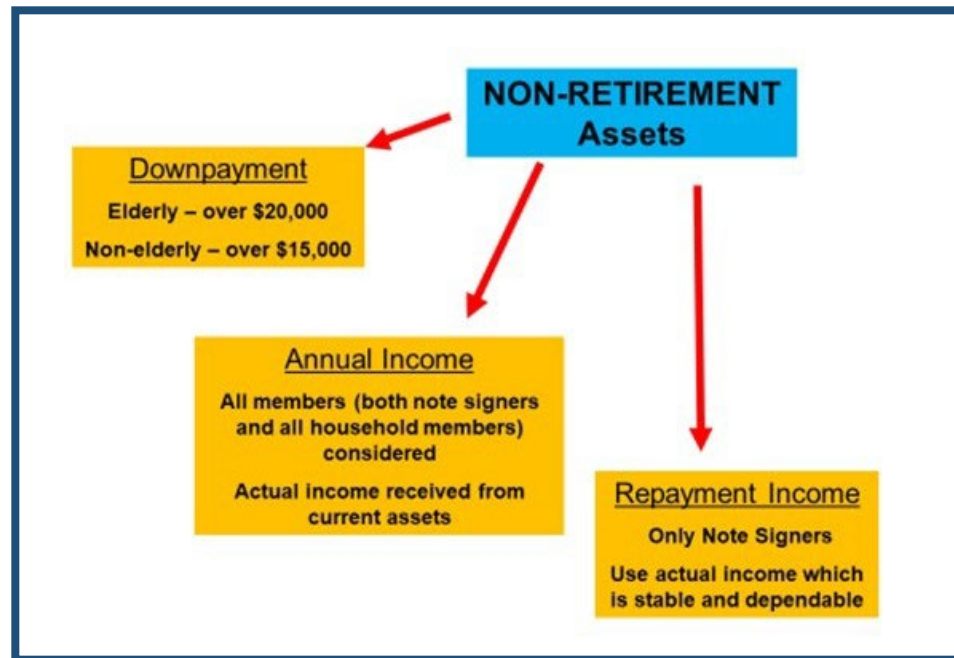
- Nonelderly Households - \$15,000
- Elderly Households - \$20,000

If a household has assets in excess of the above limits the excess can be used to:

- Make a down payment
- Pay closing costs
- Pay architectural, engineering, inspection, & testing fees (for new construction/repairs)
- Establish the Rural Development initial escrow account
- Reduce non-housing debt
- Contribute to a retirement account
- Make purchases which are not considered as asset (see Handbook-1-3550 Exhibit 4-3 or Appendix 2 of this guide)

Assets for Income Calculations

Below is a diagram of the ways in which assets are considered:



Four Methods of Calculating Income

When calculating income, it is important to interpret the information correctly based on the situation of each applicant. The income documents provide a snapshot in time that is used to project the next 12 months. Because there are countless variations of income for applicants it is important to understand both the income from the previous year and the current income as you project forward. Rural Development has four methods of calculating income that are used to determine which method to recommend that provides the best projection for the next 12 months. Certain types of income and certain circumstances do not lend themselves to certain calculation methods. For example, monthly income like social security need not be calculated on the YTD method. Pay stubs from early in the year might not reflect seasonal overtime and in this case using tax returns for the historical method is most appropriate. If you decide not to even complete certain income calculation methods, you should clearly explain your rationale in the notes section of the 4-A.

The selection of which calculation method to use requires careful consideration and may require additional verification. Different methods may be used or may be more appropriate

depending on the type of income. For example: one applicant with two income sources—salary and commission.

Each needs to be looked at separately, possibly resulting in different methods for each source. In the rare situation when the four methods produce figures that are very different and one figure is not clearly the most representative, an average of the resulting figures may be used. Once you've completed the four calculation methods, you will need to decide which one most accurately depicts the applicant's projected income and explain why you chose the one you did in your loan narrative and on the notes section of the 4-A.

If there are any declining income trends, especially for repayment income, you must carefully document it on the 4-A. A written statement from the applicant explaining the decline will also assist in interpreting the income documentation and project the coming 12 months. Rural Development will carefully review this in their underwriting analysis.

Selecting the appropriate method is important, for example selecting the lowest figure is NOT acceptable and may result in unauthorized assistance because the applicant receives too much subsidy. Yet over-estimating could result in a mortgage amount that is beyond the applicant's ability to repay.

Four Methods

1. **Straight-based:** The gross benefit or wage is converted to annual equivalent. This is typically calculated by taking the hourly rate and multiplying it by the typical weekly, bi-weekly, monthly or annual hours. This income method is typically best used when the applicant has a fixed salary or a fixed wage/number of hours and typically does not have overtime or bonus income.
2. **Average:** The gross benefit or wage for last 30 days is averaged, then converted to annual equivalent. This method is best when there is some variation in hours and overtime from paycheck to paycheck with a 30-day period. However, it doesn't work when there are significant variations during different times of the year.
3. **Year to Date (YTD):** Gross YTD earnings or benefits divided by number of days, then multiplied by 365. This is a particularly good method later in the calendar year as it averages all of the variations in pay for a longer amount of time than just 30 days.

4. **Historical:** Income from previous year's tax return. It is important to use the employment income from Box 5 on the W2, along with other sources, such as unemployment, which are also included in the return. This method is recommended for seasonal employment. For self-employment, tax returns are a required component in calculating annual income.

Rural Development 4-A Income and Payment Assistance Calculator

Rural Development has created an Income and Repayment Assistance Calculator using an Excel spreadsheet. This calculator allows loan packagers to input information on all four methods of calculating income, including grossing up for nontaxable income and the maximum amount of SNAP benefits to be included in repayment income. The packager then chooses its recommended method using the drop-down options of—annual (A), repayment (R), both (B) or none (...) for each method of calculating. This spreadsheet is updated regularly and can be found on USDA Rural Development's website along with a tutorial on completing the 4-A spreadsheet. You will submit the 4-A as part of the loan package, with the goal of Rural Development agreeing with your income determinations.

Income Verifications

Third party verifications are required for every source of income and many of the deductions for adjusted income. The Rural Development HB-1-3550 Paragraph 4.3 includes an extremely useful chart on sources of income and deductions and the preferred and alternative sources of verification. For example, for seasonal employment the preferred source is tax returns, but for regular wage income paystubs are the preferred source. Rural Development does not require or recommend verifications of employment; however, these may be requested if paystubs or earnings statements are unavailable or inconsistent (see Chapter 6 of this guide).

Determining Household Size

The income limits are adjusted by household size; therefore, one of the first steps in determining eligibility is to determine and verify the size of the household. Households can include unrelated individuals and/or be multigenerational households which include grandparents, children and grandchildren or two adult sisters and their children living or proposing to live together may be determined to be a household. The applicant(s) will list all household members on their Rural Development Form 410-4 Loan Application , which will be

the basis for determining income calculations and eligibility. There are no requirements that the household members be related or that they have lived together in the past, however, you need to explain how the subsidy is calculated based on the household as described on the application. The goal is for successful homeowners, so although it is not a requirement that the household members remain consistent the subsidy will be impacted based on changes in the household size and income at the time of annual re-certification.

Some households may include live-in aides, the children of live-in aides, foster adults or foster children who are not considered as household members for the purposes of determining household size and income eligibility. A child who is subject to a shared-custody agreement in which the child resides any portion of their time with the household can be included as part of the household if they are included on the loan application. Another example is whether to consider an adult student living away from home as a household member, this is the applicant's decision as reflected on the loan application, assuming they are and will be a member of the household.

Determining Household Income and Income Eligibility

Once household size and income information has been established and verified, the packager will determine eligibility by using the most recent Rural Development income limits on the Direct Loan Application Packagers page on Rural Development's website, adjusted for family size and by geographic area (county or metropolitan area). Rural Development uses an income banding method for incomes by household size. Households of one to four members all have the income limit of a four-person household and those of five to eight members all have the income limit of an eight-person household. For households with more than eight people, you will add 8 percent of the four-person limit for each person starting with the ninth person.

Rural Development's income limits are included in the 4-A and will populate automatically once you insert the county and state. The income limits are updated annually and are available on Rural Development's website. Three different income limits are used in discussing Rural Development 502 Direct Loans: very low-income, low-income, and moderate-income. See the income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>.

CHAPTER 4: BORROWER CREDIT

This chapter correlates with Rural Development Handbook 1-3550 Chapter 4.

Steps for the Packager:

1. Order applicants credit report and review for accuracy and/or errors
2. Use the Credit History Worksheet as a tool to determine if credit is acceptable
3. Identify if nontraditional sources of credit are necessary
4. If necessary, evaluate indicators of unacceptable credit
5. Document anomalies, exception requests and letters of explanation, if necessary
6. Address credit in the loan narrative

Key Concepts

The key concept to evaluating a potential borrower's credit is evaluating their ability and willingness to pay their obligations.

- Ability = do they have the income to pay
- Willingness = do they pay as agreed

Ability has to do with the applicant's available, reliable income and considers whether the applicant has adequate income to repay their debt obligations from stable income source(s). Willingness on the other hand means that the applicant not only has funds available but is willing to use those funds to pay their creditors, as demonstrated in the credit report. In other words, you could be a millionaire with more than enough ability to pay your bills, but if you choose not to pay those to whom you owe debts, then you don't show a willingness to do so.

You'll need to evaluate the credit history for each person that will be on the note, the applicant plus any co-applicants. This includes a separate credit evaluation for each person, even if they're married applying jointly. In each case, you evaluate the individual's credit separately. For some debt obligations (such as a significant delinquency), a scope greater than three years may be considered.

Credit reports are used to determine if an applicant has a recent history of making payments as agreed, are they consistently and dependably making their payments. In order to do this, you'll need to run a credit report or have the potential applicant run their free credit report. The free credit report will work, but often does not contain a score, which can make your job more challenging. And while eligibility is not based on a credit score, i.e. there's no magic credit score or number that makes them eligible or ineligible, it is an important component in your evaluation of the applicant's financial capacity. In fact, not having a credit score at all could be a good thing, this means they don't owe anyone anything.

The credit report you run will be included in the application package, but Rural Development won't ultimately use it for their eligibility determination. Rural Development runs its own tri-merge credit report and *cannot* adopt the one you ran. If the applicant's credit score dips below 640, between the time you run their credit and the time Rural Development runs their report, this will not be held against you, however it does mean Rural Development will be completing a full credit analysis for the applicant.

Getting Credit Reports

Some grantees sign up to run their own credit reports, this can be a daunting process because they are basically approving your organization, as they would a bank, to handle the credit reports. If you are a Housing Counseling Agency, you may find it easier to get authorization to obtain credit reports and these are ideal for your purposes because they are usually soft hits to their score. If you contract to run your own credit reports, look carefully at the contract, this is where agreements are made on things like, can you give the applicant a copy of their credit report? Is it a soft pull that won't affect their credit score? (Not usually.) And how much will it cost? You'll also need to decide who's going to pay for this credit report, your organization or the applicant? Usually, these reports cost between \$15 and \$30 per report. The applicant will need to pay for the Rural Development tri-merge credit report when you submit their packaged application, which will also cost the applicant a nonrefundable fee of \$30 per application.

If you have the applicant run their free credit report, they can obtain a free credit report by calling 1-877-322-8228 or logging into www.annualcreditreport.com. By law, individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion.

Sometimes the reporting companies require the inquirer to pay an upcharge to get the credit score, which is helpful for your analysis but not required. If you don't have a credit score, it may just mean a few more steps as you're packaging. By requesting one free credit report every four months from different consumer reporting companies (Trans Union, Equifax and Experian); consumers can get a free credit file every three months. Because different credit reporting companies report different credit files, this will give consumers the opportunity to check for errors or omissions in their credit file. This one report every four months check on credit is especially useful from initial intake to application as it shows improvement made if the applicant is working on improving their credit and also any new negative credit that should immediately be addressed.

It is important to advise applicants that only one website is authorized to fill orders for the free annual credit report entitled under law: annualcreditreport.com. Other websites that claim to offer "free credit reports," "free credit scores" or "free credit monitoring" are not part of the legally mandated free annual credit report program. In some cases, the "free" product comes with strings attached. For example, some sites sign visitors up for a supposedly "free" service that converts to one with a charge after a trial period. If consumers don't cancel during the trial period, they may be unwittingly agreeing to let the company start charging fees to their credit card or bank account. Some of these "imposter" sites direct visitors to other sites that try to sell something or collect personal information.

The site annualcreditreport.com and the nationwide consumer reporting companies will not send an email asking for personal information. If you get an email, see a pop-up ad, or get a phone call from someone claiming to be from annualcreditreport.com or any of the three nationwide consumer reporting companies, do not reply or click on any link in the message. It's probably a scam. Forward any such email to the FTC at spam@uce.gov.

If you go to www.freecreditreport.com! This website will ask for a bank account or credit card and charge monthly for their service. This free credit report will cost \$\$\$!

Reviewing the Credit Report

Never assume that any one source for credit information is better than any other. All are needed to determine creditworthiness. Begin with the credit report. When it is received, review it carefully.

- ✓ First check to see if the credit report is for the correct person. Compare the name, address, and Social Security number on the credit report with that on the application. If they do not agree, get clarifications from the credit reporting agency and the applicant before proceeding.
- ✓ If provided, compare the employment information and rental data from the credit report to the application.
- ✓ Compare the credit report to the application to see if the debts on the credit report are the same as those listed on the application. There may be accounts on the credit report that aren't on the application because the applicant simply forgot or accounts on the application that aren't on the credit report because some creditors don't furnish information to a credit repository. In those cases, the applicant will need to follow the credit reporting agencies requirements for adding or changing information on their credit report. This request will need to be mailed to the creditor directly and disputes will need to be settled prior to application submission.
- ✓ Is the applicant responsible for the trade line or an authorized user? An authorized user account may not be considered when determining the applicant's creditworthiness unless the applicant provides supporting documentation to demonstrate that they have made the monthly payments for the past 12 months.
- ✓ Compare the account numbers and current balances and monthly payments.
- ✓ Check for any judgments, charge-offs, or collections against the applicant. Check public records. Actions such as divorce actions, garnishes, suits, and bankruptcies may need to be explained or further documented by the applicant

- ✓ Are there any recent inquiries? If there are several inquiries, question the applicant to determine if other credit has been applied for and if there were any rejections. These may also need to be explained by the applicant.

Reading Credit Reports

While each of the three credit reporting organizations has its own format, most of the important information is self-explanatory. The top half of the page is background information such as name, address and employment. The second half lists information about accounts and payment history. This second half has variations among the three agencies.

At the end of the report, you will find a public records reference showing any disputes between the consumer and creditor that was settled in small claims court. This is followed by a summary of the consumer's side of the dispute, based on an explanation that the consumer provided to the credit bureau.

There are two types of accounts listed on a credit report – individual and joint. The individual account indicates that the person's name on the file has sole use and responsibility for payment of the account. A joint account means that two people use the account, and each is liable for payment. This is true even if a divorce decree makes one spouse responsible to the other for paying off the joint account (because creditors are not a party to the divorce decree). No matter where you obtain a credit report, it is highly recommended you study its reporting codes, format and how to read it. The codes and layout are different for each agency. These instructions are usually available on the reporting agencies' websites and are critical to reading the report. Also check for videos or other training tools from the reporting agencies, as these are extremely helpful in reading their report.

There are three types of accounts typically used by credit grantors, "installment", "revolving", and "open 30-days" each refer to types of payment arrangements or accounts. In an actual report, the initials "I", "R", or "O" will be used.

- In an **installment credit agreement**, a consumer signs a contract to repay a fixed amount of credit in equal payments over a specific period of time. Automobiles, furniture, and major appliances are often purchased on an installment basis. Personal loans are usually repaid in installments as well.

- In a **revolving credit agreement**, a consumer has the option of paying in full each month or of making a minimum payment based on the amount of the balance outstanding. Department stores, gas and oil companies, and banks typically issue credit cards based on a revolving credit plan.
- In an **open 30-day agreement**, a consumer promises to repay the full balance owed each month. Travel and entertainment charge cards and charge accounts with local businesses often require repayment on this basis.

How to correct errors!

The applicant's credit file may contain errors that can affect their chances of obtaining credit. Under the Fair Credit Reporting Act, they are entitled to have inaccurate or incomplete information corrected without charge.

If the applicant disputes information in their report:

- They must contact the credit bureau and explain the dispute and the dispute must be resolved prior to application submission to Rural Development.
- The credit bureau must reinvestigate it within a "reasonable period of time" unless it believes the dispute is "frivolous or irrelevant."

To check on the accuracy of a disputed item:

- The credit bureau will ask the creditor in question what its records show. If the disputed item is on the public record, the credit bureau will check there instead.
- If a disputed item cannot be verified, the credit bureau must delete it.
- If an item contains erroneous information, the credit bureau must correct it.
- If the file shows accounts that belong to another person, the credit bureau would have to delete them.

If the credit report showed that the applicant was late in making payments but failed to show that the applicant was no longer delinquent:

- The credit bureau would have to show that the applicant is no longer delinquent.
- The credit bureau would also have to add information to show that payments are now current.

Also, at the applicant's request, the credit bureau must send a notice of correction to any creditor who has checked the applicant's file in the past six months.

If the reinvestigation does not resolve the dispute, the Fair Credit Reporting Act permits the applicant to file a statement of up to 100 words with the credit bureau explaining the applicant's side of the story. Employees of the credit bureau are often available to help the applicant word their statement. The credit bureau must include this explanation in the report each time they send it out.

Disputed Credit

If the applicant has a non-derogatory disputed account, a determination will be made if the non-derogatory disputed account is acceptable to proceed to eligibility review. The disputed account is considered non-derogatory if one of the following apply:

- The disputed account has a zero balance
- The disputed account states "paid in full" or "resolved" on the credit report
- The disputed account with late payments are aged 24 months or greater
- The disputed account is current and paid as agreed

The applicant must provide applicable documentation to support the reason and basis of the dispute with the creditor. The impact of the disputed account on the repayment of the proposed mortgage debt must be considered. The minimum monthly payment stated on the credit report, five percent of the balance of the account, or the amount documented from the creditor for each account must be included.

Next, disputed derogatory credit accounts refer to disputed charge-off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. If the applicant has a derogatory disputed account, the impact will need to be determined, but RD may issue Form RD 1944-59, Certificate of Eligibility, subject to the receipt of the disputed resolution prior to approval.

The Agency's credit determination may be subject to change upon resolution of the derogatory disputed account. The impact of the disputed accounts on the repayment of the proposed mortgage debt must be considered. The Total Debt ratio must include the minimum monthly payment stated on the credit report, five percent of the balance of the account, or the amount documented from the creditor for each account. RD may issue Form RD 1944-59, Certificate of Eligibility, subject to the receipt of the disputed resolution prior to approval.

The following disputed accounts can be excluded from consideration in total debt and underwriting analysis:

- Disputed medical accounts/collections
- Disputed derogatory accounts that are the result of identity theft, credit card theft, or unauthorized use when evidence (police report, attorney correspondence, creditor statement) is provided to support the applicant's explanation
- Disputed accounts of a non-purchasing spouse in a community property state

Please note, medical debts that are chronically late, placed in collection, or turned into judgments remain indicators of unacceptable credit handling that must be addressed by the applicant in a letter of explanation and considered in the full credit review (unless the applicant has a credit score of 640 or higher).

Credit Scores

When reviewing the credit report, you want to first determine if it is a reliable credit score. The way this is done is by looking at the number of scores on the report. If the applicant has at least two credit scores on their credit report, the score is considered reliable regardless of how many trade lines are on the credit report. You use the middle numerical score if three scores are listed, or the lower score if only two are listed. If there is only one score listed, it is not considered reliable. Credit scores are used to reduce the time necessary to conduct credit analyses and Rural Development has determined that the credit reporting agencies formula for assigning the scores already takes into account trade lines, payment history, use of credit, etc. An applicant's credit record doesn't have to be perfect; if an applicant's overall credit record demonstrates an ability and willingness to repay obligations.

Unreliable Score or No Credit Score

The most common reasons for an applicant to have no score or only one score is that they have limited traditional credit trade lines, they paid off all their debt years ago or they just haven't taken out debt. For applicants who do not use traditional credit, or who have a limited credit history, you must develop a credit history from at least three sources. However, only two sources are required if one of those is a verification of rent or mortgage payments. Developing a credit history in this situation is most often accomplished through nontraditional sources of credit (see Chapter 6 of this guide). A combination of traditional and nontraditional sources may be

used to develop the credit history, and the non-traditional payments should have been made for at least 12 months within the past 24 months from the date of the credit report.

Reliable Score Over 640

If the credit score is deemed reliable, is more than 640, and the applicant has no outstanding judgments from the U.S. in federal court and no significant delinquency, these applicants are automatically classified as having reliable credit histories regardless of what is listed on the credit report. No consideration will be given to the number of opened and active trade lines on the credit report. The handbook makes it clear that to avoid potential disparate treatment, additional credit analysis is not appropriate. This means you will not use Exhibit 4-4, *Indicators of Unacceptable Credit* (Appendix 2), you will not need verification of rental history and you will not look at alternative credit. An applicant could even have multiple collection accounts listed in the credit report but because they aren't subject to review using Exhibit 4-4, these are acceptable and nothing needs to be done with them (i.e. pay them off, etc.). You have everything you need, and no further analysis should be conducted.

An applicant with significant delinquency (see Significant Delinquency later in this chapter) on their credit report, even with a reliable credit score of 640 or higher, will be subject to further analysis of the report's contents, as if their score were under 640.

Credit Scores Under 640

If the credit score is 639 or lower, you will need to conduct a full credit analysis. Start by reviewing the credit report, if it shows at least three trade lines that have been open and active for at least 12 months during the past 24 months, the applicant has enough trade lines and you will not need to obtain more. If the applicant does not have traditional credit, or not enough trade lines, you'll need to develop a credit history from at least three sources but, if one of those is a verification of rent or landlord verification, you'll only need two. The landlord verification is required and is double weighted. You'll send Rural Development Form 1944-60 *Landlord's Verification*, as long as that landlord isn't a relative (Appendix 4), review the accounts on their credit report to determine if they have enough open and active trade lines, and review Exhibit 4-4, *Indicators of Unacceptable Credit* (Appendix 3).

You'll also be able to use a combination of what's on the credit report and nontraditional credit sources. For example, if an applicant has a credit report with one trade line that's been open

and active for at least 12 months, you can combine that with the landlord's verification and have enough information. If the landlord verification is not available, you would need to gather two nontraditional sources for this example.

Obtaining Nontraditional or Alternative Credit

Alternative credit or nontraditional credit is used when the credit report is not deemed reliable because there is limited or no established credit on the applicant's credit report. A total of three credit sources (a combination of traditional credit (from the credit report) and nontraditional credit) are needed UNLESS one of the credit sources is a verification of rent or mortgage payments, then only a total of two sources are needed. Verifications from family members do not count.

Nontraditional credit references DO NOT offset adverse credit reflected on the Tri-Merge. For instance: if the applicant's score is 580, with three trade lines in collection (three indicators of unacceptable credit) and upon reviewing these items using the Credit History Worksheet it is determined that they are adverse credit which cannot be waived, do not obtain alternate credit references. They won't change anything. Additional references, even if they show a good repayment history, would not offset the adverse credit already identified. Conversely, if the applicant's credit report was deemed reliable (at least two scores and over 640) there would be no reason to obtain additional nontraditional credit references, regardless of the number of trade lines in the credit report.

For those needing additional trade lines that are nontraditional, you will send credit references to those nontraditional creditors indicated in the application or by obtaining cancelled checks, money order receipts, billing statements, and/or payment history printouts to establish the payment history. Which one is used is determined by what's available for that creditor. If you are obtaining payments histories directly from the creditor because the above are not available, the forms should be accompanied by a preaddressed, pre-stamped envelope and Form RD 3550-1, Authorization to Release Information (Appendix 5), which authorizes the respondent to release the information.

The payment history should be in the applicant's name and cover 12 months within the past 24 months from the date of the credit report. Payments that are auto-debited from the applicant's checking account, are the same as if they were paid directly and are acceptable; it still

shows a willingness and ability. Payments that are made by someone else or reimbursed by another party, like an employer paying medical insurance or childcare reimbursement by the state, are not acceptable. Payment installments (such as quarterly or annually) can be considered when verifying nontraditional credit sources. When other payment installments are used, the length of the payment history should be adjusted accordingly. If the payments are made quarterly, verify that the last four payments were made. If the payments are made annually, verify that at least the last two payments were made.

Sources of Nontraditional Credit

Always start with the preferred in the order listed and go down the list if the previous are not applicable or available:

Preferred:

- Rental payments
- Utility/internet/cell phone/cable TV payments
- Insurance (medical, auto, life, renter's, etc. as long as it's not reimbursed or paid for by another source, such as when an employer pays medical insurance, this would not be acceptable)
- Personal loan with terms in writing supported with canceled checks (cannot be a relative of the applicant)

Alternative:

- Payment to childcare providers (cannot be a relative of the applicant)
- Department, furniture, rent-to-own stores, etc.
- School tuition

Using Exhibit 4-4, Indicators of Unacceptable Credit

Indicators of Unacceptable Credit are just that, indicators. These are not a list of items that would automatically make someone ineligible, this is a tool for conducting further analysis. And there aren't any magic numbers, for example, if they have two of any of these that wouldn't mean they aren't eligible, it's just a tool. It may be that the cause of bad credit was beyond the applicant's control, for example they were in a car accident and paid as agreed before and after

the accident but couldn't pay while they were hospitalized. It is, however, important that you be familiar with Exhibit 4-4 and understand what those indicators are. Exhibit 4-4 closely mirrors the Credit History Worksheet (described later in this chapter) where knowing the indicators will be important. For example, you typically need to look at 24 months rental history, however if there are no other indicators of unacceptable credit, you need to only analyze 12 months. If it's something beyond the applicant's control, ask the applicant to provide a credit explanation letter and document the relationship between the adverse credit and the circumstance. Blanket statements like they didn't know they owed it are not acceptable documentation. Exhibit 4-4, Indicators of Unacceptable Credit can be found in Appendix 3.

Significant Delinquency

A significant delinquency indicates there is a high level of risk that the applicant may be unable and/or unwilling to handle their mortgage payments. This does not mean they are automatically ineligible. If a significant delinquency exists, the applicant will not be able to use the streamlined credit analysis and is subject to a full credit review. An outstanding collection, while an indicator of unacceptable credit, is not considered a significant delinquency, significant delinquencies are as follows:

Significant Delinquency is not subjective, it is specifically, and only, the following.

1. Chapter 7 Bankruptcy

A Chapter 7 bankruptcy, also known as liquidation bankruptcy, eliminates all of an individual's unsecured debt. Applicants with a Chapter 7 bankruptcy discharged more than 36 months prior to the loan application are not considered to have unacceptable credit as long as they have re-established good credit. Re-establishing good credit includes consistently making payments on time, not incurring additional or excessive debt, and keeping balances significantly below the credit limit. If the bankruptcy has been discharged less than 36 months from the date of application, the Loan Approval Official may make a credit exception or, if the bankruptcy was due to extenuating circumstances, and the applicant has been able to re-establish good credit since the factors leading to the extenuating circumstance were removed. The loan file must include the loan documentation requirements for making a credit exception using extenuating circumstances.

2. Chapter 13 Bankruptcy

A Chapter 13 bankruptcy is a repayment plan that protects individuals from collection action during the plan period, from three to five years, and discharges any unpaid balance at the end of the plan. The repayment amount is determined by the court based on the individual's income. An applicant with a Chapter 13 bankruptcy reported on the credit profile may be able to qualify for a loan if the following requirements are met:

- Successful completion of the debt restructuring plan. The completion date is the bankruptcy discharge date.
- Demonstrates a willingness to meet obligations when due for the 12 months prior to the date of application. The last 12-month payments made under the bankruptcy restructuring plan may be used to document the applicant's willingness to repay debt. This means that all required payments were made on time and for the amount agreed upon under the plan.

A Chapter 13 bankruptcy is not considered unacceptable credit, and a credit exception is not required, when the aforementioned requirements have been met. However, the applicant must obtain written permission from the bankruptcy court to enter into a financial obligation with the agency.

3. Significant Mortgage Delinquency

Significant mortgage delinquency is a foreclosure, deed-in-lieu of foreclosure, short sale, or mortgage charge-off that has been completed within the last 36 months. These are significant mortgage delinquency events that, when present in the credit report, drastically increase the risk of a loan and must be carefully considered in the loan risk analysis when reviewing the loan application. For any significant mortgage delinquency transaction, the packager must confirm that the applicant has been completely released from the previous mortgage liability and is not responsible for any deficiency judgement. The following describes the most common significant mortgage delinquency actions reported to the credit bureaus that are used as an alternative to a formal foreclosure because they reduce the time and cost of repossessing a property and borrowers avoid the public notoriety of a foreclosure:

- **Deed-in-lieu of Foreclosure.** In a "deed-in-lieu of foreclosure" transaction, the borrower voluntarily transfers the property rights back to the creditor in exchange

for a mortgage cancellation. These transactions are most common when the property subject to the potential foreclosure has positive equity or if the homeowner meets the requirements for financial hardship relief.

- **Short Sale.** Short sale is a term used to describe a sale where the debt owing against a property combined with the costs associated with the sale exceeds the property's market value. Short sales are also known as pre-foreclosure sales because the lender has not completed the foreclosure process but plans to foreclose if the property is not sold by the homeowner under the terms approved by the lien holders. Depending on the short sale agreement, the applicant may still be responsible for the amount that "fell short" as a result of the short sale transaction. The loan deficiency remaining after the sale is, at times forgiven; however, this is not always the case and may result in tax implications.
- **Mortgage Charge-Off.** A mortgage charge-off is a debt classification used by creditors when they believe a mortgage debt is not collectible. This action does not mean that the debt is no longer valid or that it has been forgiven. An applicant with a mortgage charge-off reported on the credit report may still be responsible for the debt. If the significant mortgage delinquency was due to the applicant's failure to meet financial obligations, the applicant is not eligible for a loan for 36 months from the date the obligation was released. However, if the delinquency was due to extenuating circumstances, the applicant may be eligible for a loan if all the following conditions are met:
 - More than 12 months have elapsed between the date the applicant was released from the mortgage debt and the application date.
 - The applicant has demonstrated an ability and willingness to meet obligations when due for the 12 months prior to the date of application.
 - The circumstances leading to the delinquency are properly documented and justified.

4. Agency debts that were debt settled within the past 36 months or are being considered for debt settlement. Agency debts are debts to Rural Development.

Requesting Credit Exceptions

On occasion, a credit exception may be warranted. It may be that the applicant's credit history problems were outside of their control or there were extenuating circumstances, which are unlikely to reoccur. The applicant must provide a letter to explain the nature of the event that led to the derogatory credit and provide supporting documentation accordingly. Depending on the situation, there may be multiple exceptions requested, there is no maximum number allowed, it's based on each situation. An exception may be considered in the following types of situations:

- **Reduced shelter costs.** The applicant's rental or mortgage payment history has been unacceptable, and the loan will significantly reduce the applicant's shelter costs, which will result in improved debt repayment ability. Anticipated utility cost savings due to energy efficiency improvements (e.g. furnace replacement, insulation, energy efficient windows, etc.) may also be considered a reduced shelter cost for an existing homeowner.
- **Temporary situation.** The circumstances that caused the credit problems were temporary in nature and beyond the applicant's control. Examples include loss of job, delay or reduction in benefits, illness, or dispute over payment of defective goods or services.
- **Benefit to the government.** If the applicant has a delinquent Federal debt, the Administrator has the authority to grant an exception if arrangements for payment have been made and it is in the best interest of the Government.

This type of exception can only be made by the administrator.

If an exception is requested, you will explain the reasons why you think it should be granted in the loan narrative and a letter of explanation written by the applicant should be included with the submission. The letter of explanation should address, in detail, the events surrounding the credit problems and is evaluated along with other documentation in the application package during their review. This is the applicant's opportunity to explain details that will not appear on the credit report.

The letter of explanation should cover three areas:

1. What happened, how it was corrected, and the stability of the situation at the present time. The first part of the letter should identify and discuss the cause(s) of

- the problem. If credit difficulties were due to an illness/medical expenses, over-extension, lay-off, or reduction in income, this needs to be outlined in the letter.
2. The second part of the letter should address how these problems were corrected. Include in the letter if the creditors were contacted and alternative payment arrangements were made. This is the applicant's opportunity to let Rural Development know that they were responsible in handling their obligations to the best of their ability.
 3. The third part of the letter should summarize the applicant's present situation and how they have learned from their past experiences. The letter should indicate to Rural Development how they are prepared to handle emergencies that may occur in the future. The conclusion of the letter is an opportunity to let Rural Development know how important becoming a homeowner is to the applicant. Every opportunity should be used to stress the positive – job stability, performance, review, career advancement, education, medical coverage, savings, etc.

Explaining Credit Blemishes

Not all letters of explanation will be to request a credit exception. Because Exhibit 4-4, Indicators of Unacceptable Credit, is not a list of items that would automatically make someone ineligible, but rather just a tool for identifying red flags, conducting further analysis, writing a letter of explanation could help the Rural Development Loan Officer to understand the big picture. Remember, there's is no magic number in Exhibit 4-4, in this case you're not necessarily asking for an exception and don't need to look at the three criteria above, you're just explaining your situation and making the picture complete.

Credit History Worksheet

The Credit History Worksheet (Form RD 1944-61, Appendix 6) is a tool for evaluating what credit will be considered and summarizing the contents of the credit report. Rural Development will utilize this form when reviewing applications with credit scores of less than 640 and it resembles the contents of Exhibit 4-4, Indicators of Unacceptable Credit (Appendix 3). This form is completed by Rural Development and not required to be completed by you. However, in an effort to make your file mirror, as much as possible, what Rural Development needs, you may want to complete it. It is a useful tool that may help you too to pull out

important areas to consider in the credit report. This form is the third tab on the 4-A spreadsheet, labeled RD only – 1944-61.

Addressing Credit in the Loan Package

When putting together your loan package, you'll need to include a copy of the credit report you reviewed in the file and address credit in the loan narrative. What was the applicants credit score, was it reliable, were there areas of concern, etc. If there are credit letters of explanation in the file, why are you including them? Tie the letters to the credit blemish you are trying to explain, don't assume the recipient will know what you are addressing.

CHAPTER 5: REPAYMENT ABILITY

This chapter correlates with RD Handbook 1-3550 Chapter 4.

This chapter combines repayment income (Chapter 3 of this guide) and credit (Chapter 4 of this guide) to determine an applicant's eligibility and ability to repay the loan based on income and debt.

Steps for the Packager:

1. Gather PITI and total debt
2. Calculate ratios
3. Determine payments on deferred debt and benefits received (SNAP, SSI, etc.)
4. Calculate payment shock
5. Address any compensating factors
6. Enter everything into the 4-A calculator

Income Ratios

Dependable income (repayment income) must also be adequate to meet repayment ratios. Meeting the ratio guidelines will show repayment *ability*. Income used for determining these ratios is the repayment income for the applicant and co-applicant, which includes any other member of the household who will be party to the note. Two ratios must be calculated for each applicant; the PITI ratio and total debt (TD) ratio. Applicants are considered to have repayment ability when they do not exceed the appropriate PITI ratios and the TD ratios.

PITI Ratio

$PITI = \text{Principal} + \text{Interest} + \text{Taxes} + \text{Insurance}$

The PITI ratio is calculated by dividing the monthly PITI for the proposed loan, by the family's repayment income.

- ✓ PITI includes
- ✓ Principal
- ✓ Interest

- ✓ Taxes
- ✓ Insurance on the proposed loan
- ✓ If an eligible leveraged loan is involved, PITI will also include the principal and interest on the leveraged loan

The PITI ratios for Very Low-Income (VLI) and Low-Income (LI) applicants is 33 percent. When the PITI ratio for families who are 60 percent of median income and below, exceeds the maximum appropriate ratio and the applicant isn't eligible using standard terms, or the loan doesn't appear feasible, you should first consider other compensating factors, as discussed in Par. 4.24 A., not resulting in multiple risk layering before considering a 38 year term.

Total Debt Ratio

Total debt (TD) is calculated by dividing the family's total monthly debt by their repayment income.

Total Debt consists of:

- ✓ PITI for the proposed loan
- ✓ Homeowner Association (HOA) and other assessments on the proposed property
- ✓ Long-term obligations and installment payments that have a remaining repayment period of more than 10 months
- ✓ Alimony and child support payments
- ✓ Other short-term obligations that are considered to have significant impact on repayment ability
- ✓ The minimum monthly payment required for revolving credit card debts using the following applicable approach:
 - 1) Use \$0 if the credit report indicates no outstanding balance.
 - 2) Use the minimum monthly payment as reflected on the credit report if the credit report indicates an outstanding balance and a minimum monthly payment.
 - 3) Use 5 percent of the outstanding balance if the credit report indicates an outstanding balance but no specific minimum monthly payment or obtain a copy of the most recent billing statement that reflects the actual monthly payment and use that amount if lower.

4) If the credit report indicates an outstanding balance but the applicant indicates that it will be (or has been) paid in full, a monthly payment will not be used provided the Loan Originator obtains documentation of payment in full.

- ✓ Deferred debt
- ✓ Student loan debt
- ✓ Any recently obtained debt and terms that are not showing on the credit report yet.

Total Debt does not include medical expenses, debt and/or payment arrangements on/for medical debt (medical expenses are an allowable deduction from annual income and evaluated in credit, when applicable, but not part of Total Debt).

Total Debt Ratio cannot exceed 41 percent for both low- and very low-income families.

PITI & TD Ratio Sample Calculations

Try to complete both the PITI and TD ratios for the following three examples and determine if they meet the ratio guidelines.

Example #1 -

<i>Ratio Caps</i>	<i>PITI Ratio</i>	<i>Total Debt Ratio</i>
<i>Very Low-Income</i>	<i>33%</i>	<i>41%</i>
<i>Low-Income</i>	<i>33%</i>	<i>41%</i>

Monthly repayment income = \$ 1,956.00
 Monthly PITI for proposed loan = \$ 600.00
 Other monthly debt = \$ 250.00

PITI Ratio =

TD Ratio =

Does this family meet the ratio guidelines?

Answer to PITI & TD Ratio Sample Calculation

Example #1

Repayment income (monthly)	=	\$1956.00
Monthly PITI for proposed loan	=	\$ 600.00
Other monthly debt obligation	=	\$ 250.00
PITI Ratio	=	30.67%
TD Ratio	=	43.45% over 41% ratio

In this example the applicant is over the ratio limit in their total debt. Working with the applicant to reduce their monthly obligations or waiting until they've been paid down may allow them to improve the ratios to be eligible for the program.

Student Loan Debt

In Repayment Status

If the applicants' student loan is in repayment status, you must use the greater of the actual payment or one-half percent (.50%) of the total loan amount. However, if the applicant meets all of the four criteria listed below, you can use the actual monthly payment under the existing repayment plan, often called Income-Driven Repayment Plan (as verified by the lender) if:

- (1) The loan is in repayment status.
- (2) The applicant has a reliable credit score of 640 or higher.
- (3) The applicant has no significant delinquency.
- (4) The applicant's payment shock can be measured and is not more than 100%.

If all four conditions are met and the applicant who is responsible for the student loan has, for example, a \$0 monthly payment because they are on an income-driven repayment plan, there will be \$0 shown as the student loan payment and considered in the TD ratio.

Calculating Student Loans

Credit report lists student loan payment of \$0 and a balance of \$15,000

$$.5\% \text{ of } \$15,000 = \$75$$

Amount shown in TD is \$75

Calculating Student Loans with an Eligible Income Driven Plan and Over 640 Credit Score

Credit report lists student loan payment of \$0 /balance of \$15,000 and credit score 645

Payment shown in TD is \$0

If one of the above requirements is not met, for example they have payment shock, a waiver from the next Rural Development level supervisor may be sought if the overall risk assessment on the application warrants it. For example, an applicant has a credit score of less than 640 but everything else looks good. The packager will need to carefully document this request in the loan narrative.

Deferment Status

When an applicant's student loan is in deferment, they are not making payments, the higher of the monthly student loan payment listed on the credit report or one-half percent (.50%) of the student loan balance must be used in the TD ratio.

Repayment vs. Deferment

Student loans in repayment and deferment are calculated very differently, so you should encourage the applicant to research the best option for them. If an applicant meets the lenders eligibility requirements for an Income Driven Repayment Plan, they may decide that switching their loan status from deferment to repayment would be to everyone's benefit (for them and the lender). This is a decision the applicant will have to make because any Income Driven Repayment Plan is based on their income and will be different for everyone. Showing the calculation differences may assist in their decision making.

Non-purchasing Spouses and Community Property States

Generally, in a community property state, money earned by either spouse during marriage or all property bought with those earnings are considered community property that is owned equally by the spouses. Likewise, debts incurred during marriage are generally debts of the couple. In community property states, you and Rural Development must consider the non-purchasing spouse's debt in the total debt ratio. Neither you nor Rural Development can order a credit report for a non-purchasing spouse; the spouse of the married applicant who will not be party to the note. The spouse must provide a copy that is not more than nine months old when reviewed by RD, which can be obtained from a free source, or if they have exhausted their free options, they would need to pay for one. If a non-purchasing spouse in a community property state is unwilling or unable to provide a credit report, the application will not be considered complete.

Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Puerto Rico allows property to be owned as community property, as do several Native American jurisdictions.

Debt the Applicant Isn't Responsible For

Debt from which the applicant has not been released but can show another party has assumed the debt, should not be counted if you can document that the payments have been made by the responsible party for the past 12 months. For example, a divorced couple where a house and its payments have been assigned to the former spouse and they have been making the payments for at least 12 months, you would not need to count this debt in TD. To document this in your application package, include the judge's decree, or whatever applicable documents show that the former spouse is liable, and cancelled checks or the lender's statement showing that payments were made by the former spouse for the last 12 months. If the payments are not being made by the person responsible or if proper documentation cannot be provided, this debt will need to be included in the applicant's total debt.

Payment Shock

Payment shock is important because we all ultimately want the homeowner to be successful. If the applicant is not used to making payments, or is making payments that are significantly less than what they will be paying with the proposed mortgage, they will experience some shock and may need to adjust their lifestyle (i.e. less going out to eat; getting in the habit of setting aside funds for home maintenance; and those initial purchases like buying curtains, furniture, lawnmowers, etc.). If the applicant is making rent payments to a relative, this will not count as a credit source, however it is recommended you include this on the 4-A calculator in their housing expenses and provide documentation if available (cancelled checks are preferred). But understand, it's up to the Rural Development Loan Officer whether to count it or not, and they may still have payment shock. But this allows Rural Development context and additional information for the overall package review.

The calculation is overall, rather gracious and isn't considered payment shock until it exceeds double (more than 100%) of their current housing costs.

Calculation:

Total proposed PITI after subsidy ÷ current housing expense excluding utilities – 1

Example:

\$920.00 (PITI) ÷ \$400.00 (rent) = 2.30

Minus 1 = 1.30

This applicant has 130 percent payment shock

If an applicant would experience payment shock because they don't have a history of making a similar payment (for housing) and will have shock in excess of 100 percent, additional risk layering (ratio waivers, credit waivers, Income Based Student Loan Payment Agreements, etc.) is not allowed without strong justification. Strong justification might be that they will experience payment shock based on rent alone, but they have a history over the past 12 months of setting money aside in savings (without using it). And when those funds in savings are combined with their current rent, they show an ability to successfully make their mortgage payments.

Compensating Factors

Compensating factors are strong indicators that the prospective borrower may be able to make larger regular loan payments than the ratio analysis suggests.

Compensating factors:

- ✓ Cannot ever be used to offset poor or unacceptable credit
 - ✓ Must be recommended by the Rural Development Loan Approval Official
 - ✓ Approved by the Rural Development Loan Approval Official's next level supervisor
 - ✓ Cannot be used with any other risk factors
- Compensating factors must be clearly documented. Packagers may recommend and support a compensating factor, but all compensating factors must be approved by the Rural Development Loan Approval Official's next level supervisor. This means you will have to clearly document the request, provide any supporting documentation and convince the loan officer who reviews your

package because they have to convince their supervisor. Compensating factors include:

- ✓ Payment history - Rent payments presently paid (in excess of the proposed PITI) must be adjusted to mirror a mortgage payment (remove any utility allowance paid in the rent or by someone else).
- ✓ Savings history - Applicants with accumulated savings and a savings history that shows a capacity to set aside a larger-than average portion of income may be approved for a higher payment.
- Job prospects - The handbook states that if an applicant has recently entered a profession in which they can expect significant pay increases, the Loan Originator may base repayment income on the anticipated future earnings of that applicant but, because the calculations are based on a snapshot in time, this will be difficult to establish.
- Homes constructed under specific energy efficiency programs - Energy efficient homes built to exceed the prevailing International Energy Conservation Codes approved by Rural Development, allow for a ratio that may exceed up to 2 percentage points above existing thresholds when plans are approved prior to application submission. This is because they typically result in a 30 percent energy savings relative to other homes without the same energy efficient efforts. The applicable energy efficiency programs are listed in HB 1-3550, Chapter 4.

Other Considerations if the Applicant has Insufficient Income

Other considerations can be utilized if an applicant has insufficient income resulting in ratios that are too high and unacceptable, these can be used to increase their repayment income.

Additional Parties to the Note

The applicant may choose to have an additional household member apply who would also be occupying the property and party to the note for 33 or 38 years. Repayment income may need to be revised.

Cosigners

Cosigners do not reside in the dwelling and must have a total debt ratio that does not exceed 41 percent. This ratio will include the FULL NOTE RATE payment for the 502 loan,

escrow payment, leveraged loan payment AND all of the cosigner's long-term obligations. This means they need to be able to individually qualify with all of their own debt, plus the full amount they are co-signing for and still ratio qualify. To supplement the applicant's purchasing power, a cosigner must demonstrate an ability and willingness to meet debt obligations as outlined in Section 3 of Chapter 4 in HB-1-3550. Cosigners cannot be used in the case of poor credit, they are only used when ratios are too high and additional income will lower them.

Putting Repayment Income in the 4-A Calculator

Once you've determined the sources and repayment income amount that best projects income for the applicant, you will enter this in the 4-A automated calculator choosing the source(s) of income from the drop-down options: annual, repayment, both or none, for each income calculation method. You will submit a copy of your completed 4-A calculator to Rural Development with your full package. If you have notes or comments, those can be included on the 4-A calculator in the "notes" section.

The most current 4-A calculator and a webinar tutorial on how to use the calculator are available on Rural Development's [Direct Loan Application Packagers Website](#). You'll want to frequently check their site to ensure you are using the most current version.

Addressing Repayment Income in the Loan Narrative

In your loan narrative, or the comments section of the 4-A calculator, you'll want to explain why you chose the repayment income sources you did, if there are any compensating factors or anomalies in the package. Is there debt you didn't count (maybe because it had a known end date), is there a non-purchasing spouse, etc. Between the loan narrative and the 4-A calculator, analysis should include any other relevant information for your particular applicant. It is not necessary to restate items from the calculator in the narrative, the narrative supplements the calculator.

CHAPTER 6: VERIFICATION AND SUBMISSION DOCUMENTS

This chapter correlates with Rural Development Handbook 1-3550 Chapter 4.

Steps for the Packager

1. Initial collection of information utilizing an assessment or intake form
2. Review intake documents to determine if potential participant meets basic program guidelines
3. Conduct an applicant interview, completing the Uniform Residential Loan Application (RD 410-4), Authorization to Release Information and collecting back up documentation and information
4. Determine if additional verifications will be needed, request nontraditional sources and obtain updated third-party verifications if necessary
5. Obtain Homeownership Education completion certificate
6. Review construction budgets and loan amounts for funding amount
7. Review Attachment 3-J for completeness
8. Obtain a signed copy of the required applicant disclosure letter in Attachment 3-A
9. Submit full application package to Rural Development via eForms

This chapter focuses on the documentation for verification, and the submission of the loan application to Rural Development. At each step in the process, you will need third party documentation to support each portion of the application. The person who processes the loan application is a critical player in the mortgage loan process. A strong loan packager is one who puts the pieces of the mortgage loan file together and builds the bridge between the borrower and the lender by carefully listening to the applicant and collecting the necessary information. This

kind of loan packaging ensures that quality, well-documented loan applications are submitted to Rural Development.

You should have an internal document you use throughout the packaging process to ensure you're gathering the information you need throughout the process (see sample checklist, Appendix 1). Rural Development also has a checklist they've designed to aid in the submission process, Attachment 3-J, *Checklist of items to accompany the uniform residential loan application* (Appendix 7), which gives a broad-brush list of the documents that comprise a complete package. What's difficult about any checklist is that it cannot list everything for everyone. Just like financial information is different for every applicant, their life on paper is different. It would be difficult to list every possible circumstance, so your internal checklist will be helpful to prompt you for other documents.

What do I use to verify?

Verifications are a snapshot in time, what is happening right now and used to “back up” what the applicant has stated on their application. They have signed, under penalty of law, government fines and all kinds of horrible things, that what they have provided in the application is true to the best of their knowledge. The packager uses the application to determine what verifications are needed and which supporting documentation is needed per Rural Development's guidelines. For example, you're able to verify an applicant's statement that they have been working full-time for the last year. Prior to that, they received unemployment benefits for a couple months. Verifying whether or not they still have unemployment benefits available isn't appropriate. Or consider an applicant who lists a previous employer, which can be verified with tax returns, no verification of employment should be requested to prove they no longer work there. It isn't helpful in making an eligibility determination.

The preferred verification sources are items that are prepared by a third party; sources that are readily available to the applicant. These are no longer the days of sending out written verifications and waiting for them to come back, and sometimes not returned at all. The preferred verification sources now are things the applicant would have available like paystubs, benefit award letters, bank statements, etc. Items like these, which are readily available, should be used instead of sending written verification forms.

In HB 1-3550 Chapter 4, Rural Development has a very useful income verification table that lays out the preferred sources for verification by income type and the order in which you should request them. Seeking additional verifications from those other than the preferred is not helpful. If for example, a benefit award letter is available and remains current, getting a written verification from the issuing agency should not be sought. Requesting additional information is not required by Rural Development or necessary for determining eligibility and could even be construed as a civil rights violation. Keep in mind that your job is to assess and recommend the applicant's eligibility for the program only and not to include any additional information that is not required. For example, requiring a parenting plan when there is no deduction for childcare expenses could be considered a judgmental request or questioning how the applicant cares for their children. Requesting documentation on medical conditions for the medical expense deduction can be viewed as a HIPAA violation when you only need to document the expense, not the reason for the medical reason for the expense. You must always be sure that you have a reason related to their eligibility when requesting information and also avoid any judgement or perceived judgement as the applicants are sharing significant confidential information with you.

Here are some of the most common verifications you'll likely be collecting, for the full list, see the Verification Requirements and Procedures table in HB 1-3550, Chapter 4.

Verification of Wages, Salary and/or Employment

Preferred Source: Four consecutive weeks of most recent paystubs or payroll earnings.

Usually this is two paystubs each covering two weeks, but it could also be one monthly check or four weekly checks. The stub must clearly identify the applicant, show gross earnings including Year-to-Date (YTD) and must be computer generated or typed. You'll want to make sure you are getting these periodically throughout the packaging process to watch for significant changes that could change eligibility. You'll also want to get the newest paystub(s) just prior to submission to ensure the "most recent" documents are being provided. RD requires that the paystubs are no more than 60 days old as of the date the loan application is made.

Acceptable Alternatives

1. **Electronic Verification** - If and only if, you are unable to verify income using the preferred source, the acceptable alternative in lieu of paystub(s) is electronic verification. Electronic verification needs to have all of the same information as

paystubs would, identifying information, covering the most recent four consecutive weeks and YTD income.

2. **Verification of Employment** - In the very rare occasion you cannot get paystub(s) or electronic verification, RD form 1910-5, Request for Verification of Employment with Form RD 1-3550, Authorization to Release Information, would be sent to each employer. Application processing should not be delayed if a third party does not respond to a request for information. In these instances, you should seek to obtain the most relevant information that can be obtained from the applicant. This may include, but is not limited to, evidence of deposits/withdrawals, copies of cancelled checks, etc. A Verification of Employment (VOE) would not be used to determine that the income is “likely to continue,” if the applicant has paystubs and tax returns, that determination is made by analyzing the information presented.

**Oral verifications* are conducted by Rural Development and are only obtained if the applicant has worked for the employer for less than a year or the verifications appear inconsistent or suspicious. Income information is not discussed during this verification. In addition, an oral verification would not be used to determine that the income is “likely to continue,” if the applicant has paystubs and tax returns, that determination is made by analyzing the information presented.

Verification of Seasonal Employment

Preferred Source: Most recent federal income tax return, the prior year’s W-2s and/or prior year’s 1099- MISC statements.

Someone who works seasonally, whether farm labor or union member, may have multiple employers during the year so it is not feasible to obtain paystubs/VOE’s from all of those employers, especially when they may change from year to year and they are not likely working for all of them simultaneously throughout the year. But it really will depend on the applicant. If they are seasonal, but always work for the same employer, then you MAY be able to obtain a paystub (if they are applying during the period when they are working). If they are applying during their period of unemployment, you won’t be able to obtain a paystub. When a seasonal worker works for multiple employers and has periods of unemployment, it’s just easier and more practical to obtain the tax returns and base income projections on those.

Verification of Childcare Costs

Preferred Source: Rural Development is looking for verification from a third party and if the applicant can provide evidence (verification) using information that they have on hand, that is acceptable. The entity needs to be identified (i.e. on letterhead) and verification such as a 12-month history of cancelled checks, billing statements, a service contract, etc. provided.

Acceptable Alternative

In the event that this source isn't available, you could send Verification of Child/Dependent Care Form to the childcare provider with Form RD 1-3550, Authorization to Release Information.

Verification of Regular, Unearned Income (e.g., Social Security, SSI, Retirement Funds, Pensions, Annuities, Disability or Death Benefits)

Preferred Source: Copy of the most recent award or benefit letter from the authorizing, or issuing, agency. Be sure to check the dates, if the award letter is more than 12 months old, you may need additional information (see HB 1-3550 Chapter 4) or if it's going to expire prior to application submission, you will need to get a new one from the applicant.

Acceptable Alternatives

The two most recent bank statements showing the amount of monthly benefits received and IRS Form 1099 for the previous year. You'll need to verify that the benefit shown on the bank statement reflects the gross amount of the benefit prior to deductions for items such as taxes, health benefits, insurance premiums, etc.

Verification of Child Support and Alimony

Alimony, child support, or separate maintenance income does not need to be revealed if the applicant or co-applicant does not choose to have it considered for repaying the loan. While an applicant can choose to have this income excluded from their repayment income, this income must be reported to determine if the household's adjusted income is within the program's income limit. You'll need to enter this income appropriately, for annual, adjusted or repayment income, in the 4-A calculator.

Preferred Source: The applicant or household member must provide a payment history

for the last 12 months from the court appointed entity responsible for handling payments. The average amount received will be used in the income calculations; add all 12 payments together and divide by 12.

Acceptable Alternatives

1. **Electronic Verification** - The two most recent bank statements showing electronic deposit of the monthly alimony and/or child support received **AND** a copy of the court appointed divorce decree or separation agreement (if the divorce is not final) that provides for the payment of alimony or child support and states the amount and the period of time over which it will be received.
2. **Divorce Decree** - If (**and only if**) a source of income was awarded in the decree, and there is not a court appointed entity responsible for handling payments, the applicant (or adult household member) may provide a copy of the divorce decree, separation agreement, or other document indicating the amount of the required support payments. If the applicant reports that the amount required by the agreement is not being received, the applicant must provide adequate documentation of the amount being received (i.e. copies of the checks or money orders from the payer, etc.) and certify the payments are being received or not received.
3. **Cancelled Checks** - If (**and only if**) there is not a court appointed entity responsible for handling payments and formal documents were never issued, support payments can be certified as being received or not received.

Income from alimony or Child support (including back child support) that is consistently received is considered stable when such payments are based on:

- (1) a law, written agreement or court decree, or have been consistently received over a 12 month period (even if there is no written agreement or court decree),
- (2) the amount and regularity of the payments,
- (3) the eligibility criteria for the payments, such as the age of the child (when applicable) or the length of the alimony agreement, and

(4) the availability of means to compel payments

Landlord Verification

If an applicant has a reliable score over 640, you do not verify rent at all. Where applicable in the loan narrative and/or 4-A calculator (to calculate payment shock, etc.), you will use the rent information provided by the applicant on the 410-4 application.

Preferred Source: When a landlord verification is necessary (see Chapter 5 of this guide, Borrower Credit), send Form RD 1944-60. Landlord's Verification is to verify the applicant's past record of making rental payments for each landlord listed on the application for the past two years. Once received, confirm that the applicant has paid in a timely manner during the last 24 months and if this is in question, call to confirm with the landlord. Exhibit 4-4 specifies that a rent payment that is more than 30 days late is considered an Indicator of Unacceptable Credit, so a little digging can go a long way.

Acceptable Alternatives

If you are unable to reach the landlord or they fail to respond, application processing should not be stopped. In this instance, you should seek the most relevant information that can be obtained from the applicant to verify the information. This may include, but is not limited to, the rental agreement in combination with copies of cancelled checks, bank statements and/or money order receipts, etc.

Nontraditional Credit

You will need to establish a 12-month payment history by either sending Form RD 410-8, Applicant Reference Letter (Appendix 5), to the nontraditional creditors indicated by the applicant or by obtaining canceled checks, money order receipts, billing statements, and/or payment history printouts from the creditor. You'll need to make sure you're able to determine if payments were made as agreed, general statements such as "satisfactory" or "in good standing" are not sufficient to establish a satisfactory repayment history.

Preferred Sources:

- Rental housing payments
- Utilities (if not included in the rent payment) such as power gas, water, sewer, etc.

- Telephone service
- Cable television
- Internet service
- Insurance payments (payroll deductions to pay for insurance premiums are not considered alternative credit) as long as they are not reimbursed by any other source

Acceptable Alternatives

Payments to childcare providers (provided the provider is an established childcare business and not a relative); school tuition; payments to local retail stores; storage units companies; payment arrangements for the uninsured portion of any medical bills; a history of saving by regular deposits resulting in a balance equal to three months of the proposed mortgage payments; and similar credit sources. Child support paid is not an acceptable source.

Gathering Documents for Verification

Basically, everything needs to be verified and you'll need these to be provided by the applicant during your meeting with them. Often, a grantee will have a list they provide to clients before meeting with them outlining everything they should bring in with them for a first meeting. Generally, this includes the following:

- ✓ Bring pay stubs for the past month (four weeks) for all working applicants
- ✓ Provide credit card account information, current balances, monthly payments and addresses
- ✓ If you have personal loans, credit union loans, or any other monthly installments, bring those account balances, monthly payments and addresses
- ✓ For hospital bills, doctor bills, and any other medical bills, bring account balances, monthly payments and addresses (this won't be counted in Total Debt but, it is still reviewed in credit so, if they have a valid score under 640, it could be an indicator of unacceptable credit)
- ✓ If you receive child support and support is ordered through the courts, bring a copy of the actual court document. If support is received and paid voluntarily, bring a statement from the person who pays you

- ✓ If anyone in your household receives social security, bring a copy of the most current award letter
- ✓ Name and address of current and previous landlords to cover the past two years
- ✓ Copy of the last two years complete tax returns with all attachments and w2s
- ✓ If self-employed, copy of the last two tax return schedules (C, K, E, etc.) include YTD business expenses for the current year
- ✓ Your Driver's License/government issue identification
- ✓ Social Security Card if there isn't other evidence of the applicant's full taxpayer ID number elsewhere in the documentation (such as tax returns). (if not a US Citizen, a Permanent Resident Alien Card front and back)
- ✓ Two most recent monthly bank statements of all accounts: checking, savings, IRA, 401k, etc. If using non-traditional credit verification, the contact information for landlords from the last two years, (Name, number, address, email, etc.)
- ✓ Documentation of student loan(s): monthly payment statement and any grant documentation (see Student Loan section). For full-time students (who are not a party to the note, include a copy of the registration and the school administration's definition of a full-time student (usually readily available on their website)
- ✓ If you are divorced or separated, you will need to bring a copy of the legal documents
- ✓ Provide an employment history for the past two years of all household members. Included names and addresses that can verify employment
- ✓ Bring a statement from your childcare provider stating what they charge you for this service

Timelines

Timeliness in processing a loan application is critical. You and your organization have a lot at stake. To ensure this, a group coordinator must be well organized, thorough, and aware of the age of all the third-party documents on hand in a package you are building for submission. This may mean you are getting multiple copies of documents to ensure you have the most recent at submission (i.e. paystubs). Documentation used to verify employment, income, assets, and deductions must be no more than 120 days old, or 180 days old for new construction (that's self-

help) by closing date. The age of some documents isn't important because they remain unchanged, such as a divorce decree or tax returns. These types of documents are exempt from the document age restriction unless there is evidence that the applicant's circumstances have changed thus warranting updated verifications.

Homeownership Education

An approved homeownership education class must be completed within two years prior to the date of loan closing by any applicant that has not owned a home within the past three years. A copy of the certificate is included in the package. Rural Development has a specific list of required topics and approved national providers (see HB 1-3550 Chapter 3) and state offices maintain state specific providers.

Preference order for Homeownership Education:

1. Classroom, one-on-one or interactive video conference
2. Interactive home-study with phone counseling
3. Online counseling

The education fee may be included in the loan above the appraised value. If it is not possible for an applicant to attend a course in person, applicants can also use an online course, such as the eHomeAmerica online class, which allows for a local contact telephone interview/discussion. The cost is \$75.00 for USDA applicants. To register, login to: eHome America at <https://ehomeamerica.org/usda>. Framework is another nationally approved online course, and it is also \$75.00. Register at <https://www.frameworkhomeownership.org/>. Thirdly, Utah State University also offers online homebuyer education. Visit: <https://extension.learn.usu.edu/> and select Home Buyer Education. The cost is \$70 for the applicant and \$5 for a co-applicant.

The homeownership education requirement should be discussed with the potential applicant at the very beginning, and they should be encouraged to take it prior to entering into a purchase contract. But, if an applicant has not taken the homebuyer education course at the time of application submission, indicate this in your loan narrative and that it will be completed prior to loan closing.

Construction Budgets and Loan Amounts

By this point you have likely created and recreated budgets for your construction costs.

You submitted one with your Section 523 (re)application and have likely made many adjustments to it since then as prices have changed. During this phase, it is not necessary to submit new budgets again, because you will when you submit property information. It is important to review the budgets to ensure they are accurate as possible because you will be requesting a loan amount in your loan narrative and 4-A calculator. The balancing act here is making sure you are requesting the proper funding amount for eligibility determination; will they qualify for enough to buy the house, but not too much so that your applicants cannot qualify.

Applicants for a self-help loan will be issued Handbook Letter 16A or 16B (3550), Eligibility of Self- Help Applicants (Appendix 9). The maximum loan amount they qualify for may be a higher loan amount than the actual cost of building a modest home using the self-help method. The dollar amount to be inserted in the eligibility letter will be based on all closing costs and the following:

- A.** The average cost of the most recent group of homes built in the area by the self-help method with consideration given to known price increases or decreases in materials, labor, land and/or time of construction (unless the applicant qualifies for less); or
- B.** The average cost of the homes that are to be built by the self-help method as determined by detailed cost estimates of the plans and specifications prepared by the self-help grant organization, in consultation with the local Rural Development staff and/or Technical and Management Assistant (T&MA) contractor. Consideration will also be given to known price increases or decreases in material, labor and/or time of construction (unless the applicant qualifies for less).

Check for Completeness & Consistency

As a packager, some of your responsibilities will include being a detective! Searching through the application, verifications and all documents for completeness and continuity between the documents—does what the applicant said on the application match the bank statements, verifications, etc.

Loan Application – Start with a review of the loan application. This is Rural Development’s Uniform Residential Loan Application, Form RD 410-4 (Appendix 10), or a current industry standard application form may be accepted when accompanied by the Agency’s supplemental pages (6-10) of Form RD 410-4. Is there information that you need to process the

loan request or are there questions that you have because of incomplete information? An application is considered complete for eligibility determination when the loan application packager submits a fully completed and signed uniform residential loan application and all the applicable items listed in on Attachment 3-J including the signed applicant disclosure letter. The applicant disclosure letter is a document signed by the Section 502 Loan applicant that enables Rural Development to share everything with the grantee including talking about the file, personal and financial information, decision letters, appraisals, etc. There is a template in HB-1-3550, Attachment 3-A where you can just cut and paste the language onto your letterhead and add the applicable information where indicated with brackets, just remember the fee is \$0 for self-help applicants (your 523 grant pays for this!).

Verifications – As the verifications and documentation comes in, does the information on the verifications correspond to the information on the application? All verifications should be checked for **completeness** and for **discrepancies** from information provided by the applicant. Any discrepancies should be discussed with the applicant or the party who completed the verification and clarifications should be documented carefully in the loan narrative or where appropriate.

Employment – Paystubs should correspond with the information given on the application and the 4-A calculator. Do not make notations or explanations on the verification forms themselves. If any explanation is necessary due to a discrepancy, the applicant should do so in writing on a separate sheet or you should address it in the loan narrative.

Verification of Deposit – Check to see if the average balance differs greatly from the amount currently in the account. This will sometimes indicate that funds have been recently removed from or placed into the account. A statement should be furnished regarding any discrepancy in the balances. Look for any large deposits as these may show additional income the applicant forgot to mention (and these need a letter of explanation).

Credit Reports – You’ll need to include the credit report in the loan package. Remember there is only past history to determine the applicant’s character and their willingness to repay debts. Any credit explanation must be written by the applicant and include what caused the problem. It should state that the situation is not likely to occur again, and that good credit has been re-established.

Letters of Explanation – Ensure that you have the necessary letters of explanation needed to address gaps in employment, large deposits, etc. and written by the applicant.

Loan Narrative – Does your loan narrative address everything it needs to? (See Chapter 2 of this guide.)

Application Processing and Eligibility Determination

Complete application must be submitted to Rural Development via eForms. Once your completed application is submitted to Rural Development, the application will be reviewed for eligibility within 30 days.

Determination of Eligibility

If the application is determined eligible, you and the applicant should both receive a copy of the Certificate of Eligibility: Handbook Letter 16A or 16B (3550), Eligibility of Self- Help Applicants (Appendix 9). It is also helpful to receive a copy of the Rural Development Loan Officer's 4-A calculator or Eligibility Summary to compare figures. The more you know about how Rural Development calculates incomes, the closer you will be in the future.

Application Withdrawal

An application can be withdrawn by the applicant at any time, for any reason. This can happen because of a family change, job transfer, job loss or any one of a hundred reasons. The applicant will need to provide their request to withdraw in writing to Rural Development.

Reapplying After Denial

There is no waiting period to reapply after an applicant's application has been denied. They could reapply every day if they wanted to. Hopefully, with your help and guidance, they will have corrected the reason for the denial before reapplying.

CHAPTER 7: SUBSIDY RECAPTURE

This chapter correlates with Rural Development Handbook 1-3550 Chapter 6—and Appendix 11 - Form RD 1-3550.

Steps for the Packager

1. Inform applicant of the recapture requirement at the time of application
2. Remind the applicant that at loan closing, the participant will sign and RD will review the Subsidy Repayment Agreement (Appendix 11 - Form RD 3550-12)
3. Remind applicant at conversion that if recapture is triggered, they should call the Servicing Office to start the process of determining the recapture amount.

Background

Payment assistance, also known as subsidy, is granted to eligible very low- and low-income homeowners who obtain a Single Family Housing Section 502 Direct Loan from USDA Rural Development. The borrower signs RD Form 3550-12, Subsidy Repayment Agreement, at loan closing. The agreement outlines the subsidy repayment terms, the requirement to repay all or a portion of the subsidy received over the life of the loan (i.e., subsidy recapture), and how subsidy recapture is calculated. The security instrument (Deed of Trust or Mortgage) contains a provision making the subsidy a lien against the property. The lien will not be released until subsidy recapture is paid in full.

How is Subsidy Recapture Calculated?

While subsidy recapture formulas have changed over the years, under the current formula, the maximum amount of subsidy recapture which must be repaid is the lesser of the total dollar amount of subsidy received or 50 percent of the property's value appreciation. See Appendix 15, Subsidy Recapture fact sheet, What is subsidy recapture?.

Value appreciation is based on the difference between: (1) the market value of the property at the time of loan pay off; and (2) amounts of prior liens, subordinate affordable housing products, the Rural Development loan being paid off, principal reduction paid at note rate, reasonable closing costs, certain capital improvements, and the borrower's original equity in the property when the mortgage loan was originally closed.

Other factors, such as the term of the loan, average interest rate, percentage of outstanding balance of open loans, and whether all loans subject to recapture are being paid off, are also considered in subsidy recapture.

In the event of default (foreclosure or deed in lieu of foreclosure), the amount of subsidy recapture due is the total amount of subsidy received over the life of the loan.

When is subsidy recapture repaid?

The borrower must pay subsidy recapture when they transfer title or cease to occupy the property. If a borrower pays off the principal and interest of their loan and continues to occupy the property, repayment of the subsidy recapture amount can be deferred until the borrower ceases to occupy the property or transfers title. The security instrument securing the subsidy recapture amount may be subordinated to permit refinancing if Rural Development's lien position will be adequately secured. If eligible for deferral, and to encourage early payment, a discount of 25 percent of the subsidy recapture is offered if it is paid at the time the principal and interest is paid.

How can borrowers find out the amount of subsidy recapture to be repaid?

Borrowers can obtain an estimated, verbal pay off amount, including subsidy recapture, by calling USDA Rural Development's Servicing Office Interactive Voice Response system at (800) 414-1226. Choose the "payoff information" option. Be ready to provide the estimated market value of the property and estimated closing costs that may be incurred as the result of selling or refinancing.

Summary

As self-help grantees, it is important to explain the key components of subsidy recapture, however, try to avoid getting too far into the details as it is impossible to predict the amounts that will be used at the time of recapture. Emphasize that they should contact Rural Development's

Service Office to start the process to determine the recapture amount if and when one of the triggering events occurs: loan payoff, no longer occupying the home as their personal residence, or sale/title transfer of the home. In cases where Capital Improvements have been made, the borrower may work with the Servicing Center to order an appraisal (the cost of which is covered by Rural Development) to determine the value of any capital improvements made. Depending on the triggering event, additional documentation may be needed to make the appropriate calculations, which the Service Office will discuss with them at that time. Also, reassure the owner builders that their original equity/sweat equity will be protected and that they will only be required to pay a portion of the appreciated amount, never more than 50 percent and never more than the actual amount of subsidy provided as long as they are not in default on their loan.

CHAPTER 8: PROPERTY SUBMISSION

502 Direct applications have two major components. The first is the applicant eligibility, which is covered in the previous sections. The second is the property eligibility, which is reviewed for program compliance and security for the loan. Typically, these are separate submissions, with the property submitted after applicants receive their certificate of eligibility from Rural Development. Some 523 grantees submit both eligibility and property sections at the same time for Rural Development determination of eligibility and underwriting, however this should be decided on the local level in consultation with your Rural Development loan approval official. (See Chapter 10 of this guide for further details on the pros and cons of a one or two step submission process.)

Steps for the Packager

1. Determine if the location is in an eligible rural area
2. Determine estimated value of lots and estimated value of completed homes and compare with lot value and area loan limit requirements
3. Complete required environmental review requirements
4. Secure land
5. Complete site infrastructure development if necessary
6. Handbook Letter 16A or 16B is received and then prepare property document submission
 - Certified house plans
 - Site plan and possibly survey
 - Description of materials
 - Budgets
7. Submit to RD

502 Property Program Requirements

Rural Definition

The definition of rural is complicated due to changes made over the years and especially in the past 30 years after each of the past three censuses. It is recommended that you access the Rural Development website to determine which areas are considered rural in your serve area. The simplified definition is an area with populations less than 20,000, unless based on census data in the past 30 years, the area has increased but not in excess of 35,000.

Communities can be considered rural if they were considered rural prior to 1990 or between 2000-2020 with populations between 20,000-35,000, are considered rural in nature, and have a serious lack of available mortgage credit for low- and moderate-income households. (Yes, that was the simplified version.) It is recommended that you use the Rural Development website to determine if a site meets the rural eligibility requirement. It is recommended that you look up each lot you are including in your build group prior to purchase, since a lot on one side of the street can be eligible, while the lot on the other side is not.

Lot Requirements

As a 523 grantee, you will be identifying and likely purchasing and developing the lots prior to 502 application submission. Although you will have all of your lots identified prior to your 523 application, you should not under estimate the amount of time needed to complete your due diligence and Rural Development requirements prior to the submission of property documentation after applicants have received their Handbook Letter 16A or 16B, Eligibility of Self-Help Applicants.

Rural Development's definition of modest lots includes lots that cannot be subdivided under local subdivision code and does not include land that is used principally for income producing purposes. For example, vacant land or properties used primarily for agricultural, farming or commercial enterprise are ineligible.

Lots must also include:

- All weather road maintained by public entity or homeowner's association

- Water and wastewater disposal with continuous service and affordable rates that meet the Safe Drinking Water Act and Clean Water Act
- Not in 100-year Flood Plan (see details in Environmental Section)
- Comply with all zoning and restriction requirements

Housing Requirements

As a 523 grantee, you will be submitting your house plans as part of your 523 grant application, so most of these requirements should have already been considered at that time. Rural Development 502 Direct is designed to assist low- and very low-income households in the purchase of modest housing. Rural Development has few limitations on the specific aspects of a home, using a broad definition of modest relating to the square footage and overall value of the home/area loan limit. The prohibition to income producing property applies to the home as well as to the land, however home-based operations such as childcare, product sales, or craft production that do not require specific commercial real estate features are not restricted.

Square Footage Requirements – Rural Development has no limitation on maximum square footage. The minimum square footage is generally 400 square feet and needs to be designed and constructed for permanent occupancy and contain permanent areas for cooking, eating, sleeping and sanitary needs. Water and wastewater systems must be permanently connected. Exceptions on the minimum square foot requirement may be waived by the loan approval official’s next-level supervisor when the Field Office determines a smaller dwelling, or “tiny home” otherwise meets the same property standards as other Agency financed dwellings.

Area Loan Limit

The area loan limit is the maximum value of the property established by Rural Development for each county. Although this is called the “Area Loan Limit” it is referring to the maximum value, as established by appraisals. For self-help new construction, this means the cost of the land, materials, grants, loans and the value of sweat equity cannot exceed the area loan limit, but also the appraised value cannot exceed the area loan limit. There are four items that can exceed the area loan limit and appraised amount, these are: Rural Development tax service fee, initial escrow deposit and homeowner education fee. The actual loan limit/maximum loan

amount for each applicant is based on the lesser of: 1) area loan limit, 2) appraised value, 3) actual amount needed to finance the home, and 4) amount the applicant can afford.

Example 1: The O'Donnell family is building their home through the 523 Mutual Self-Help Program. The area loan limit is \$250,000 and the appraised value for their home is also \$250,000. The actual cost to build the home is \$150,000, plus the \$75,000 lot, totaling \$225,000. The O'Donnell family is also receiving a SHOP loan for \$10,000, which means they only need a 502 loan of \$215,000. When completing the 4-A calculator it shows that they would qualify for \$245,000. Although the area loan limit and the appraisal and the amount they qualify for is higher, your maximum loan amount is the lessor of the four variables, which in this situation is the amount needed to construct the home minus other funding. The value of sweat equity is not based on the number of hours contributed or work accomplished, but on the difference between the appraised value and the actual cost. In this example the sweat equity is \$25,000, which is \$250,000 (appraisal) minus \$225,000 (actual cost).

Example 2: The Washington family is also building their home through the 523 Mutual Self-Help Program and their area loan limit is \$175,000 and the appraised value is \$150,000. The actual cost is \$140,000 (\$115,000 construction and \$25,000 land). Using the 4-A calculator they qualify for only \$115,000. Since the actual cost is \$140,000, they either need to choose a different, less expensive house plan and/or lot or they need additional grant resources to be provided. If the Washington family qualified for a \$25,000 down payment assistance grant, they would be able to continue with the program using the same plans and lot. The maximum loan amount in this situation was \$115,000 (4-A qualification amount), which was the lessor of the four variables, because the appraisal, area loan limit and actual cost were all higher. The Washington family will have sweat equity of \$10,000, which is the difference between the appraised value (\$150,000) and the actual cost (\$140,000).

The area loan limits can be found on Rural Development's website and are updated annually. There are a few exceptions to the area loan limit, both for counties' overall limits and individual sites, however these each need additional time for Rural Development's approval and should be requested as early in the process as possible. Below are the two exceptions, which can be found in RD HB 1-3550 in Chapter Five.

1. Exceptions for Counties - State Directors who have counties they believe merit loan limits exceeding the standard, may submit a request (upon notification of the annual review process) to the National Office by completing Form RD 2006-3, "Instruction and Form Justification." The request should be accompanied by a narrative and supporting data. The analysis should include local values for both existing homes in program-acceptable condition and the total costs to acquire or construct new dwellings. Exceptions to set area loan limits below 80% of the local HUD 203(b) limit will not be permitted.

2. Exceptions for Individuals - The established area loan limits may be granted to accommodate the specific needs of an applicant, for example, to serve exceptionally large households or to provide reasonable accommodation for a household member with a disability. Requests for exceptions may be approved by the State Director if the cost of the property will exceed the limit by \$5,000 or less. To request an exception, you need to include this request in your loan narrative with documentation on the need for the exception. For accommodations for household members with disabilities, you will need to provide the cost of accommodations that demonstrates that these costs cannot be accommodated within the area's modest housing limit. The Rural Development Loan Originator will review your request and if in agreement, request an exception from the State Director.

Appraisals

Appraisals will either be ordered by Rural Development or the grantee as one of the final steps in the underwriting process. If you will have RD order the appraisal, you will need to provide the following to Rural Development, which they will then provide to the appraiser.

- (1) A copy of the fully executed option or sales agreement between the applicant and seller, with a legal description of the property
- (2) Certified building plans and Description of Materials, and repair estimates, if applicable
- (3) Existing surveys
- (4) A copy of the existing title
- (5) Tax bills or assessments

If you, the grantee organization will be ordering the appraisals, appraisal(s) ordered by Grantees will be accepted provided that:

a. Rural Development is notified of the intent to order and the cost of the appraisal prior to any contractual commitment. Provide a cover letter notifying RD your intent to order the appraisal and the cost of the appraisal. (Do not order the appraisal at this time). Once notified Rural Development will:

i. Within three business days of receiving this notification, issue the applicant a third-party appraisal Loan Estimate (LE) and accompanying tailored Handbook Letter 5.

ii. RD will list the cost of the appraisal as provided by the third party, which may exceed the Agency's prevailing appraisal fee in Paragraph 5.20 of this handbook.

b. The appraisal is ordered only after:

i. Receiving notification from Rural Development to proceed with the order.

ii. Explaining to the applicant that they are ordering the appraisal on the applicant's behalf and that the applicant will have to cover the fee, out-of-pocket, if the loan does not close.

- The Grantee may choose to collect the appraisal fee from the applicant prior to ordering. The appraisal fee, even though paid to the Grantee, is an allowable excess cost and is eligible to be reimbursed to the borrower from their loan proceeds at loan closing. A paid receipt must be forwarded to the Field Office to ensure proper credit and disclosure on the settlement statement.

c. The Grantee will provide a copy of the paid invoice for the appraisal along with a copy of the appraisal that:

i. Meets the Uniform Standards of Professional Appraisal Practice and Agency appraisal standards, as described in Chapter 5, Paragraph 5.14 Handbook-1-3550, and 7 CFR 3550, § 3550.62 Appraisals.

- ii. Lists Rural Development as an “intended user.”
- d. The appraisal is reviewed for acceptability by Rural Development.
 - i. Rural Development must complete Form RD 1922-15, “Administrative Appraisal Review for Single Family Housing.”
 - ii. At a minimum, the first five appraisals obtained by a Grantee will receive a preclosing technical review.
 - iii. All appraisals submitted by Grantees, which are subject to a technical preclosing review, are entered into the Appraisal Hub on SharePoint by RD to assist with the monitoring of performance and compliance.
 - iv. RD staff appraisers should complete their review within three business days. At the discretion of the appraisal staff, additional revisions or reviews may be required.
 - v. When additional revisions are needed, they will be addressed by RD staff appraisers, in coordination with the Field Staff, and the third party.
- e. Once the Administrative Appraisal Review (and any applicable technical pre-closing review) determines the appraisal is acceptable, the RD processing Field Office must ensure the applicant is promptly provided a copy.

Loan funds may be used to reimburse the payor of the appraisal fee at loan closing. The amount of reimbursement for the appraisal may exceed the Agency’s standard appraisal fee (Handbook-1-3550, Chapter 5, Paragraph 5.20). The paid invoice for the appraisal and instructions for “paid outside of closing” reimbursement will be sent to the closing agent for proper disclosure and settlement.

Environmental Review Requirements

USDA Rural Development requires Environmental Reviews (ER) for housing projects prior to approving financial assistance. The ER must be done in accordance 7 CFR Part 1970

which includes compliance requirements for the National Environmental Policy Act (NEPA), a law that supports efforts to stimulate the health and welfare of humankind while safeguarding their environment. This must be completed prior to obligation of Rural Development funds and is often completed prior to 502 application processing as part of the land development, however you should ensure its completion as the process includes required timeframes and can prevent loans from being obligated and delay closing. The environmental review process is separate from the review for other funding sources, such as HUD, however Rural Development can use their gathered information and approval to expedite their process.

The level of review depends on the type of project. NEPA's three classes of action include:

- **Categorical Exclusion**—for projects with less than five homes and less than 10 acres of land that do not have any impact on environmental resources (RD Instruction 1940.310). The review, Form RD 1940-22, is completed by Rural Development staff.
- **Environmental Assessment**—for projects that have a higher potential for impact on the environment (subdivisions). The State Historic Preservation Officer (SHPO) should be notified of the proposed project (RD Instruction 1940.311). The request for information, Form RD 1940-20, should be completed by the grantee.
- **Environmental Impact Statement (EIS)**—for projects or proposals that will have a significant impact on the quality of the environment. Not applicable to most housing projects (RD Instruction 1940.313).

It is the grantee's responsibility to provide the necessary information to Rural Development to determine what type of review is required, which will also assist them to complete their review. Rural Development can guide you through the process.

Flood Plain and Flood Insurance Requirements

Property that FEMA has identified as being in a Special Flood Hazard Area (SFHA) must have the availability of flood insurance through FEMA's National Flood Insurance Program. Flood insurance is required when any form of Federal financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction or substantial improvement of any building located in a Special Flood Hazard Area, as identified by the National Flood Insurance Program.

Properties located within the 100-year flood plain must be either:

- Served by public utilities located and constructed to minimize or eliminate flood damage, or
- Have on-site water and waste disposal systems located and constructed to avoid contamination of the water supply by the septic system due to flooding

New construction and substantially rehabilitated dwellings must be constructed so that the lowest floor (including the basement) is elevated to or above the 100-year flood level. Also, the materials and methods used must be for the purpose of making the dwelling resistant to flood damage and minimizing flood damage that may occur.

502 and Self-Help Insurance Requirements

During the application process it is important to explain to applicants the insurance requirements and estimated costs for both the construction phase and homeowners' insurance for the life of the loan. The applicants will need to shop around for insurance to compare pricing and coverage. You will need to provide information on each type and encourage applicants to shop for the best option for their needs, especially for their homeowners' policy. Rural Development requires that the insurance covers the dwelling and any other essential buildings (such as a garage) in an amount that is equal to the insurable value (i.e. the cost to restore the property back to its state prior to a loss) of the dwelling and other essential buildings, or the unpaid principal balance.

Builder's risk or course of construction insurance - The homeowner (self-help participant) obtains insurance for the house during the time that is being constructed. The policy covers the structure and materials, excluding land value. Generally, it covers damage from fire, theft, vandalism, and other. Some exclusions include earthquakes, water damage and professional liability. It is important to be familiar with terms, limitations and exclusions.

Homeowners insurance - As soon as the home is completed, and as required by the lender, the homeowner (self-help participant) obtains a standard policy that covers two areas: property and liability. Generally, it covers damage from fire, theft, vandalism, and other. Some exclusions include earthquakes and flood. It is important to be familiar with its terms, limitations and exclusions and Rural Development's HB-1-3550, Attachment 7-C details Rural

Development's property insurance requirements, which can be found as Appendix 8 at the end of this guide.

502 Property Submission Documents

House Plans and Description of Materials

New homes should be built according to approved house plans and description of materials/specifications, and applicable building codes. Form RD 1924.2, Description of Materials, should be completed for each home by the grantee. This form can be found as Appendix 12 of this guide. The description of materials must be based on the certified house plans, which are also submitted at this stage of the loan application.

Cost Estimates

Grantees submit cost estimates for each of their house plans as part of the Section 523 Technical Assistance Grant Application. These figures continually change based on the cost of materials, which can be impacted by numerous market forces including natural disasters. Sub-contractors' bids are also impacted by material costs and the demand for their services. You will have included an estimated cost based on your past builds and projected increases as part of the borrower eligibility packet, however it is crucial that all of the expenses included in your cost estimate are reviewed and revised based on your current market as part of the completion of the cost estimates included in the property document submission. The cost estimate included in the property submission at this time will be what the loan amount is based on.

Inspections and Requirements during Construction

All new construction is required to be inspected by an approved inspector at a minimum at the footer, frame-in and final stages of construction. Rural Development typically accepts the local building officials' inspection reports. However, in areas where there are none, Rural Development will inspect and/or will accept a qualified third-party individual's report. Rural Development also requires all homes to be built to local codes, obtain required local permits and pass all local building inspections, which may include more than the required footer, frame-in and final inspections. Grantees will provide construction costs, certifications, inspection reports and suppliers and subcontractors' warranties to Rural Development as they are received during the construction process.

Homes Constructed Under Specific Energy Efficiency Programs

A new home built to exceed the prevailing International Energy Conservation Code is more energy efficient, which significantly lowers the homeowner's utility costs. The lower utility costs associated with these energy efficient homes indicate that a prospective borrower may be able to make larger loan payments than the ratio analysis suggests. Given their resulting energy efficiency savings of up to 30 percent relative to typical new homes, as well as their progressive and routinely updated building standards, new homes constructed under the approved Rural Development national programs may be considered as a compensating factor (when approved by the next level supervisor). A list of these programs can be found in HB-1-3550 Chapter 4, under Compensating Factors. You should discuss with your Rural Development loan approval official the appropriate documentation needed to verify that the home will meet this standard, if you are requesting an increase in ratios based on this compensating factor. Since this request is part of the initial eligibility determination, this should already be approved, and the needed initial documentation provided with property submission.

Self-Help Home Rehabilitation

The 523 Self-Help Housing Program includes housing rehabilitation as an eligible program design, which includes acquisition/rehab/resale, acquisition and rehabilitation and owner-occupied rehab. Acquisition/rehab/resale is when the grantee purchases the home and then the construction supervisor provides training and coordination with the Rural Development approved applicant to rehab the home prior to their purchase. Acquisition and rehabilitation are another popular approach, when the applicant purchases the home prior to rehab and then the 502 loan covers the cost of the home and the required repairs. The construction supervisor works with the owner builder to provide training and coordination for the required repairs. With this approach the owner builder does not move in until the Certificate of Occupancy is issued and Rural Development final inspection is completed. The owner-occupied rehabilitation approach is for existing homeowners that need repairs to make their home safe, decent and sanitary. Often these homeowners receive a 504 loan and/or grant to cover the cost of materials and skilled labor. The construction supervisor works with the owner to provide training and coordination for the required repairs. Although owner occupied applicants typically receive 504 loans and/or grants, a 502 loan may be a better option if the applicant needs a larger amount to cover the needed repairs. If they currently have a mortgage and the payment for the 502 repair loan (of

more than \$5,000) and their existing loan payment are not affordable, Rural Development could refinance the first mortgage along with the repair amount if this will make it affordable to the applicant and they meet all other eligibility requirements. The repayment period is limited to a maximum of 10 years for loans under \$24,000, and for unsecured loans. Loans under \$24,000 should first be considered at 10 years; however, a longer term may be used when necessary to show repayment ability. Manufactured homes are eligible for a maximum loan term of 30 years. If the total outstanding balance on Section 504 loans is \$25,000 or less, title insurance is not required.

The required documentation needed at this stage of application differs slightly and includes:

- Work write up/scope of work
- Cost estimate
- Whole home inspection by a state licensed whole home inspector, which includes at a minimum inspection of: 1) termites and other pests (this may be separate from the whole house inspection) 2) plumbing, water and sewage 3) heating and cooling 4) electrical systems, and 5) structural soundness.

These projects will also have to comply with all applicable local building codes and permits relating to housing rehab and their corresponding inspections.

CHAPTER 9: LOAN CLOSING AND CONVERSION

Steps for the Packager

1. Updated eligibility and income for loan closing, if necessary
2. Loan closing with the title company/closing attorney
3. Updated income verifications for conversion
4. Conversion

In the self-help program the loan closing actually takes place before any work on the home has begun, this is what makes the program participants true owner builders. Conversion takes place after all construction and applicable paperwork is completed.

Loan Closing

Once your 502 application has been approved and appraisals are received, in coordination with Rural Development and the title company/loan attorney, the applicant is ready to close their loan. This means executing the loan documents and transferring the funds, including any initial draws for land, permits, materials, etc. This loan will act as a construction loan throughout the building process. It is generally not necessary that the packager attend the closing as the closing agent will walk the applicant through the process. However, if your organization is selling the land/home to the borrower, there will be documents that need to be signed prior to the closing.

In preparation for closing, you may be asked to assist Rural Development to gather updated verifications if the ones used to determine eligibility are more than 180 days old. This requires verification of eligibility information and income in the same way it was done for

eligibility and based on the preferred sources. Usually, you'll be asked to gather updated paystubs, award letters, etc. (see Verifications in Chapter 7 of this guide) but Rural Development carries most of the weight here and oversees and completes all of the closing documents.

Documents you will assist with gathering for loan closing:

- ✓ Updated eligibility information and verifications
- ✓ Insurance binder (see Chapter 8 of this guide)

Section 502 Draws

Once the 502 loan is closed and drawdowns are needed from a participant's loan account, significant planning is required by the grantee to determine the amount to be requested. This is because once you start drawing on the 502 account, the borrower begins accruing interest on the amount drawn. If you overestimate or over draw, the borrower is potentially paying more in interest than they would need to when draws are well planned. On the other hand, if you don't draw enough, you won't have the funds the participant needs when invoices become due.

Section 502 funds are advanced from the Servicing Office in St. Louis and disbursed by the local offices based on regulatory guidelines. Grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. The participant's loan payments are deferred during construction and the entire amount of the loan can be drawdown prior to completion of the home.

There are historically two methods for accounting and drawing 502 funds during construction, Supervised Bank Accounts (SBA) and Custodial Style Bill Paying, there is much more detail on this in the *Individual Borrower 502 Loan Accounts Guidebook*.

Conversion

The construction loan is converted for amortized payments which will be due the first day of the month as a permanent loan in LoanServ once the final disbursement is posted and following **any** of these events:

- Final inspection by the Agency or qualified third party

Tracking documents through closing

It is good to track the dates of the verification documents throughout the application and closing process so you can anticipate documents that are going to expire prior to closing. This way, you can gather them prior to RD's request to ensure there is no delay.

- Issuance of the Certificate of Occupancy by the local jurisdiction.
- Occupancy of the new or repaired dwelling.

Loan conversion and the final inspection can occur on the same day provided the local office receives a copy of the final occupancy permit or other equivalent inspection report(s). The final inspection will often be completed by a local building official (especially if it's required for the Certificate of Occupancy) and also on occasion, by Rural Development. While Rural Development is not required to conduct this final inspection, some offices still choose to do it. It usually takes a little while after the inspections and the homes are complete to get final invoices, the bank accounts closed, paperwork completed by Rural Development to prepare for the conversion and then the conversion itself must actually take place on the first of the month.

A (construction) loan is converted to a permanent loan on the first of the following month after all funds are disbursed and any of the following have occurred:

- ✓ An occupancy permit is issued (if required),
- ✓ The borrower has occupied the property, or
- ✓ A final inspection is completed

At conversion, Rural Development will often ask the grantee to help to gather some updated information to help them analyze the borrowers need for payment subsidy. This requires verification of income information in the same way it was done for eligibility and loan closing, based on the preferred sources. Usually, you'll be asked to gather updated paystubs, award letters, etc. (see Verifications in Chapter 7 of this guide). This income verification is for the purposes of payment subsidy, and not to re-determine eligibility. Eligibility has already been determined and cannot be taken away, even if the applicant's income has increased and they are now over the limits, unemployed, etc. The borrower's monthly mortgage payment will likely change from the original projection at this point though. This may be because their income has changed and their subsidy changes as it is based on their current income and reviewed and revised annually. It may be a small or a large difference. Another reason is that their total loan amount has increased through the build process as interest has accrued on their construction draws. The loan documents will be revised, with the new total loan amount, including accrued interest at the time of conversion.

Conversion itself will take place on the first of the month and the first payment will be due on the first of the month following conversion. For example, the participants move in on January 15th, the conversion takes place on February 1st and homeowner's first payment will be due on March 1st. When conversion is complete, Servicing Center takes over servicing responsibilities, receiving and processing monthly payments, issuing late notices, recertification's, etc.



Funds Remaining After Conversion

During conversion any remaining 502 loan funds in the borrowers account are remitted to Rural Development. Your responsibility has been to build the homes to the plans and description of materials. Once this is done and the funds have been moved, your responsibility for the funds have ended at this point. Any use of those funds (for authorized purposes approved by Rural Development) is between Rural Development and the homeowner. Many grantees put in their group agreement that any remaining funds will be put towards the loan to avoid problems after the homes are complete.

You don't want there to be any confusion about work that you are responsible for overseeing and work that was outside your scope (not on the plans or in the description of materials). For example, you authorize a participant to add a deck with remaining loan funds and it is faulty, so Rural Development comes back to you for warranty information and you don't have any. Or the whole group decides they want to put in fences and buy all the materials, but only half of them actually put up the fences and the others have materials lying on the ground going bad, so now Rural Development would like to know what you're going to do.

CHAPTER 10: BRINGING IT ALTOGETHER AND BUILDING A PROGRAM

Steps in Building a Self-Help Group

1. Secure building site
2. Outreach & recruitment
3. Application intake and housing/credit counseling
4. Develop a waiting list of applicants
5. Complete borrower eligibility application submission (all group participants)
6. Receive Handbook Letter 16A or 16B (3550), Eligibility of Self-Help Applicants (all group participants)
7. Pre-construction meetings start (consider the best timing for your program)
8. Complete property application submission (all group participants)
9. Continue pre-construction meetings
10. Loan closing
11. Construction starts

Packaging for self-help 502 applicants includes additional considerations to ensure they meet the needs of the self-help program. Unlike packaging for individual applicants, the challenges of submitting a group of applicants who can all close and start on their homes at the same time requires significant coordination. Your organization will need to coordinate internally on the securing of the property, construction documents, outreach and the 502 application submissions to meet the 523 Implementation Plan and grant goals. You do not want to rush the application process to meet your organization's needs, which can result in unprepared, frustrated and possibly unsuccessful owner builders. Frustration can occur early in the process between the 523 grantee and the owner builder when applications are rushed, and that later impacts the overall build group. A successful owner builder is not only a family who qualifies for the loan and completes the home, but one who is a successful homeowner for the long-term. This chapter is designed to emphasize the timing and steps needed for a successful 523 program and your role in 502 loan packaging. Other Self-Help Guides provide further details on these topics including:

Program Director Handbook, Group Coordinator Training Handbook, Pre-Construction Meeting Guide and Construction Supervisors Handbook.

Outreach & Recruitment

As a 523 grantee your outreach and recruitment will need to take into consideration the area of your next build group(s). This is to ensure that you have enough qualified applicants interested in building their homes at that location to meet your implementation goals. For many 523 grantees, your service area can be very large covering more than one county and possibly hundreds of miles. Your Affirmative Fair Housing Marketing Plan will be targeted toward those who might be interested in living in the location of the identified build site. For additional information on marketing and outreach, including information on fair housing and the Affirmative Fair Housing Marketing Plan refer to the Group Coordinator Handbook. This plan should be implemented at least a full year prior to your anticipated start date for applications as it can take a while to get enough applicants, especially if it is a new area for your self-help program. If it is a new area, you may want to start your outreach, marketing and recruitment two years prior to the projected build, to allow applicants to resolve credit or other eligibility concerns and still participate. This is especially true if you are not planning on another build group in the area in the near future, for which they could qualify if they need additional time.

Timing Needed for Qualifying a Full Build Group

It is rare that an applicant meets all of the eligibility requirements the day they complete the initial intake form. Often there is a need to resolve credit concerns, gather all of the required documentation and to decide if the 523 program is the best fit for their family. Because every applicant has different needs and questions, it can be a challenge to have a full build group ready at one time. Do not underestimate the amount of time it will take, because if you do it can delay your overall program implementation by delaying the start of the build. Ideally you have created a waiting list of applicants, which is an ongoing and open application process. You should also have an established housing counseling program or partnership with another agency to assist applicants who do not initially qualify based on credit requirements. If you do not have an established waiting list, you should anticipate at least a 12-month application processing time for groups with more than six owner builders. This time frame is in addition to your outreach and recruiting. Keep in mind that you will need to maintain current income, asset, and credit information. So, if the applications are taking longer than three months to complete, you will

likely need to update these third-party verifications either prior to submission and/or prior to closing (income documents expire after 180 days for construction/permanent loans).

When you cover a large geographic area and you have several years between build groups, it is challenging to keep people on a waiting list and maintain their interest in waiting several years for the next build. If this is the case, you might want to consider becoming a 502 Certified Packager, allowing you to submit those applicants who are not ready for the 523 build to still receive a 502 Direct Loan that would allow them to purchase an existing home in that area. If you are not a 502 Certified Packager, you can still refer these applicants directly to Rural Development for a purchase of a non-self-help home. Make sure you thoroughly consider the timing when referring an applicant to purchase on the market with a 502 Direct Loan verses your next 523 build. It can take a year to create a build group of qualified applicants, with applicants meeting the eligibility requirements at different times. You do not want to create unnecessary competition for your 523 program by referring applicants to existing homes on the market. However, if you do not foresee building again in that area for more than two years, loan packaging or a referral to Rural Development for an existing home with a 502 Direct Loan might be a way for the applicant to become a homeowner and your work to not be in vain.

Application Submission

The program is designed for all applications in a building group to be submitted, reviewed and closed at the same time, however some Rural Development loan approval officials prefer a staggered submission. Rural Development has 30 days to review your application and determine eligibility, so staggering application submissions can be an advantage for you and Rural Development. However, many Rural Development offices prefer, and some require, all applications to be submitted together before they will start their review. This ensures them that you have a full build group and prevents them from doing multiple reviews if the final application submissions were delayed and documents expire. You should discuss this with your local Rural Development office to determine which they prefer, complete or staggered submissions. There are a couple of process steps that ideally should be done together, these include request for appraisals, loan obligation and loan closings. So, even if you do decide on a staggered submission, it is best if all applications can be submitted within a couple of weeks and generally no longer than a month between the first and last application.

Pre-Construction Group Meetings

There is an entire Self-Help Handbook, *Pre-Construction Meeting Guide*, which is recommended if you are a new grantee, new in your position or a great refresher to brush up on ideas for these meetings. You may not be responsible for these meetings, but it is important to understand what is covered and how the timing of these correlates with the 502 packaging process. These meetings typically include information that relates to homebuyer education and housing counseling, although it typically does not meet Rural Development's requirement for homebuyer education. Pre-construction meetings also typically include information on choices that are later included in the property documents submitted to Rural Development. There are numerous variations on the content and timing of these meetings, but the overall goal is to provide information and to build the owner builders into a group that will be key to the successful completion of their homes. Once again, they should not be rushed to meet your goals, as this can result in less informed and frustrated owner builders. The timing and content of these meetings should be discussed internally considering all of the components of the 523 program and the overall goal of a successful group build.

Conversion

The last step of the process for the 502 loan is the conversion from a construction loan to a permanent loan. Loan conversion details are discussed in Chapter 9 of this guide. Make sure you factor this step into your overall timing and work plan. New third-party verifications will likely be required, and these can take time to gather. Make sure you are requesting the needed documents at least a month in advance of your projected conversion date, so that conversion is not held up for everyone or because one or more owner builders did not have enough time in the midst of completing their homes to provide you the needed documentation.

Ongoing Communication and Documentation

Packaging 502 loans for self-help is a long-term process, from initial intake to loan conversation. It is important to keep a running record of your communication and to have complete and ordered files throughout the process. These files will be reviewed by funders and your T&MA contractor and used to answer questions years later. It is your job to make sure they are complete, accurate, accessible and orderly, so that anyone can easily find the needed information.

CHAPTER 11: eFORMS

Steps for the Packager

1. Request access to eForms
2. Register for eForms
3. Gather applicant documents
4. Complete Form RD 410-4, Uniform Residential Loan Application, from eForms
5. Phase 1 Application Submission following Rural Development's stacking order, attach the additional required documentation outlined in Handbook-1-3550 and Attachments 3-A and 3-J
6. Submit the application to your Rural Development office
7. Track the application through the Rural Development review process
8. Submit Phase 2 Property Information

What is eForms

eForms allows applicants, loan application packagers, self-help grantees and others to submit applications electronically directly to USDA-Rural Development. Using eForms is beneficial to both the grantee and to Rural Development. All packaging types are required to use eForms, which means that applications will get to Rural Development faster and you don't have to wait for, or pay for, mailing them or driving them to the Rural Development office. Also, Rural Development doesn't have to scan all those documents, and it is transparent when applications are received.

For the grantee, eForms provides a convenient and secure way to submit a loan application package to Rural Development that contains all the required documents with the exception of the credit report fee (which will need to be mailed, scanned or hand-delivered to the Rural Development office that will process the application).

For Rural Development, eForms streamlines the application process making the process overall faster, transparent and it reduces paper consumption!

eAuthentication

Grantees who are planning to submit through eForms, need an eAuthentication account. If you have access to SHARES, you already have this. An eAuthentication account consists of a User ID, password, and user profile, which allows the user to enter an application with high security requirements through a USDA website portal.

You can register for an eAuthentication account online by visiting the following site and providing the requested information to verify your identity. If you have difficulty verifying your identity through the online system, you will need to contact USDA and verify your identity directly with the appropriate staff.

<https://identitymanager.eems.usda.gov/registration/selfRegistrationForm.aspx?level=2>

Tip

Use Edge as your browser. Users have reported difficulties when using Chrome and Firefox.

Registering for eAuthentication and accessing eForms

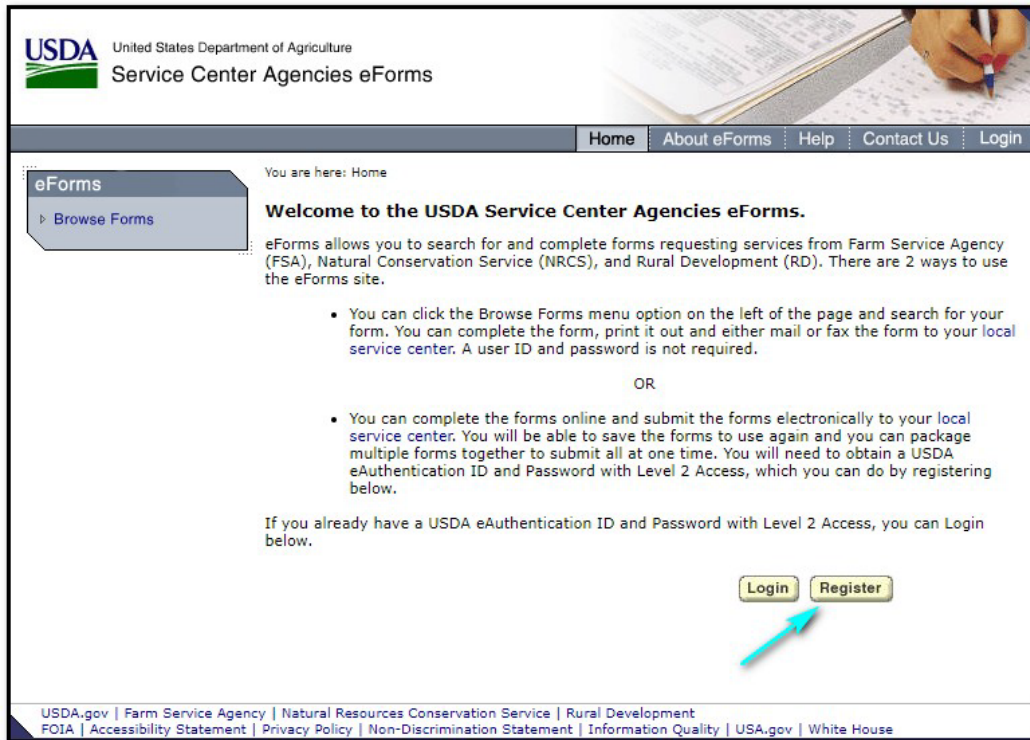
Navigate to forms.sc.egov.usda.gov

All eAuth customer accounts (eForms and/or SHARES) require you to use Login.gov, a multi-factor authentication system. When you create a Login.gov account, two pieces of information will be requested to securely sign in and protect your information.

- Password
- Authentication method (such as a one-time code sent to your phone or an authentication app)

Using both a password and another method makes it difficult for others to access your information.

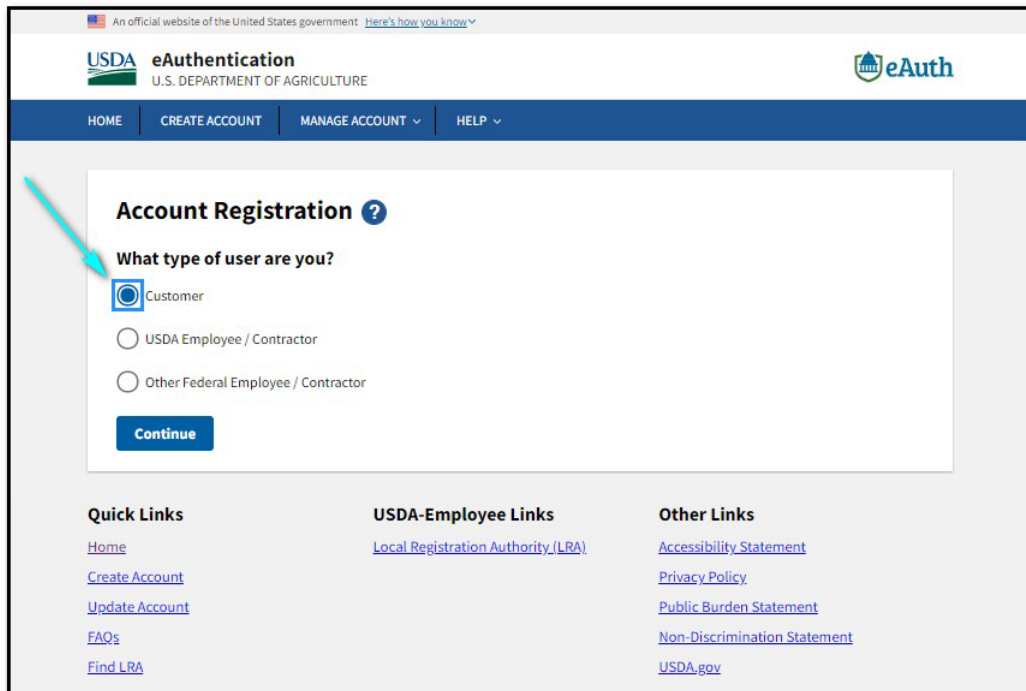
Click Register



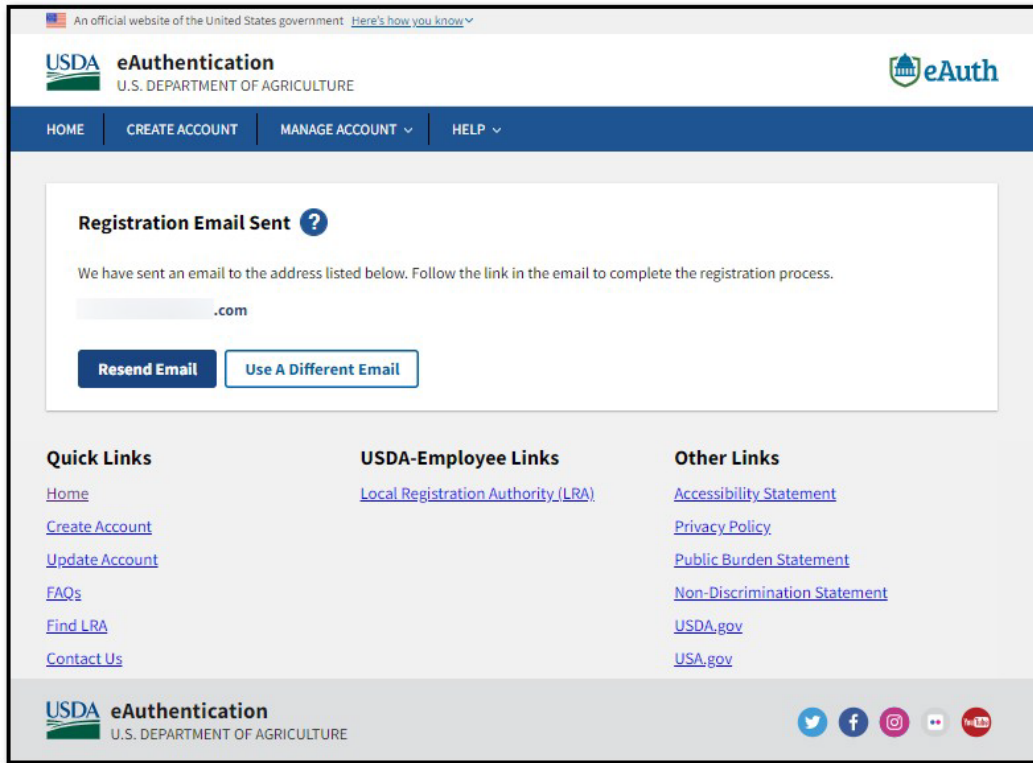
Choose Customer

Click Continue

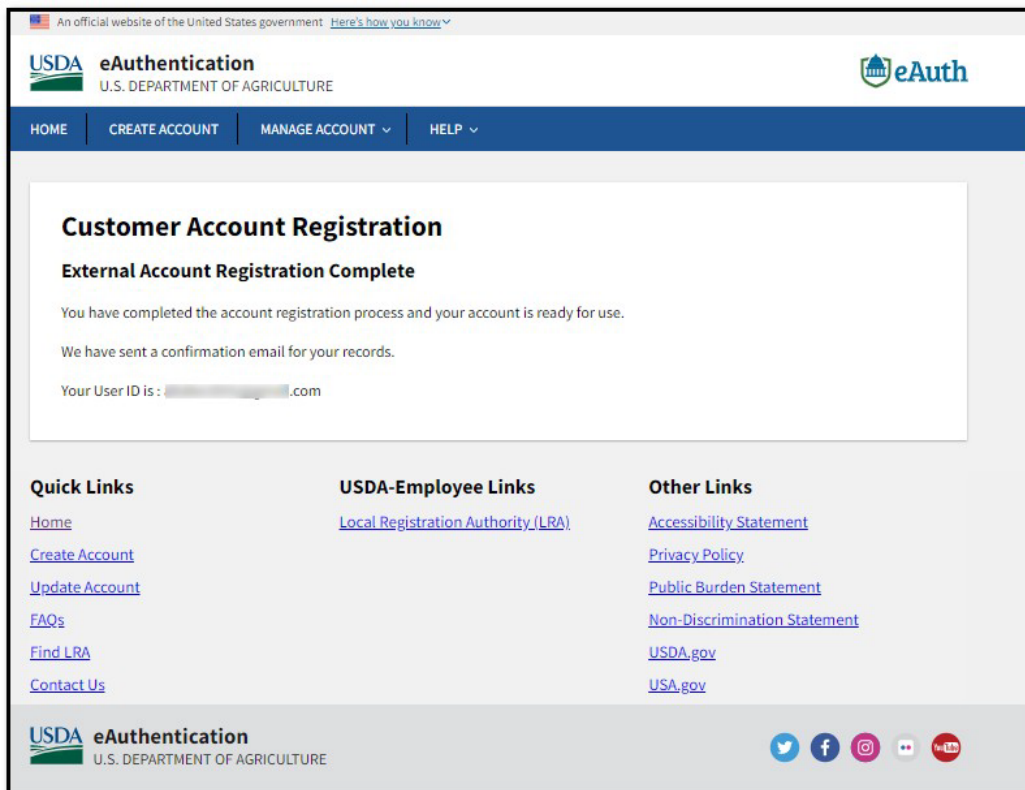
Enter Requested Information on next page



You will be taken to the following page



You will receive an External Account Registration Complete Page Confirmation



Open Confirm Email from DoNotReply.IcAM@ocio.usda.gov

Click on Continue Registration

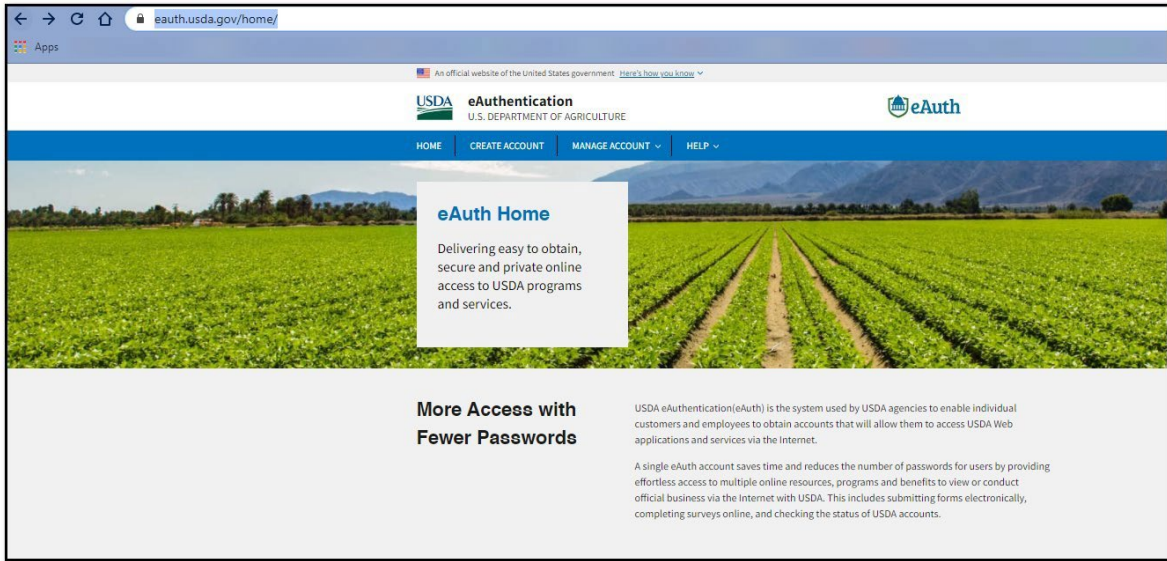


Fill in Customer Account Registration information, including choosing a Password

A web browser screenshot of the 'Customer Account Registration' page on the USDA eAuthentication website. The page has a blue header with the USDA logo and navigation links: HOME, CREATE ACCOUNT, MANAGE ACCOUNT, and HELP. The main content area is titled 'Customer Account Registration' and includes the following elements:

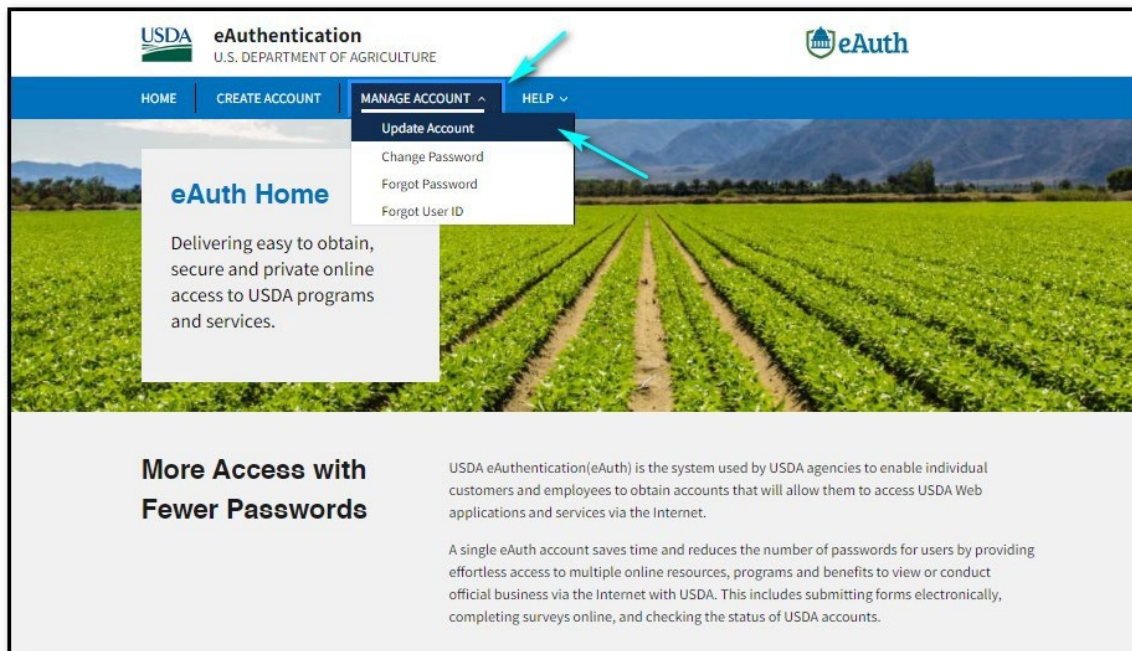
- A form with four input fields: 'First name', 'Middle name (optional)', 'Last name', and 'Suffix (optional)'.
- A light blue information box with an 'i' icon and the text: 'Your User ID Is Your Email Address' and 'User ID: _____ .com'.
- A section titled 'Please set your password' with a question mark icon. Below it, a note states: 'Password must be at least 12 characters long and cannot be a commonly used password.'
- A 'Password' input field.
- A checkbox labeled 'Show Password'.
- A blue 'Submit' button at the bottom left.

Navigate to eauth.usda.gov/home/



Click Manage Account

Click Update Account



Click on Verify My Identity

Answer questions that follow carefully. They will ask specific questions about your background, previous addresses, account numbers, and account balances. These will verify your identity.

The screenshot displays the USDA eAuthentication 'Account Information' page. At the top, it features the USDA logo and 'eAuthentication U.S. DEPARTMENT OF AGRICULTURE' on the left, and the 'eAuth' logo on the right. A navigation bar includes 'HOME', 'CREATE ACCOUNT', 'MANAGE ACCOUNT', and 'HELP'. The main content area is titled 'Account Information' with a help icon and a 'Logout' button. It is divided into three sections: 'Login Information' (showing user ID, email, and password fields), 'Personal Information' (with an 'Edit' button), and 'Multi-Factor Authentication (MFA)' (showing 'PIV/CAC' as 'Not enabled' with an 'Enable' button). A red arrow points to the 'Verify My Identity' link in the Login Information section. The footer contains 'Quick Links', 'USDA-Employee Links', and 'Other Links' with various utility links, and social media icons for Twitter, Facebook, Instagram, YouTube, and LinkedIn.

Submitting the Packaged Application

It is important that the Agency approved Form RD 410-4 be used to submit an application. Submitting the incorrect version or multiple versions of the 410-4 will result in errors within eForms and may prevent Rural Development from being able to accept the application. This can also cause the application to not properly import into UniFi (Rural Development's web-based application used for loan origination), which results in delays in the application processing.

Tip



Always make sure the instruction icon, as shown, appears next to the 410-4 being submitted, this indicates you are using the correct form version.

The user starts the process by logging into the eForms site, browsing to the Rural Development 410-4 loan application. At this point there are options to either complete the loan application directly within eForms or upload an existing application from another loan application system (provided it is compatible with the eForms site). Link to the eForms site:

<https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>

There are three ways to complete Form RD 410-4 (Uniform Residential Loan Application):

- Import the industry standard Form 1003
- Complete the 410-4 online within eForms
- Export the 410-4, complete offline, and then import the completed form into eForms

The application and applicable accompanying documentation must be grouped together and organized as follows:

- Each bolded header (e.g. Application Processing, Eligibility-Income, etc.) must be a separate attachment for grouping the applicable items listed below.
- Each attachment will be named the header title followed by the applicant's last name (e.g. Application Processing-Jones, Eligibility Income-Jones, etc.).
- Verify that all applicable documents are included, fully completed, signed (as needed), and readable prior to submitting to Rural Development.
- Incomplete application submissions or application submissions that don't follow the stacking order, received via eForms, will be returned.

By grouping the documents together as indicated above, it makes it easier for Rural Development staff to move those attachments into an electronic file and save everyone time in the long run.

Tip

Creating a folder within your documents will ensure quick accessibility to the necessary documents when loading them into eForms. Make sure these are labeled correctly and that you are only including the most recent documents and only those necessary for a complete application.

Attachment 3-J

The first thing to keep in mind is that all packagers, certified or not, are subject to the requirements of Attachment 3-J, *Checklist of Items to Accompany the Uniform Residential Loan Application* (Appendix 7). You, as the packager, will need to submit the applicable items in Attachment 3-J when packaging for a loan and entering it into eForms.

Stacking Order

When an Intermediary submits an application via eForms, the documents must be grouped according to the stacking checklist (Appendix 14). This may be used as a tool if you choose to submit an application via eForms, as it groups documents by category. While the stacking order checklist is not a processing checklist (not all applications will have all of the documents identified), it does indicate that if you have this type of document, it should be grouped within this category.

Tip

Comments should not be placed on the application within the data fields, such as "not working" within the employer name and address field, as this will cause errors.

Paying for the Credit Report when using eForms

There are now two ways to provide the TMCR credit report fee to Rural Development:

Option 1) Provide a copy of a voided check or savings account deposit slip from an American Bankers Association (ABA) bank. The Agency will use the ABA routing number and account number to collect the applicant's payment through the Automated Clearing Housing System. It is recommended that the check be endorsed to USDA-RD, filled out for the appropriate amount and signed to avoid any misunderstanding, even though it will be voided.

Option 2) Mail a check, cashier's check or money order that is signed, dated, and made payable to USDA Rural Development.

Option 1 is preferred and works well for packagers who submit loan application packages electronically.

Submitting the Application

The final step of submitting includes choosing the Rural Development office that will receive the application. You will need to discuss this with the Rural Development office where you typically send the application as it might be different than you would assume. Because everyone in an office may receive notification of an application when it is submitted via eForms, some states have set up a system that allows Rural Development to coordinate receipt by specific offices or people and then they assign processing.

Tip

Technical support is available and they are responsive if you experience problems of a technical nature, you can contact the Rural Development Help Desk by calling 1 (800) 457-3642, select USDA Applications (press 2), then select Rural Development (press 2) or you may send an email to RD.HD@USDA.GOV

Next Steps, Confirmation and Follow-up

Once you've completed and submitted an application, you will receive an email confirmation and the application will be moved to your "Outbox" on the eForms site. Print out the email confirmation or save it to your applicant's file on your computer. You will need the "package" or confirmation number for future correspondence and/or reference.

The Outbox menu area contains three actions: Collecting Signatures, Pending Packages, and Completed Packages. In most cases, you will only be concerned with Pending and Completed Packages.

Pending Packages

The Pending Packages area provides a list of open applications you've submitted. A pending package can be viewed, but editing is not allowed.

Open package submissions are packages that are:

- New—a submitted package that has not been opened by a USDA employee
- Pending—a submitted package that has been opened by a USDA employee
- Redirected—a submitted package that has been forwarded to another servicing location for processing

Completed Packages

The Completed Packages area contains a list of all submitted packages that have been accepted. The term “Accepted” only means that information contained in the package was sufficient to allow further processing of the request and may or may not require that signed printed copies of the electronic forms be submitted.

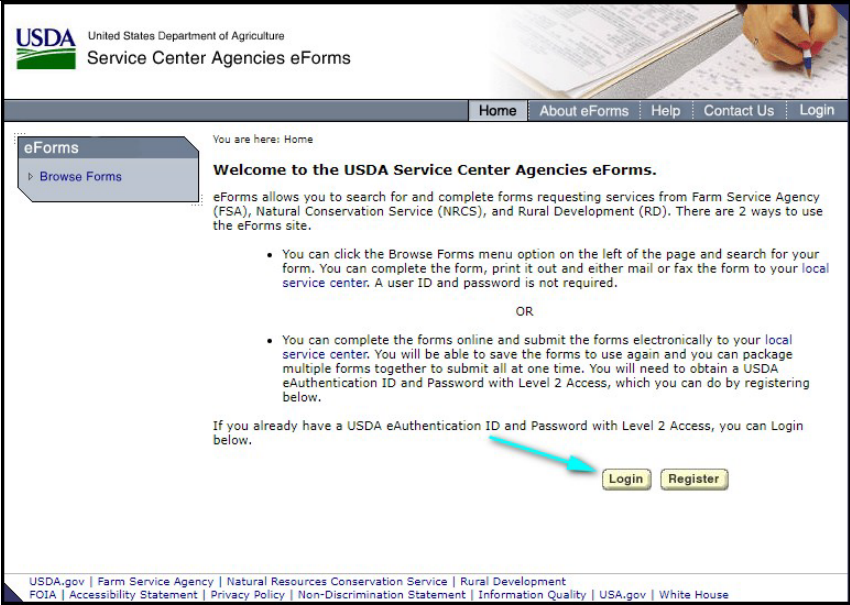
Conclusion

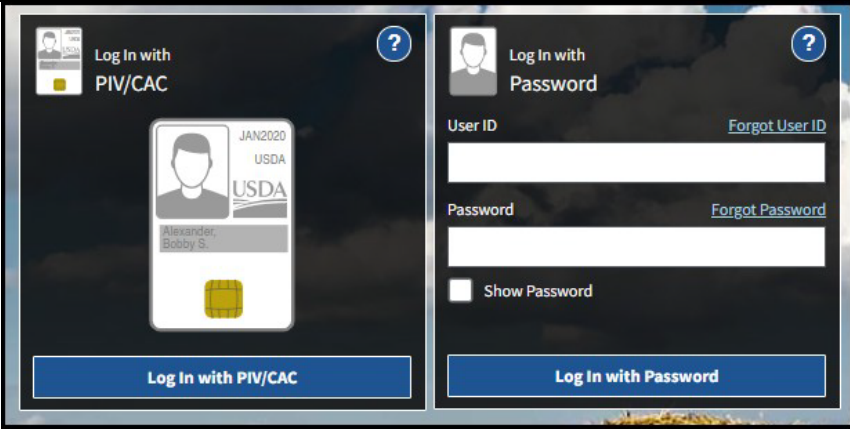
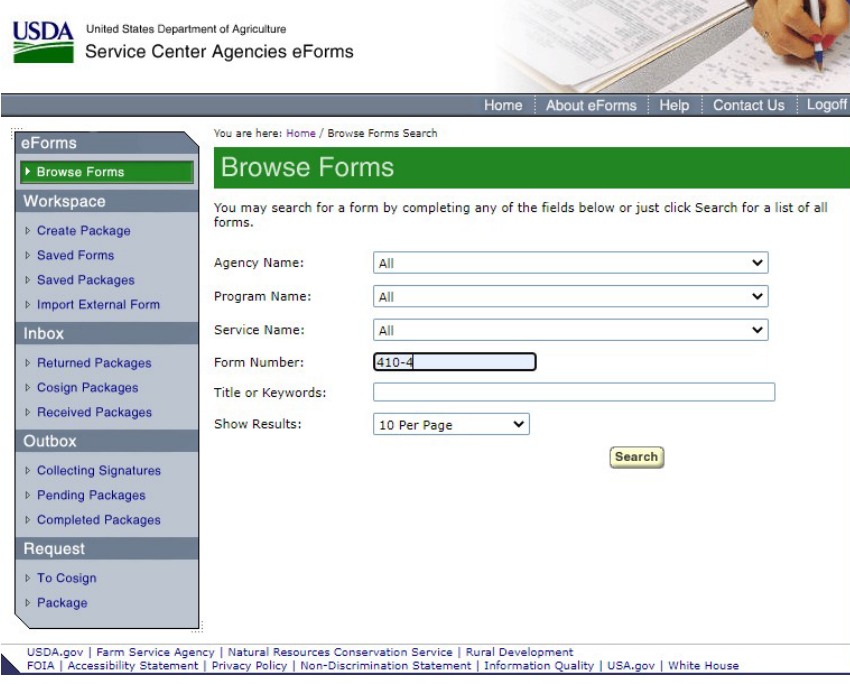
You are only required to use this when packaging a non-self-help application via the certified or non-certified loan application process but are encouraged to use this as a tool when processing a 502 self-help application. As discussed in this chapter, submitting applications via eForms has its benefits; however, it is recommended that the grantee and Rural Development discuss if this is the best process for your application submissions.


Submitting 502 Direct Mortgage Loan to USDA Rural Development

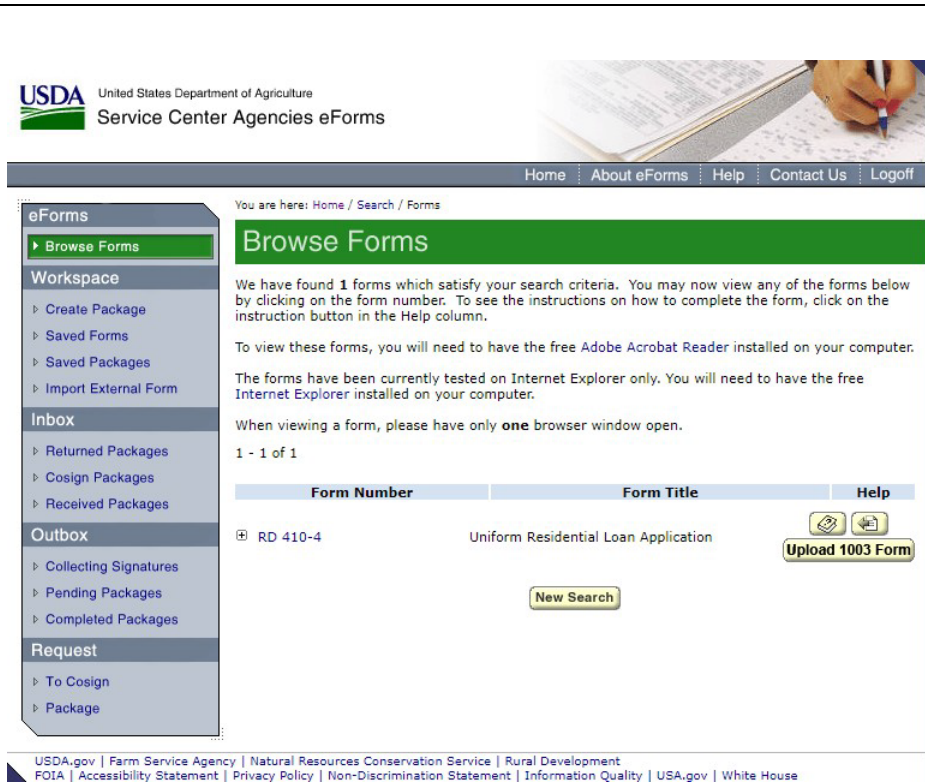
For determination via eForms

Graciously provided by Mi'shell French, RurAL CAP Homeownership Program Manager

STEP	TASK DESCRIPTION	OPERATOR	TOOLS/SUPPLIES/ RESOURCES	CYCLE TIME
Login to eForms	https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home	Certified Packager	Computer, Internet Access	30 seconds
Click Login		Certified Packager	Computer, Internet Access	5 seconds

<p>Enter user ID, Password and click “Log in with Password”</p>			<p>Certified Packager</p>	<p>Computer, internet access, Level 2 login credentials through USDA Rural Development</p>	<p>30 seconds</p>
<p>Click “Browse Forms” and enter 410-4 in Form Number</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

Click "RD 410-4 to complete online or  icon to download and import later. It is important to get the form from eForms or it will not save or import correctly. Once it is imported remember to save the form on your computer to complete.



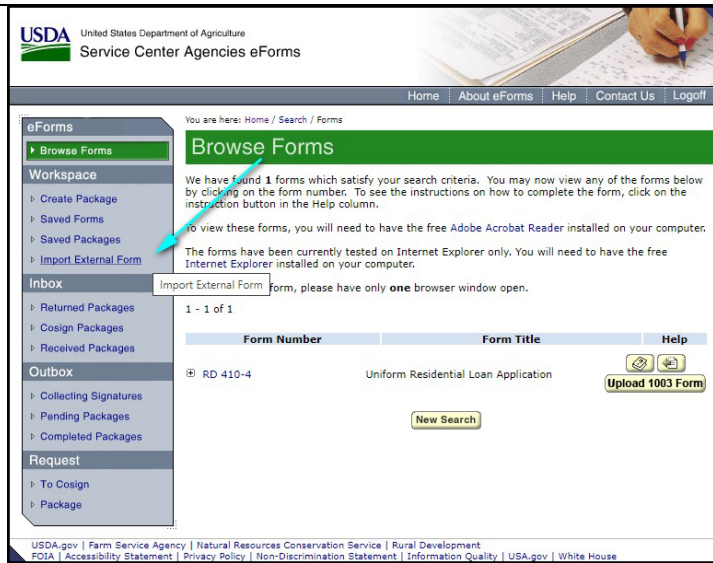
The screenshot shows the USDA Service Center Agencies eForms website. The header includes the USDA logo and navigation links: Home, About eForms, Help, Contact Us, and Logoff. A sidebar on the left contains a navigation menu with sections: eForms (Browse Forms), Workspace (Create Package, Saved Forms, Saved Packages, Import External Form), Inbox (Returned Packages, Cosign Packages, Received Packages), Outbox (Collecting Signatures, Pending Packages, Completed Packages), and Request (To Cosign, Package). The main content area is titled "Browse Forms" and displays search results for "RD 410-4". The results table has columns for Form Number, Form Title, and Help. One result is shown: RD 410-4, Uniform Residential Loan Application. Below the table is a "New Search" button. The footer contains links to various government websites and policies.

Certified Packager

Computer, Internet Access

5 seconds

After all forms have been completed Click on Import External Form in the menu on the right.

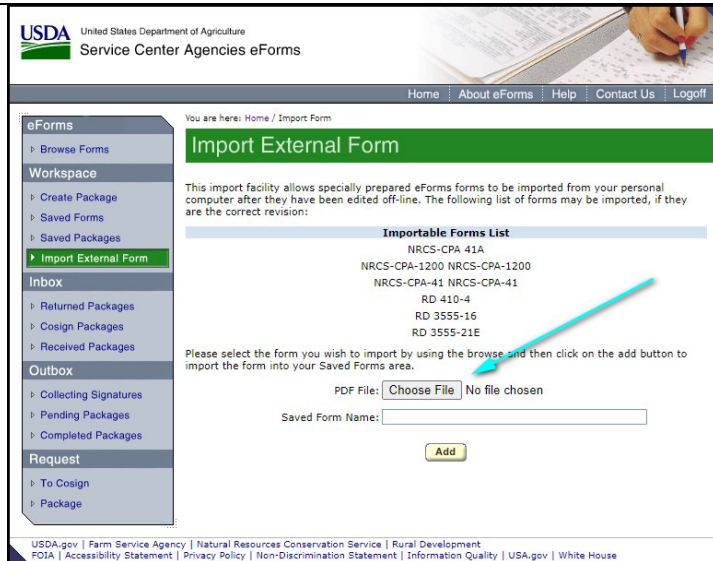


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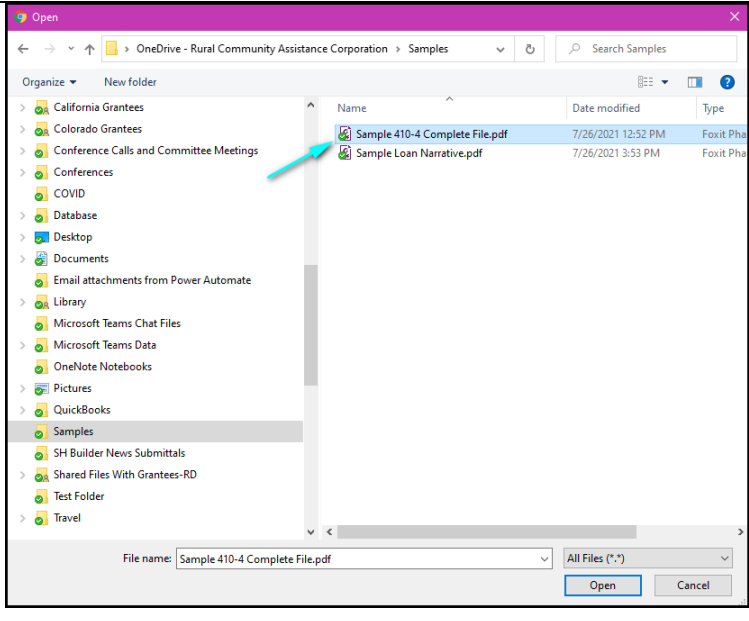
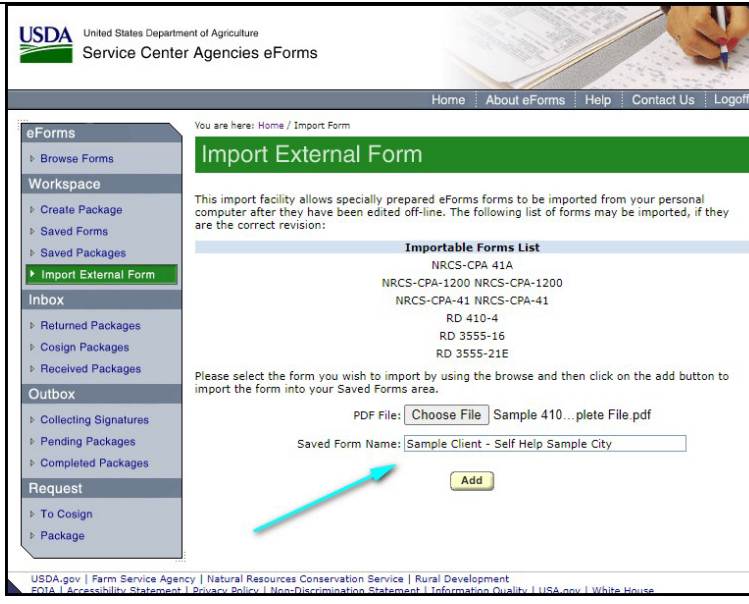
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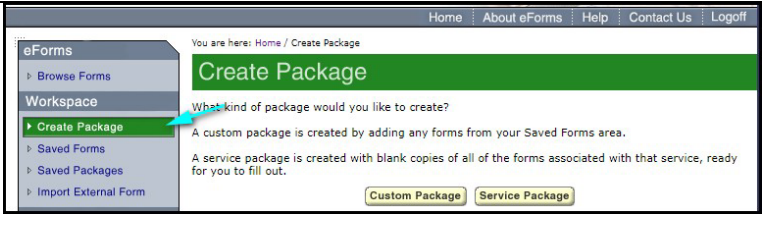
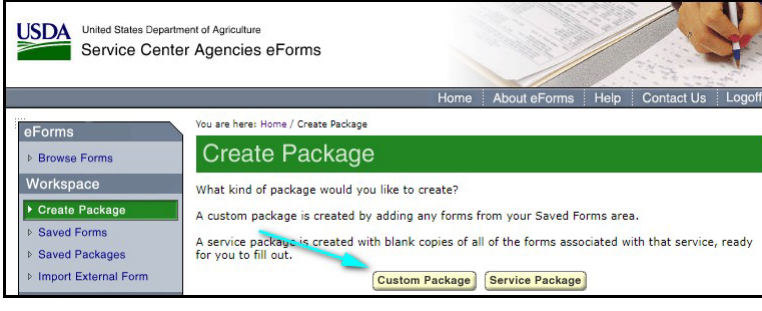
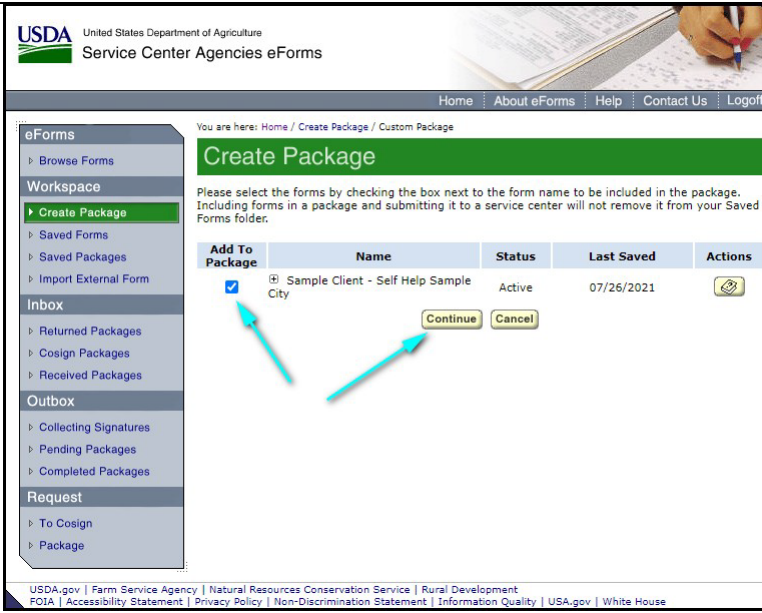


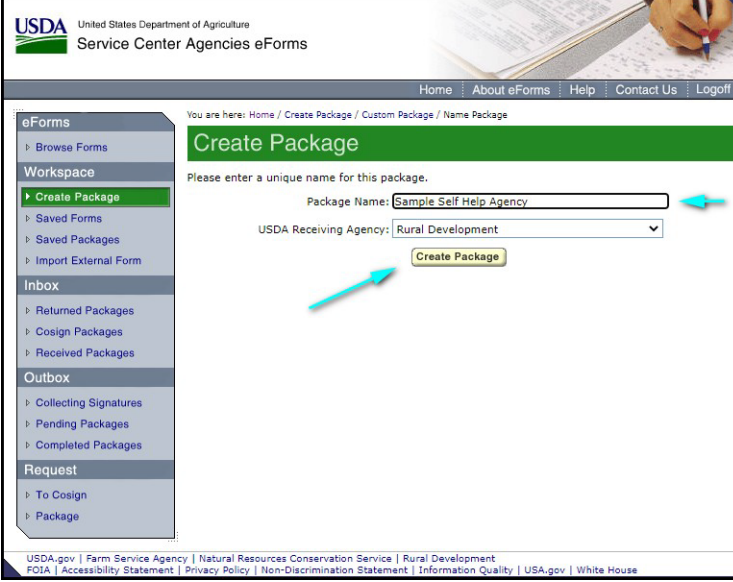
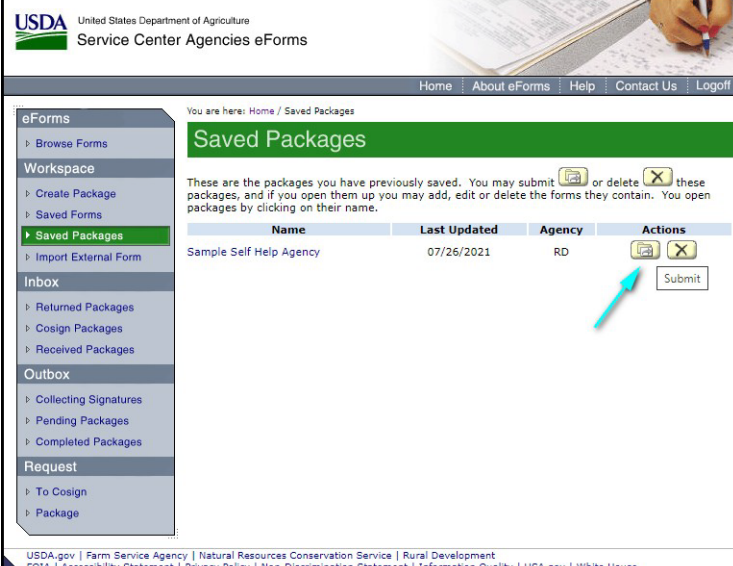
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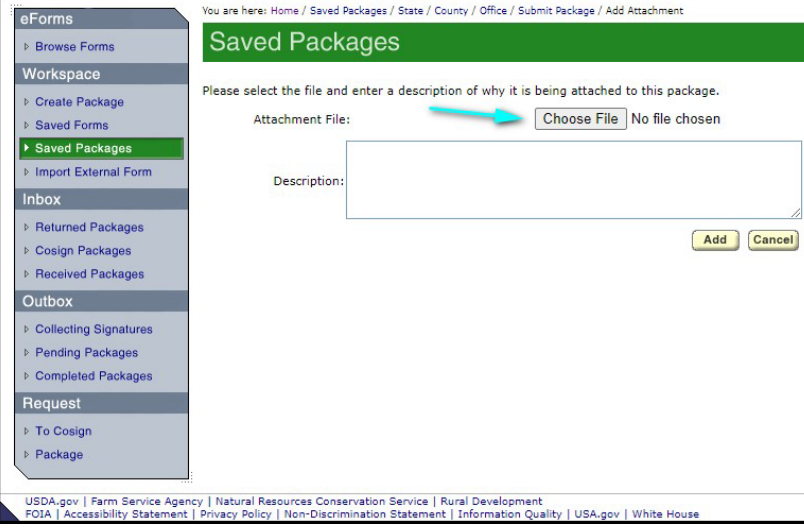
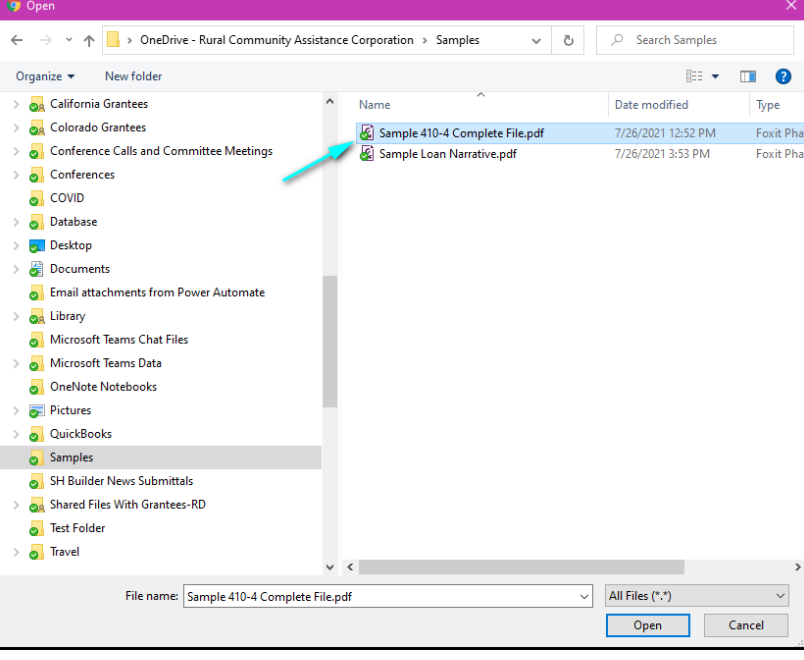
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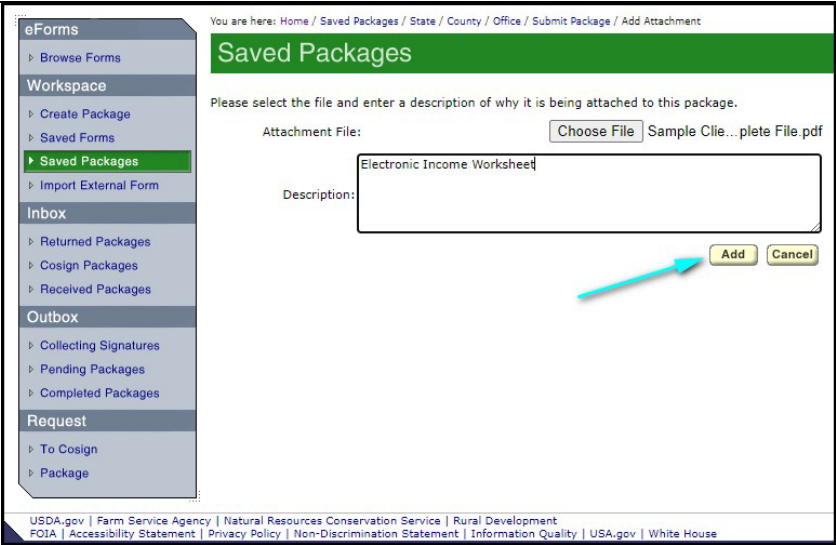
<p>Select the file you want to import (410-4) and click “Open”</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>30 seconds</p>
<p>Type Client last name and Self Help [location] in the Saved Form name, then click “Add”</p>			<p>Certified Packager</p>	<p>Computer, Internet</p>	<p>5 seconds</p>

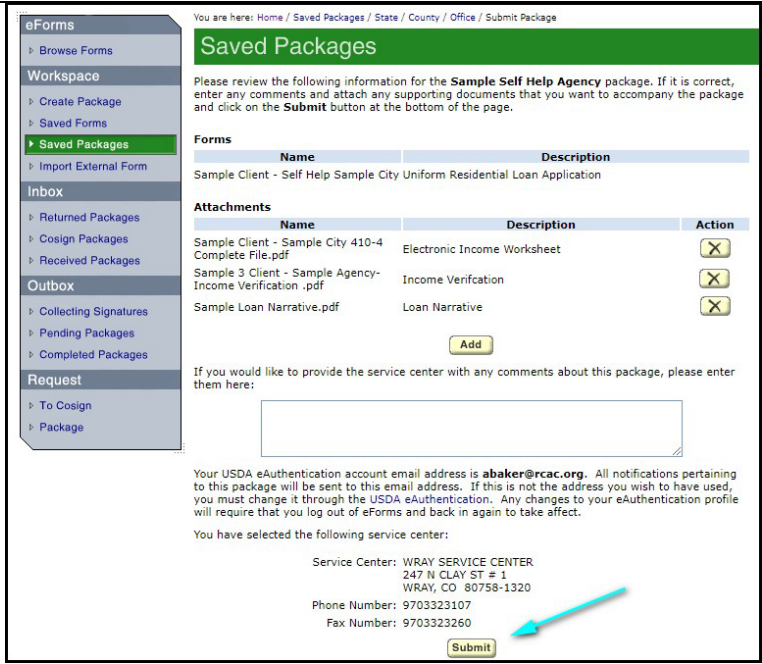
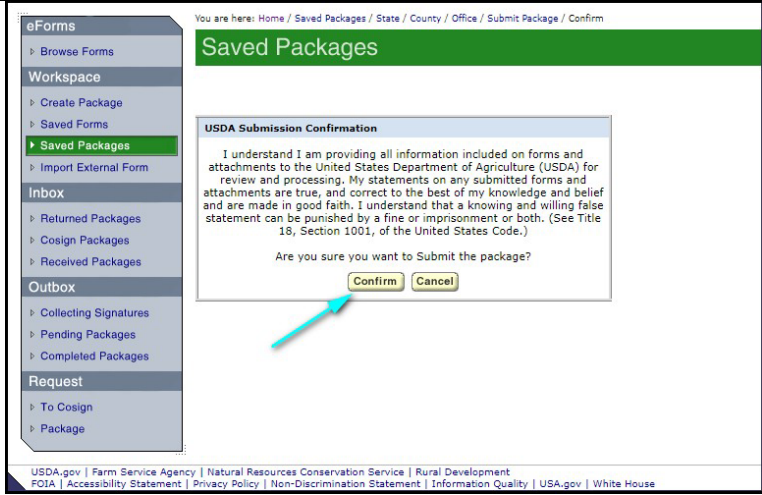
<p>Click "Create Package"</p>		<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>										
<p>Click "Custom Package"</p>		<p>Certified Packager</p>	<p>Computer, Internet</p>	<p>5 seconds</p>										
<p>Select file you want. Screen will go blank for a moment, then click "Continue"</p>	 <table border="1" data-bbox="546 974 1092 1055"> <thead> <tr> <th>Add To Package</th> <th>Name</th> <th>Status</th> <th>Last Saved</th> <th>Actions</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td> <td>Sample Client - Self Help Sample City</td> <td>Active</td> <td>07/26/2021</td> <td></td> </tr> </tbody> </table>	Add To Package	Name	Status	Last Saved	Actions	<input checked="" type="checkbox"/>	Sample Client - Self Help Sample City	Active	07/26/2021		<p>Certified Packager</p>	<p>Computer, internet</p>	<p>10 seconds</p>
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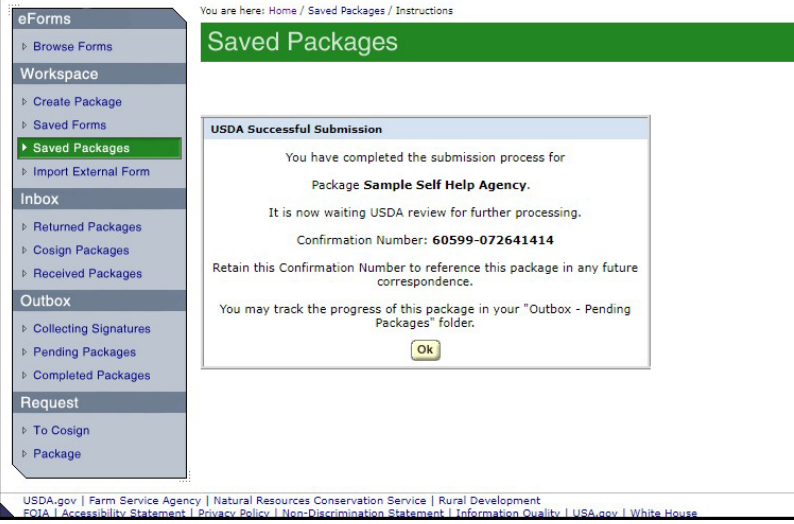
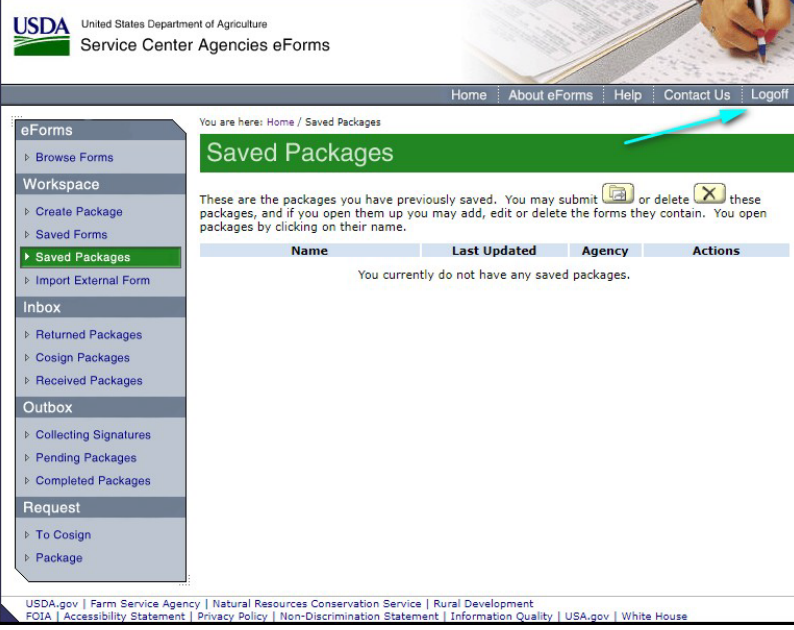
<p>Enter borrower's last name – Self Help Housing [location]. USDA Receiving Agency should be Rural Development. Then Click “Create Package”</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>10 seconds</p>
<p>Click “file icon” which will say submit when you hover the mouse over it</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>


<p>Select the USDA Service Center.</p>	<p>You are here: Home / Saved Packages / State / County / Office</p> <h3>Saved Packages</h3> <p>You have chosen YUMA county in Colorado. Please select one of the following service center offices:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Address</th> <th>Action</th> </tr> </thead> <tbody> <tr> <td>WRAY SERVICE CENTER</td> <td>247 N CLAY ST # 1 WRAY CO, 80758-1320</td> <td>Select Map</td> </tr> <tr> <td>COLORADO STATE OFFICE</td> <td>WEST 6TH AVENUE & KIPLING STREET, BUILDING 56 DENVER CO, 80225</td> <td>Select Map</td> </tr> </tbody> </table> <p>USDA.gov Farm Service Agency Natural Resources Conservation Service Rural Development FOIA Accessibility Statement Privacy Policy Non-Discrimination Statement Information Quality USA.gov White House</p>	Name	Address	Action	WRAY SERVICE CENTER	247 N CLAY ST # 1 WRAY CO, 80758-1320	Select Map	COLORADO STATE OFFICE	WEST 6TH AVENUE & KIPLING STREET, BUILDING 56 DENVER CO, 80225	Select Map		<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>	
Name	Address	Action													
WRAY SERVICE CENTER	247 N CLAY ST # 1 WRAY CO, 80758-1320	Select Map													
COLORADO STATE OFFICE	WEST 6TH AVENUE & KIPLING STREET, BUILDING 56 DENVER CO, 80225	Select Map													
<p>Click "Add" to attach all sections of the application</p>	<p>You are here: Home / Saved Packages / State / County / Office / Submit Package</p> <h3>Saved Packages</h3> <p>Please review the following information for the Sample Self Help Agency package. If it is correct, enter any comments and attach any supporting documents that you want to accompany the package and click on the Submit button at the bottom of the page.</p> <p>Forms</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Sample Client - Self Help Sample City Uniform Residential Loan Application</td> <td></td> </tr> </tbody> </table> <p>Attachments</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Description</th> <th>Action</th> </tr> </thead> <tbody> <tr> <td colspan="3">There are currently no attachments for this package.</td> </tr> </tbody> </table> <p>Add</p> <p>If you would like to provide the service center with any comments about this package, please enter them here:</p>	Name	Description	Sample Client - Self Help Sample City Uniform Residential Loan Application		Name	Description	Action	There are currently no attachments for this package.				<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>
Name	Description														
Sample Client - Self Help Sample City Uniform Residential Loan Application															
Name	Description	Action													
There are currently no attachments for this package.															

<p>To select files click “choose file”</p>			<p>Certified packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>
<p>Choose file then click “Open”</p>			<p>Certified packager</p>	<p>Computer, internet access</p>	<p>30 seconds</p>

<p>Enter name of form under description. Then click “add”</p> <p>You will follow this step and the one above to attach all pieces of the application</p> <p>*Electronic RHS Income Calculator *Application Processing Stage *Income *Deductions *Assets *Credit *Other</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>15 minutes</p>
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<p>After attaching all pieces of the package, type “[location]Self Help” and any notes you want the Rural Development office to know about the file, then hit “submit”</p>	 <p>The screenshot shows the 'Saved Packages' page. The breadcrumb trail is 'Home / Saved Packages / State / County / Office / Submit Package'. The page title is 'Saved Packages'. Below the title, there is a message: 'Please review the following information for the Sample Self Help Agency package. If it is correct, enter any comments and attach any supporting documents that you want to accompany the package and click on the Submit button at the bottom of the page.' There are two tables: 'Forms' and 'Attachments'. The 'Forms' table has one row: 'Sample Client - Self Help Sample City Uniform Residential Loan Application'. The 'Attachments' table has three rows: 'Sample Client - Sample City 410-4 Complete File.pdf', 'Sample 3 Client - Sample Agency- Income Verification .pdf', and 'Sample Loan Narrative.pdf'. There is an 'Add' button and a text box for comments. At the bottom, there is a 'Submit' button highlighted with a red arrow.</p>		<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>10 seconds</p>
<p>Click “confirm” to submit</p>	 <p>The screenshot shows the 'USDA Submission Confirmation' dialog box. The breadcrumb trail is 'Home / Saved Packages / State / County / Office / Submit Package / Confirm'. The dialog box contains the text: 'I understand I am providing all information included on forms and attachments to the United States Department of Agriculture (USDA) for review and processing. My statements on any submitted forms and attachments are true, and correct to the best of my knowledge and belief and are made in good faith. I understand that a knowing and willing false statement can be punished by a fine or imprisonment or both. (See Title 18, Section 1001, of the United States Code.)' Below the text is the question: 'Are you sure you want to Submit the package?' and two buttons: 'Confirm' and 'Cancel'. A red arrow points to the 'Confirm' button.</p>		<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

<p>Confirmation comes up. Print screen and place copy in loan file. Click "OK"</p>			<p>Certified Packager</p>	<p>Computer, internet access, printer</p>	<p>2 minutes</p>
<p>Click "logoff"</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

<p>Print email confirmation with date and time stamp of the submission. Place copy in the loan file.</p>	<p>  Tue 11/17/2020 5:15 PM eFormsManager@one.usda.gov eForms Package 102464-111736859 Submittal To Mishell French Retention Policy RurAL CAP USER RETENTION POLICY (7 years) Expires 11/16/2027 </p> <hr/> <p>EXTERNAL EMAIL</p> <p>Mishell Reid</p> <p>Package 102464-111736859 was successfully submitted on Tuesday, November 17th, 2020 at 8:15pm to:</p> <p>KENAI SERVICE CENTER 110 TRADING BAY DR STE 160 KENAI, AK 99611-7787</p> <p>It is now pending a review for completeness. You will be notified further once this has been done.</p> <p>Please do not respond to this email, as it was automatically generated by the eForms system.</p> <p>eForms Automation</p>	<p>Certified Packager</p>	<p>Computer, internet access, printer</p>	<p>2 minutes</p>
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Appendices

- Appendix 1: Application Processing Checklist
- Appendix 2: Exhibit 4-3, Types of Assets
- Appendix 3: Exhibit 4-4, Indicators of Unacceptable Credit
- Appendix 4: RD Form 1944-60, Landlord's Verification
- Appendix 5: Form RD 1-3550, Authorization to Release Information
- Appendix 6: Form RD 1944-61, Credit History Worksheet
- Appendix 7: Attachment 3-J, Checklist of items to accompany the Uniform Residential Loan Application
- Appendix 8: HB-1-3550, Attachment 7-C, Insurance Policy Requirements
- Appendix 9: Handbook Letter 16A (3550), Eligibility of Self-Help Applicants-New Construction or Acquisition Rehabilitation; Handbook Letter 16B (3550), Eligibility of Self-Help Applicants- Owner Occupied Rehabilitation
- Appendix 10: Uniform Residential Loan Application, Form RD 410-4
- Appendix 11: Form RD 3550-12 Subsidy Repayment Agreement
- Appendix 12: Form RD 1924-2, Description of Materials
- Appendix 13: USDA-RD eForms User Guide September 2022
- Appendix 14: USDA-RD Stacking Order Checklist
- Appendix 15: Subsidy Recapture Single Family Housing (Direct Loans), What is Subsidy Recapture?

Appendix 1: Application Processing Checklist

SAMPLE 502 Processing Checklist

Date File Received:		Name of Packager:	
Applicant Name:		Contact Name:	
Amount of Loan:		Phone:	
RD Contact Name:		Phone:	
Address:		Email:	
City, State, Zip:		Fax:	
Email:			
County Name:		Eligible County:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Term:	33 Years = 396 months	Term:	38 Years = 456 months
Very-Low and Low Income Ratio:		33% PITI/41%TDR	
Ratios within Guidelines:	<input type="checkbox"/> Yes <input type="checkbox"/> No	TDR:	<input type="checkbox"/> PITI: <input type="checkbox"/>
Max. Loan Amount:	\$	Max. Income:	\$
Date Loan Submitted to RD:		Date COE Issued:	
Amount of Loan Approved:		USDA Loan Number:	

	Stage 1 — Application Submission via eForms	HB 3550
√	Application Processing Stage	
	Form RD 410-4, Uniform Residential Loan Application (URLA) (pages 1-5) & Additional Information Required for RHS Assistance (pages 6-10). Signed and dated by all parties. Electronic Uniform Residential Loan Application (pages 1-5) & Additional Information Required for RHS Assistance (pages 6-10) Unsigned	
	Form RD 3550-1, Authorization to Release Information, for each adult member of the household.	
	Loan application narrative recommendation, which includes an eligibility and preliminary credit analysis	
	Homebuyer education certificate of completion	
√	Eligibility — Income	
	Copies of the last four weeks' consecutive pay stubs.	
	Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).	
	Last 12-month payment history of alimony and/or child support received as provided by the court appointed entity responsible for handling payments. If this is not available, a copy of the of the applicable pages of a separation agreement or divorce decree if available	
	For each applicant, a complete copy of their last two Federal Income Tax Returns. IRS Form W-2, Wage and Tax Statement, and/or IRS Form 1099-MISC, Miscellaneous Income, must be attached. Include current/YTD Profit and Loss Statement if self-employed and Business License if applicable.	

√	Eligibility — Income (Continued)	
	Evidence of income from assets such as interest, dividends, capital gains, etc.	
	For each applicant, a signed IRS Form 4506-T, (Request for Transcript of Tax Return.)	
	For each applicant, a written explanation of employment history of less than two years or employment gaps in excess of 30 days within the last two years.	
	A completed and signed Form RD 3550-4, Employment and Asset Certification.	
	Fully completed Worksheet for Computing Income & Max Loan Calculator. Please use most recent version which can be found at https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers (Under Forms and Resources Tab)	
	Area Loan Limits Checked	
	Area Income Limits Checked	
	Borrower's adjustable household income does not exceed maximum allowable income limit	
	Household income for all occupants 18 years and older has been verified and included on worksheet, if not employed verification/statement to that affect is in file.	

	Eligibility — Deductions	
	Written evidence of child care expenses for dependents 12 years of age or younger.	
	For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript and applicable pages of the schools administration policy of a "full-time" student.	
	Evidence of out of pocket annual medical expenses (only applicable for applicants 62 years of age and older, or individuals with a disability) who wish to be considered for a deduction to household income.	

√	Eligibility — Assets	
	For each applicant and adult household member, a copy of their two most recent Asset, bank, stocks and retirement account statements.	
	Verification of the market value of other assets such as land, real estate, etc.	
	Explanation of Large Deposits and/or payments not disclosed on application	
	Proof of Sale of other Property	
	Gift Letter: \$ _____ Donor: _____ Donor Ability: _____	
	Other	
	Other	
	Other	

√	Eligibility — Credit.	
	Nonrefundable credit report fee of \$30 for individual or joint applicants, mailed or delivered to the appropriate Rural Development office.	
	Credit Score Disclosure (HB-1-3550 Attachment 3-H Page 1 & 2) Signed & Dated	
	For each applicant, a written explanation for late payments, collections, judgments, or other derogatory items in their credit history of which they may be aware if the applicant is not eligible for Streamlined Credit analysis.	
	Copy of preliminary credit report used by the packager for preliminary credit analysis.	
	Proof of Paid Collections and/or Payment Arrangements	
	Debts paid by others: Example: Per Divorce Decree husband liable for certain debt. Twelve months cancelled check's required and verification payer is a co-obligor on debt.	
	Verification of Rent (VOR if property manager): 12 months cancelled checks if renting from family member or private party if score is below 640	
	24 month housing history: History shown on 1003 matches history reported on credit report	

√	Eligibility — Credit (Continued)	
	Court Papers Regarding minor child including child support payment schedule.	
	Applicable pages of a Final Divorce Decree; If applicable, Spousal Support Documentation	
	Student Debt Repayment Schedule or Grant Schedule	
	Continued Education Plan	
	Bankruptcy Documents and Discharge Papers	
	Short Sale/Foreclosure date: _____(verify meets Investor guides for time lapsed)	
	Verification of full taxpayer ID number (ex. pay stubs, W-2s/1099s, tax returns). A copy of the Social Security Card(s) is only needed if there is no other evidence of the full taxpayer ID number. If needed, Social Security number validation for [] B and [] CB	
	Credit Scores: Borrower: _____ Co-Borrower: _____	
	Credit History Worksheet Form RD 1944-61 completed and signed *Required <640 credit score	
	A score is valid if based on at least 2 open active trade lines for the past 12 months of consistent and dependable payments *Refer to guidelines if applicant’s credit score and/or payment history is questionable, additional documentation will be required.	
	Applicant	
	Trade Line #1 - _____	
	Trade Line #2 - _____	
	Trade Line #3 - _____	
	Co-Applicant	
	Trade Line #1 - _____	
	Trade Line #2 - _____	
	Trade Line #3 - _____	
	Other: _____	
	Other: _____	
	Other: _____	

√	Eligibility — Other.	
	For each applicant, verification of their identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on photo identification), and a copy of their Social Security card.	
	Evidence that a non-citizen applicant is a qualified alien.	
	Signed copy of disclosure letter found in HB-1-3550 Attachment 3-A . (A Formal Letter stating packaging services are optional, packager’s role and fees signed and dated by all applicants *Include Waiver of Provisions to the Privacy Act of 1974)	

Stage 2— Property Submission via Email

√	Property Eligibility Stage.	
	Fully executed sales contract.	
	Flood elevation certificate (if property is in a flood zone). (Note: Rural Development must order the flood hazard determination.)	
	Whole house inspection report (existing property).	
	Amended sales contract to identify any repairs negotiated between buyer/seller.	
	Potential repair list, estimated cost for repairs, and proposal for how repairs will be funded/completed.	
	Legal description	
	Property eligibility map (screen print from eligibility website).	
	Certified plans, specifications, and cost estimates for new construction.	

Appendix 2: Exhibit 4-3, Types of Assets

**Exhibit 4-3
Types of Assets**

The following types of assets must be considered.

Non-retirement assets including:

- Savings accounts; the average 2-month balance of checking accounts; safe deposit boxes;
- The average 2-month balance of a Social Security debit card (i.e., Direct Express card)
- Stocks, bonds, Treasury bills, savings certificates, money market funds, and other investment accounts;
- Equity in real property or other capital investments;
- Revocable trust funds that are available to the household;
- Lump-sum receipts, such as inheritances, capital gains, lottery winnings and settlement on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses);
- Assets held in foreign countries; and
- Personal property (such as jewelry, coin collection or antique cars) held as an investment.

The following types of assets are not considered.

- The value of necessary items of personal property, such as furniture, clothing, cars, wedding rings and other jewelry not held as an investment, and vehicles specially equipped for persons with disabilities;
- Assets that are part of any business, trade, or farming operation in which any member of the household is actively engaged;
- The value of an irrevocable trust fund, or the value of any trust over which no member of the household has control;
- The cash value of life insurance policies;
- Interests in American Indian restricted land;
- The value of tax advantaged health, medical savings or spending accounts, and college savings plans; and
- For income calculations, any assets on hand that will be used to reduce the amount of loan.
- Retirement asset and income earned on retirement accounts, from interest, dividends, or capital gains when funds can only be accessed by retiring, terminating employment, loaning against the account, or withdrawing with penalties is never considered as repayment or annual income.

Appendix 3: Exhibit 4-4, Indicators of Unacceptable Credit

Exhibit 4-4
Indicators of Unacceptable Credit

- Little or no credit history. The lack of credit history on the credit report may be mitigated if the applicant can document a willingness to pay recurring debts through other acceptable means such as third-party verifications or canceled checks. Due to impartiality issues, third party verifications from relatives of household members are not permissible.
- Payments on any installment account, (on a per account basis, not cumulative of any and all of these account types), where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.
- Payments on any revolving account, (on a per account basis, not cumulative of any and all of these account types), which was delinquent for more than 30 days on two or more occasions within the last 12 months.
- A foreclosure that has been completed within the last 36 months.
- An outstanding Internal Revenue Service (IRS) tax lien or any other outstanding tax liens with no satisfactory arrangement for payment.
- Two or more rent or mortgage payments paid 30 or more days late within the last 2 years. If the applicant has experienced no other credit problems in the past 2 years, only 1 year of rent history will be evaluated. This requirement may be waived if the program loan will reduce shelter costs significantly and contribute to improved repayment ability.
- Outstanding collection accounts with a record of irregular payments with no satisfactory arrangements for repayment, or collection accounts that were paid in full within the last 6 months, unless the applicant had been making regular payments previously.
- Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago.
- Agency debts that were debt settled within the past 36 months or are being considered for debt settlement.
- Delinquency on a federal debt.
- A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding (see Paragraph 8.5 regarding required clearance or approval upon closing), or has been outstanding within the last 12 months, **except**:
 - ◊ A bankruptcy in which:
 - ◊ Debts were discharged more than 36 months prior to the date of application; or
 - ◊ Where an applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the 12 months prior to the date of application.
 - ◊ A judgment satisfied more than 12 months before the date of application.

An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is not eligible for a Section 502 loan. This requirement is statutory and cannot be waived.

Appendix 4: RD Form 1944-60, Landlord's Verification

LANDLORD'S VERIFICATION

The Rural Housing Service (RHS) is evaluating the below named applicant's eligibility for a home ownership loan and we need to evaluate the applicant's rental payment history and care of the rental property. Please see the attached Form RD 3550-1, "Authorization to Release Information." RHS appreciates your assistance in helping us evaluate the applicant's credit history. A postage paid return envelope is provided for convenience in returning this verification. Please return this complete form to:

Applicant's Name and Address:

USDA, Rural Development
Rural Housing Service

Telephone: _____

LANDLORD - Please complete all of the following information:

Date of occupancy: From: _____ To: _____ Current rent amount: _____
Rent due date: _____ Is rent subsidized? _____
If subsidized, amount: \$ _____ Who pays subsidy? _____
Lease expiration date: _____
Does rent include utilities or allowances? _____ Amount of utilities or allowances included in rent: \$ _____

List names and approximate ages of all persons occupying the property:

RENTAL HISTORY DURING THE LAST 24 MONTHS:
(please check one)
 Always pays by the due date
 Pays over 30 days late: (Dates of Occurrences: _____)
 Generally stays behind schedule

CURRENT STATUS OF RENT:
Current? Behind?
Amount behind: \$ _____
Date last paid: _____
Next due date: _____

Landlord's signature

Date completed

SEE ATTACHED PRIVACY ACT NOTICE

According to the Paperwork Reduction Act of 1995, 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 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Development
PRIVACY ACT STATEMENT TO REFERENCES

Rural Development is authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et. seq.); and Title V of the Housing Act of 1949, as amended (42 U.S.C. 1471 et. seq.), to solicit the information requested.

Disclosure of the information requested is voluntary. However, information provided is of considerable value to Agencies in determining the repayment ability of individuals and their eligibility for Agency programs. There will be no consequences to you if you do not provide the information requested.

Your name, and the information you provide, will be released to the applicant at the applicant's request. Some information will be available to any requester under the provisions of the Freedom of Information Act.

The information you provide may be referred to another agency, whether Federal, State, local or foreign, charged with the responsibility of investigating or prosecuting a violation of law, or of enforcing or implementing the statute, rule, regulation or order issued pursuant thereto, of any record within this system when information available indicates a violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by rule, regulation or order issued pursuant thereto.

*Rural Development is a Equal Opportunity Lender.
Complaints of discrimination based on race, sex, religion,
national origin or marital status should be sent to:
Secretary of Agriculture. Washington D. C. 20250*

Appendix 5: Form RD 1-3550, Authorization to Release Information

**United States Department of Agriculture
Rural Development
Rural Housing Service**

AUTHORIZATION TO RELEASE INFORMATION

TO: _____

RE: _____
Account or Other Identifying Number

Name of Customer

I, and/or adults in my household, have applied for or obtained a loan or grant from the Rural Housing Service (RHS), part of the Rural Development mission area of the United States Department of Agriculture. As part of this process or in considering my household for interest credit, payment assistance, or other servicing assistance on such loan, RHS may verify information contained in my request for assistance and in other documents required in connection with the request.

I, or another adult in my household, authorize you to provide to RHS for verification purposes the following applicable information:

- Past and present employment or income records.
- Bank account, stock holdings, and any other asset balances.
- Past and present landlord references
- Other consumer credit references.

If the request is for a new loan or grant, I further authorize RHS to order a consumer credit report and verify other credit information.

I understand that under the Right to Financial Privacy Act of 1978, 12 U.S.C. 3401, *et seq.*, RHS is authorized to access my financial records held by financial institutions in connection with the consideration or administration of assistance to me. I also understand that financial records involving my loan and loan application will be available to RHS without further notice or authorization, but will not be disclosed or released by RHS to another Government agency or department or used for another purpose without my consent except as required or permitted by law.

This authorization is valid for the life of the loan.

The recipient of this form may rely on the Government's representation that the loan is still in existence.

The information RHS obtains is only to be used to process my request for a loan or grant, interest credit, payment assistance, or other servicing assistance. I acknowledge that I have received a copy of the Notice to Applicant Regarding Privacy Act Information. I understand that if I have requested interest credit or payment assistance, this authorization to release information will cover any future requests for such assistance and that I will not be notified of the Privacy Act information unless the Privacy Act information has changed concerning use of such information.

A copy of this authorization may be accepted as an original.

Your prompt reply is appreciated.

Signature (*Applicant or Adult Household Member*)

Date

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless as displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

RHS Is An Equal Opportunity Lender

SEE ATTACHED PRIVACY ACT NOTICE

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

The information requested on this form is authorized to be collected by the Rural Housing Service (RHS), Rural Business-Cooperative Services (RBS), Rural Utilities Service (RUS) or the Farm Service Agency (FSA) ("the agency") by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471 et seq.) or by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), or by other laws administered by RHS, RBS, RUS or FSA.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Identification Number, may result in a delay in the processing of an application or its rejection. Information provided may be used outside of the agency for the following purposes:

1. When a record on its face, or in conjunction with other records, indicates a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule, or order issued pursuant thereto, disclosure may be made to the appropriate agency, whether Federal, foreign, State, local, or tribal, or other public authority responsible for enforcing, investigating or prosecuting such violation or charged with enforcing or implementing the statute, or rule, regulation, or order issued pursuant thereto, if the information disclosed is relevant to any enforcement, regulatory, investigative, or persecutive responsibility of the receiving entity.
2. A record from this system of records may be disclosed to a Member of Congress or to a Congressional staff member in response to an inquiry of the Congressional office made at the written request of the constituent about whom the record is maintained.
3. Rural Development will provide information from this system to the U.S. Department of the Treasury and to other Federal agencies maintaining debt servicing centers, in connection with overdue debts, in order to participate in the Treasury Offset Program as required by the Debt Collection Improvement Act, Pub. L. 104-134, Section 31001.
4. Disclosure of the name, home address, and information concerning default on loan repayment when the default involves a security interest in tribal allotted or trust land. Pursuant to the Cranston-Gonzales National Affordable Housing Act of 1990 (42 U.S.C. 12701 et seq.), liquidation may be pursued only after offering to transfer the account to an eligible tribal member, the tribe, or the Indian Housing Authority serving the tribe(s).
5. Referral of names, home addresses, social security numbers, and financial information to a collection or servicing contractor, financial institution, or a local, State, or Federal agency, when Rural Development determines such referral is appropriate for servicing or collecting the borrower's account or as provided for in contracts with servicing or collection agencies.
6. It shall be a routine use of the records in this system of records to disclose them in a proceeding before a court or adjudicative body, when: (a) the agency or any component thereof; or (b) any employee of the agency in his or her official capacity; or (c) any employee of the agency in his or her individual capacity where the agency has agreed to represent the employee, or (d) the United States is a party to litigation or has an interest in such litigation, and by careful review, the agency determines that the records are both relevant and necessary to the litigation, provided; however, that in each case, the agency determines that disclosure of the records is a use of the information contained in the records that is compatible with the purpose for which the agency collected the records.
7. Referral of names, home addresses, and financial information for selected borrowers to financial consultants, advisors, lending institutions, packagers, agents and private or commercial credit sources, when Rural Development determines such referral is appropriate to encourage the borrower to refinance the Rural Development indebtedness as required by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471), or to assist the borrower in the sale of the property.
8. Referral of legally enforceable debts to the Department of the Treasury, Internal Revenue Service (IRS), to be offset against any tax refund that may become due the debtor for the tax year in which the referral is made, in accordance with the IRS regulations at 26 C.F.R. 301.6402-6T, Offset of Past Due Legally Enforceable Debt Against Overpayment, and under the authority contained in 31 U.S.C. 3720A.
9. Referral of information regarding indebtedness to the Defense Manpower Data Center, Department of Defense, and the United States Postal Service for the purpose of conducting computer matching programs to identify and locate individuals receiving Federal salary or benefit payments and who are delinquent in their repayment of debts owed to the U.S. Government under certain programs administered by Rural Development in order to collect debts under the provisions of the Debt Collection Act of 1982 (5 U.S.C. 5514) by voluntary repayment, administrative or salary offset procedures, or by collection agencies.
10. Referral of names, home addresses, and financial information to lending institutions when Rural Development determines the individual may be financially capable of qualifying for credit with or without a guarantee.
11. Disclosure of names, home addresses, social security numbers, and financial information to lending institutions that have a lien against the same property as Rural Development for the purpose of the collection of the debt. These loans can be under the direct and guaranteed loan programs.
12. Referral to private attorneys under contract with either Rural Development or with the Department of Justice for the purpose of foreclosure and possession actions and collection of past due accounts in connection with Rural Development.
13. It shall be a routine use of the records in this system of records to disclose them to the Department of Justice when: (a) The agency or any component thereof; or (b) any employee of the agency in his or her official capacity where the Department of Justice has agreed to represent the employee; or (c) the United States Government, is a party to litigation or has an interest in such litigation, and by careful review, the agency determines that the records are both relevant and necessary to the litigation and the use of such records by the Department of Justice is therefore deemed by the agency to be for a purpose that is compatible with the purpose for which the agency collected the records.

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION- CONTINUED

14. Referral of names, home addresses, social security numbers, and financial information to the Department of Housing and Urban Development (HUD) as a record of location utilized by Federal agencies for an automatic credit prescreening system.
15. Referral of names, home addresses, social security numbers, and financial information to the Department of Labor, State Wage Information Collection Agencies, and other Federal, State, and local agencies, as well as those responsible for verifying information furnished to qualify for Federal benefits, to conduct wage and benefit matching through manual and/or automated means, for the purpose of determining compliance with Federal regulations and appropriate servicing actions against those not entitled to program benefits, including possible recovery of improper benefits.
16. Referral of names, home addresses, and financial information to financial consultants, advisors, or underwriters, when Rural Development determines such referral is appropriate for developing packaging and marketing strategies involving the sale of Rural Development loan assets.
17. Rural Development, in accordance with 31 U.S.C. 3711(e)(5), will provide to consumer reporting agencies or commercial reporting agencies information from this system indicating that an individual is responsible for a claim that is current.
18. Referral of names, home addresses, home telephone numbers, social security numbers, and financial information to escrow agents (which also could include attorneys and title companies) selected by the applicant or borrower for the purpose of closing the loan.
19. Disclosures pursuant to 5 U.S.C. 552a(b)(12): Disclosures may be made from this system to consumer reporting agencies as defined in the Fair Credit Reporting Act (15 U.S.C. 168a(f) or the Federal Claims Collection Act (31U.S.C. 3701(a)(3)).

Appendix 6: Form RD 1944-61, Credit History Worksheet

CREDIT HISTORY WORKSHEET

Applicant:

Credit Score(s): High Middle Low

Co-Applicant:

Credit Score(s): High Middle Low

Section A – Credit Score

1. Does the applicant have at least 2 credit scores on the Tri-Merge Credit Report (TMCR)? If No, the Loan Originator must complete Section C – Nontraditional / Alternative Credit.

Applicant

Co-Applicant

Section B – Housing Payment History

2. If the applicant's credit score is less than the acceptable score identified in Handbook-1-3550:

A. Was Form RD 1944-60, Landlord's Verification, obtained from each landlord for the past 2 years?

B. Has the applicant had 2 or more rent or mortgage payments paid 30 days or more past due, within the last 2 years? (If Yes, address in Section G.)

Section C – Nontraditional / Alternative Credit

3. If the applicant does not use traditional credit, or has a limited credit history, does the applicant have a minimum of 3 credit sources (these can be a combination of traditional and nontraditional) which have been paid according to their terms for at least 12 months within the past 24 months from the date of the credit report? Note: Only 2 sources are required if 1 of those is a verification of rent or mortgage payments. (If No, address in Section G.)

**Applicant (A) /
Co-Applicant (Co-A)**

Account Name

**Number of
Yrs/Mo Open**

Last Active

Section D – Additional Credit Checks

Applicant

Co-Applicant

- 4. Are there any outstanding judgments against the applicant obtained by the United States in a Federal court (other than the United States tax court)? (If Yes, the applicant is not eligible for the program, this is statutory and cannot be waived. Address in Section G.)
- 5. Was the “SSN CROSS REFERENCE” checked in MortgageServ, and determined to be acceptable? (If No, address in Section G.)
- 6. Was the U.S. Department of the Treasury’s Do Not Pay portal checked, and determined to be acceptable? Note: If the applicant has a delinquent federal debt, only the Administrator may grant an exception. (If No, address in Section G.)
- 7. Did the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) report, as provided on the TMCR, result in a valid match? (If Yes, address in Section G; the applicant should be denied assistance and referred to the OFAC contact number for further information.)

Section E – Significant Delinquency (Any Yes must be addressed in Section G.)

- 8. Does the applicant have a significant delinquency?
 - a. Foreclosure completed within the last 36 months.
Date:
 - b. Deed-in-lieu of foreclosure completed within the last 36 months. Date:
 - c. Short sale completed within the last 36 months. Date:
 - d. Mortgage charge-off completed within the last 36 months. Date:
 - e. Chapter 7 bankruptcy discharged less than 36 months prior to the application date.
Discharge date:
 - f. Chapter 13 bankruptcy where the applicant has not successfully completed the debt restructuring plan or has not demonstrated a willingness to meet obligations when considering the last 12-month payments made under the restructuring plan. Date:
 - g. Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement.
Date:

Section F – Other Indicators of Unacceptable Credit

(This section must be completed only if the applicant has less than two credit scores, or less than the acceptable score identified in Handbook-1-3550. Any Yes must be addressed in Section G.)

- 9. Are there any installment accounts where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months?
- 10. Are there any revolving accounts where the payments were delinquent for more than 30 days on two or more occasions within a 12-month period?
- 11. Does the applicant's credit history indicate any court created or affirmed obligations (judgments) caused by nonpayment that have been outstanding within the last 12 months, or are currently outstanding?
- 12. Does the applicant have an outstanding tax lien with no satisfactory arrangement for payment?
- 13. Are there any outstanding collection accounts with no satisfactory arrangements for payment (no matter what their age); or collection accounts that were paid in full within the last 6 months?
- 14. Has the applicant had any non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago?

Section G – Credit History Evaluation

Address questions 1-14 as applicable; list names of any adverse accounts and include status of account, outstanding delinquency amount, etc.

Section H – Credit Exception (If credit is unacceptable, answer the questions below and give a brief explanation.)

	Applicant	Co-Applicant
a. Has the applicant provided documentation of extenuating circumstances that were beyond their control, and unlikely to reoccur?	<input type="checkbox"/>	<input type="checkbox"/>
b. Have the adverse circumstances been removed?	<input type="checkbox"/>	<input type="checkbox"/>
c. Is the exception warranted?	<input type="checkbox"/>	<input type="checkbox"/>

Please provide an explanation below:

Select exception type:

Section I – Summary evaluation of the applicant’s credit history.

Acceptable credit history

	Applicant	Co-Applicant
a. The applicant has no adverse credit history; and has demonstrated acceptable traditional or nontraditional credit history.	<input type="checkbox"/>	<input type="checkbox"/>
b. The applicant has an adverse credit history, but I have determined that the adverse accounts were beyond the applicant's control and unlikely to reoccur. An exception is warranted, if applicable.	<input type="checkbox"/>	<input type="checkbox"/>

Unacceptable credit history

a. The applicant has no traditional or nontraditional credit history.	<input type="checkbox"/>	<input type="checkbox"/>
b. The applicant shows a pattern of unacceptable credit handling, and an exception is not warranted.	<input type="checkbox"/>	<input type="checkbox"/>

Provide a brief narrative to summarize your decision

Name of Loan Approval Official

Date

Appendix 7: Attachment 3-J, Checklist of items to accompany
the Uniform Residential Loan Application

ATTACHMENT 3-J

CHECKLIST OF ITEMS TO ACCOMPANY THE UNIFORM RESIDENTIAL LOAN APPLICATION

You, as the applicant, need to simultaneously submit the applicable items below when applying for a loan. Copies of the verification documents should be submitted. If any item, information, and/or signature is missing, you will be contacted and asked to provide the missing pieces. **If the missing pieces are not provided within 15 days of the request, your incomplete application will be withdrawn from consideration.** To avoid any delay or withdrawal, verify that your loan application is fully complete prior to submission.

- This checklist with the applicable and included items checked.
- Form RD 410-4, Uniform Residential Loan Application: You **must** complete all sections (be sure to provide all applicable information, details, and data) and sign/date pages 5 and 8. <https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD410-4.PDF>
- Verification of identity: You **must** provide a copy of your Government-issued picture identification (ID) along with evidence of age. Standard verifications are a driver's license or a passport. Contact us if you do not have these standard verifications to discuss possible alternatives.
- Verification of taxpayer ID number: You **must** provide verification of your full taxpayer ID number (i.e. no numbers are hidden or suppressed) using evidence such as your pay stubs or tax returns. A copy of your social security card is only needed if you do not have any other evidence of your full taxpayer ID number.
- \$30 credit report fee (non-refundable): If the applicant and co-applicant currently reside at separate addresses, the fee is \$30 for each applicant. Remove any credit freeze at the time of application submission and keep it lifted until such time as the Agency pulls a credit report. Indicate an option for payment of the credit report fee:
 - Option 1: I hereby authorize a \$_____ withdrawal from my bank account for the credit report fee. Enclose a copy of a voided check, savings account deposit slip, or other document from an American Bankers Association (ABA) bank (we cannot process withdrawals from a foreign bank). **The document provided must be an official ABA bank validated record and clearly identify the ABA routing number and account number.** The Agency will use the ABA routing number and account number to collect payment through the Automated Clearing Housing System (ACH). By indicating an amount above and providing a copy of a voided check, deposit slip, or other bank document with the ABA routing number and account number, you are authorizing the deduction from the account by electronic means. Option one is the preferred method as it provides faster processing.
 - Option 2: Mail a check, cashier's check or money order that is signed, dated, and made payable to USDA Rural Development.

Notice to Customers: If applicants send the Agency a check, it will be converted into an Electronic Funds Transfer (EFT). This means the Agency will copy the check and use the account information on it to electronically debit the applicant's account for the amount of the check. The debit from the applicant's account will usually occur within 24 hours and will be shown on the applicant's regular account statement. Applicants will not receive their original check back.

The Agency will destroy the original check but will keep an image of it. If the EFT cannot be processed for technical reasons, applicants authorize the Agency to process a paper copy of the image in place of the original check.

If the withdrawal cannot be completed because of insufficient funds, the Agency may try to make the transfer up to two additional times and the Agency will charge a one-time fee of \$15, which will also be collected by EFT or ACH.

- If you have late payments, collections, judgments, or other derogatory items in your credit history, provide a written explanation for each credit blemish. If you are unsure what your credit history looks like, obtain a free credit report by calling 1-877-322-8228 or logging into <https://www.annualcreditreport.com>. By law, you are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.
 - Form RD 3550-1, Authorization to Release Information: Each adult member of the household **must** sign/date a separate release form.
<https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-1.PDF>
 - Form RD 3550-4, Employment and Asset Certification: You **must** check the appropriate blocks, account for the household members' employment and nonretirement assets as instructed, and sign/date the certification.
<https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-4.PDF>
 - Your last two signed Federal Income Tax Returns with all applicable tax return schedules. Also provide:
 - All W-2s, 1099s, and other forms attached to the returns.
 - If filed electronically, include a copy of the signature page with the Self-Select PIN, confirmation that the return was accepted, or evidence that it was filed by an authorized E-File provider.
 - Last four consecutive weeks of pay stubs for **all employed adult household members**.
 - If you have an employment history of less than two years or employment gaps in excess of 30 days within the last two years, you should provide a letter of explanation.
-

- Recent benefit statements for regular unearned income for **all household members** who receive:
 - Social Security/Supplemental Security Income
 - Public assistance
 - Retirement income
 - Other
- Last 12-month payment history of alimony and/or child support received by **all adult household members** as provided by the court appointed entity responsible for handling payments. If this is not available, provide a copy of the separation agreement or divorce decree. While you can choose to have this income excluded from your repayment income, it must be reported to determine if your household's adjusted income is within the program's income limit.
- Two most recent brokerage or bank statements for **all household members** (excluding tax advantaged plans for education, health/medical, and retirement). If you are obtaining this information online, provide the statements as opposed to providing the online transaction histories.
- For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript.
- Written evidence of childcare expenses for dependents 12 years of age or younger.
- If you are 62 years of age or older, are disabled, or have a disabled household member, provide evidence of unreimbursed annual medical expenses if you wish to be considered for a deduction to household income.
- List your personal email address(es) below if you authorize the Agency to contact you via email. The Agency password protects emails containing personal identifiable information.

- While you are strongly discouraged from identifying a property or entering into a purchase agreement until you receive a Certificate of Eligibility from Rural Development, enter the county you are interested in purchasing a home in below.

- If you have already entered into a purchase agreement (which again is strongly discouraged), provide a copy of the agreement.

- If you are experiencing any of the following housing-related hardships, please check all that apply and provide a brief explanation below:
 - Current dwelling lacks complete plumbing and/or adequate heating, is dilapidated or structurally unsound, has an overcrowding situation, or is otherwise uninhabitable, unsafe, or poses a health or environmental threat to the occupant or others.
 - Current homeowner in danger of losing a property through foreclosure due to circumstances beyond your control.
 - Other housing-related hardship.
-
-

Applicants who are first-time homebuyers are strongly encouraged to complete a homeownership education training as early in the application process as possible since the training covers the following important topics: preparing for homeownership (readiness to go from rental to homeownership), budgeting (pre- and post-purchase), credit counseling, shopping for a home, obtaining a mortgage, loan closing, and life as a homeowner. There is generally an out-of-pocket fee for the training, which can be reimbursed should the loan request be approved and closed. Attached is a list of Agency-approved education providers. You will be expected to successfully complete this training prior to entering into a contract to purchase or construct a home for maximum benefit.

Appendix 8: HB-1-3550, Attachment 7-C, Insurance Policy Requirements

ATTACHMENT 7-C
INSURANCE POLICY REQUIREMENTS

A. Loss or Damage Covered

Hazard insurance policies must insure buildings against loss or damage by fire, lightning, windstorm, hail, explosion, riot, civil commotion, aircraft, vehicles, and smoke. The flood insurance, if applicable, must cover any damage due to flooding conditions.

B. Amount

The Loan Originator must require borrowers with a total indebtedness of more than \$15,000 to obtain hazard insurance to cover the dwelling and any other essential buildings (such as a garage). The minimum required hazard insurance coverage is the **lesser of** the insurable value (i.e. the cost to restore the property back to its state prior to a loss) of the dwelling and other essential buildings, or the outstanding principal balance of the loan. Although the lesser of these two amounts is required, the Loan Originator should encourage the borrower to obtain hazard insurance coverage in the amount **greater of** the insurable value of the dwelling and other essential buildings, or the outstanding principal balance of the loan.

Flood insurance must cover the **lesser of** the outstanding principal balance of the loan or the maximum amount of coverage allowed under FEMA's National Flood Insurance Program (NFIP).

The policy must state whether or not the building is on a leasehold. State Supplements provide guidance on specific State insurance requirements pertaining to leasehold interests.

C. Borrower's Deductible

The borrower's deductible may not exceed the generally accepted minimums based on current industry standards and local market conditions. Typically, the borrower's deductible will not exceed the higher of 1 percent of the face value of the policy or \$1,000 unless State law requires a higher maximum deductible amount. In areas where such deductibles are not reasonably available due to local market conditions, i.e. areas on coastal lines or prone to high winds, State Supplements will be issued with prior National Office approval to provide guidance for current market deductibles. The supplemental guidance must identify the specific areas, the associated amount and the detailed justification for each area in the State that is authorized for higher deductibles. For flood insurance, these deductibles apply unless the insurance carrier requires a higher deductible amount.

D. Term

The policy must have a term of at least 1 year, with evidence that 1 year's premium has been paid prior to or at closing.

E. Effective Date

If there are insurable buildings on the property (as opposed to vacant land to be built upon), the policy must be in force at the time the loan is closed. When a dwelling is to be constructed, the insurance coverage must be effective as of the date the materials are delivered to the property. No payments from loan funds for labor or materials can be made unless insurance coverage is in place.

F. Construction Specifications and Use Conditions

If the insurance policy specifies certain standards of construction or prescribes certain uses of the property, the policy will be acceptable only if the property meets the specifications or conditions.

G. Names and Location

The policy must include the legal names of all parties being insured. It also must contain a description of the property's location, although a legal metes and bounds description is not required.

H. Mortgagee Clause

A mortgagee clause ensures that the Agency will be reimbursed in the event of a loss by identifying the Agency as the secured party on the lien (the "mortgagee"). The standard mortgagee clause adopted by the State must be attached to or printed in the policy, and must identify the Agency as the mortgagee. Specifically, the Agency must be identified as the "United States of America, acting through the Rural Housing Service or its successor agency." The Agency, and all other mortgagees whose interests are insured under the policy, must be shown in either the mortgagee clause or on the declaration page in the order of priority of their mortgages. The address should be:

USDA, Rural Development
Servicing Office
Attn: Insurance Department
P.O. Box 66876
St. Louis, Missouri 63166

Whenever a new mortgagee clause is issued after the policy has been in force, the new mortgagee clause must be signed by an authorized agent or officer of the company that issued the policy.

When an approved mortgagee clause is not printed in the policy, a “loss payable clause,” which lists all the parties that would receive payment in case of a loss, is acceptable, provided the Agency will receive payment in case of loss, even in circumstances in which the company would not be liable to the borrower. The closing agent must verify that an authorized official of the insurance company has sent a signed letter to the State Director stating that all insurance policies issued by the company in the State incorporate all the provisions of the standard mortgagee clause and that the Agency is named in the loss payable clause (a State Supplement will be issued offering guidance on the requirements of this letter and can be found in Appendix 7).

Appendix 9: Handbook Letter 16A (3550), Eligibility of Self-Help
Applicants-New Construction or Acquisition Rehabilitation;
Handbook Letter 16B (3550), Eligibility of Self-Help
Applicants- Owner Occupied Rehabilitation

REFERENCE: Field Office Handbook Chapter 4

SUBJECT: Eligibility of Self-Help Applicants- New Construction or Acquisition Rehabilitation

Date: [insert today's date]

[insert applicant(s) first/mi/last name(s) (Mr., Mrs., Ms.)]

[insert applicant(s) street/post office address]

[insert city, state, and zip code]

Dear [insert applicant last name(s) (Mr., Mrs., Ms.)]:

You have been determined eligible for Rural Housing Service (RHS) financing for {INSERT-CONSTRUCTION, OR ACQUISITION REHABILITATION} of a modest single family home under the Self-Help program. Eligibility is based on income and financial information that is verified within 180 days of loan approval and closing. Loan approval and closing are subject to the continued eligibility of the applicant and the availability of loan funds. Changes in your financial status (income and expenses) must be reported to RHS, and may affect your eligibility and the amount of loan for which you qualify. RHS has determined that you qualify for a Self-Help loan up to the amount of \$_____ in _____ County, based on a down payment of \$_____, estimated annual real estate taxes of \$_____ and insurance of \$_____.

Funding Source	Funding Amount	Term (Yrs.)	Interest Rate
1. RHS			
2.			
3.			
4.			
TOTAL FUNDING AMOUNT:			

- The RHS interest rate noted above is the full note rate in effect as of the date of this notification.
- The RHS interest rate is not locked in and is subject to change on the 1st of each month until locked at the lower rate in effect at the time of the loan approval (as evidenced by issuance of Form RD 3550-7, Funding Commitment and Notification of Loan Closing), or closing.
- You may be eligible for a subsidy that reduces the interest rate charged against the RHS loan. This payment subsidy is not a grant and is subject to recapture.

Subject to completion of homeownership education - Yes No

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Sincerely,

[insert name of Loan Approval Official]

[insert title of Loan Approval Official]

REFERENCE: Field Office Handbook Chapter 4

SUBJECT: Eligibility of Self-Help Applicants-Owner Occupant Rehabilitation

Date: [insert today's date]

[insert applicant(s) first/mi/last name(s) (Mr., Mrs., Ms.)]
[insert applicant(s) street/post office address]
[insert city, state, and zip code]

Dear [insert applicant last name(s) (Mr., Mrs., Ms.)]:

You have been determined eligible for Rural Housing Service (RHS) financing for owner occupant rehabilitation of a modest single family home under the Self-Help program. Eligibility is based on income and financial information that is verified within {INSERT 120 OR 180 AS APPLICABLE} days of approval and closing. {INSERT LOAN, LOAN GRANT COMBO, OR GRANT} approval and closing are subject to the continued eligibility of the applicant and the availability of funds. Changes in your financial status (income and expenses) must be reported to RHS, and may affect your eligibility and the amount for which you qualify. RHS has determined that you qualify for a Self-Help {INSERT LOAN, LOAN GRANT COMBO, OR GRANT} in _____ County, up to the amount of \$ _____ loan and \$ _____ grant.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Sincerely,

[insert name of Loan Approval Official]

[insert title of Loan Approval Official]

Appendix 10: Uniform Residential Loan Application, Form RD 410-4

APPLICATION FOR RURAL ASSISTANCE (NONFARM TRACT)

Uniform Residential Loan Application

This application is designed to be completed by the applicant with the lender's assistance. Applicants should complete this form as "Applicant #1" or "Applicant #2", as applicable. All Applicants must provide information (and the appropriate box checked) when the income or assets of a person other than the "Applicant" (including the Applicant's spouse) will be used as a basis for loan qualification or the income or assets of the Applicant's spouse will not be used as a basis for loan qualification, but his or her liabilities must be considered because the Applicant resides in a community property state, the security property is located in a community property state, or the Applicant is relying on other property located in a community property state as a basis for repayment of the loan.

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for: <input type="checkbox"/> V.A. <input type="checkbox"/> Conventional <input type="checkbox"/> Other: _____ <input type="checkbox"/> FHA <input checked="" type="checkbox"/> USDA/Rural Housing Service	Agency Case Number	Lender Account Number
Amount \$	Interest Rate %	No. of Months
Amortization Type: <input checked="" type="checkbox"/> Fixed Rate <input type="checkbox"/> Other (Explain): _____ <input type="checkbox"/> GPM <input type="checkbox"/> ARM (Type): _____		

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (Street, City, State, ZIP)		No. of Units
Legal Description of Subject Property (Attach description if necessary)		Year Built
Purpose of Loan: <input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (Explain): _____ <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent		Property will be: <input checked="" type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment
Complete this line if construction or construction-permanent loan. Year Lot Acquired Original Cost Amount Existing Liens (a) Present Value of Lot (b) Cost of Improvements Total (a + b) \$ \$ \$ \$ \$ 0.00		
Complete this line if this is a refinance loan. Year Acquired Original Cost Amount Existing Liens Purpose of Refinance Describe Improvements Cost: \$ \$ \$ <input type="checkbox"/> Made <input type="checkbox"/> To be made		
Title will be held in what Name(s) George Jetson and Wilma Flintstone		Manner in which Title will be held: <input type="checkbox"/> Joint Tenancy Estate will be held in: <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (Show expiration date)
Source of Down Payment, Settlement Charges and/or Subordinate Financing (Explain)		

III. APPLICANT INFORMATION

Applicant #1				Applicant #2			
Name (include Jr. or Sr. if applicable) George Jetson				Name (include Jr. or Sr. if applicable) Wilma Flintstone			
Social Security Number	Home Phone (Incl. Area Code)	DOB mm/dd/yy	Yrs. School	Social Security Number	Home Phone (Incl. Area Code)	DOB mm/dd/yy	Yrs. School
222-22-2222	(715) 777-1234	04-01-2010	12	333-33-3333	(715) 777-4321	10-31-2012	12
<input type="checkbox"/> Married <input checked="" type="checkbox"/> Unmarried (Include single divorced, widowed)		Dependents (Not listed by Applicant #2) No. 2 Ages 18, 3		<input checked="" type="checkbox"/> Married <input checked="" type="checkbox"/> Unmarried (Include single divorced, widowed)		Dependents (Not listed by Applicant #1) No. 1 Ages 8	
Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent 3 No. Yrs. 555 Fraser Drive Somerset, WI 54025				Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent 3 No. Yrs. 555 Fraser Drive Somerset, WI 54025			
Mailing Address if different from Present Address				Mailing Address if different from Present Address			
If residing at present address for less than two years, complete the following: Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			

According to the Paperwork Reduction Act 1995, an agency may not conduct or sponsor, and a person is not 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 0575-0172. The time required to complete this information collection is estimated to average 1-1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

IV. EMPLOYMENT INFORMATION

Applicant #1			Applicant #2		
Name & Address of Employer Good Snacks 2202 Popcorn Drive Somerset, WI 54025	<input type="checkbox"/> Self-Employed	Yrs./Mos. on the job 3 / 7	Name & Address of Employer On the Rocks Quarry 1501 Redgranite Road Somerset, WI 54025	<input type="checkbox"/> Self-Employed	Yrs./Mos. on the job 2 / 6
		Yrs./Mos. employed in this line of work/profession 10			Yrs./Mos. employed in this line of work/profession 20
Position/Title/Type of Business Food Service	Business Phone (Incl. Area Code) (715) 987-6543		Position/Title/Type of Business Stone extraction	Business Phone (Incl. Area Code) (715) 345-6789	
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>					
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)	Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)
		Monthly Income \$			Monthly Income \$
Position/Title/Type of Business	Business Phone (Incl. Area Code)		Position/Title/Type of Business	Business Phone (Incl. Area Code)	
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)	Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)
		Monthly Income \$			Monthly Income \$
Position/Title/Type of Business	Business Phone (Incl. Area Code)		Position/Title/Type of Business	Business Phone (Incl. Area Code)	

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Applicant #1	Applicant #2	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$ 1,517.00	\$ 2,253.00	\$ 3,770.00	Rent	\$ 650.00	
Overtime	400.00		400.00	First Mortgage (P&I)		\$
Bonuses			0.00	Other Financing (P&I)		
Commissions			0.00	Hazard Insurance		
Dividends/Interest			0.00	Real Estate Taxes		
Net Rental Income			0.00	Mortgage Insurance		
Other (Before completing see the notice in "describe other income," below)			0.00	Homeowner Assn. Dues		
			0.00	Other		
Total	\$ 1,917.00	\$ 2,253.00	\$ 4,170.00	Total	\$ 650.00	\$ 0.00

***Self Employed Applicant may be required to provide additional documentation such as tax returns and financial statements.**

Describe Other Income Notice: Alimony, child support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.

A1/A2	Describe Other Income	Monthly Amount
A2	Child Support (irregular)	\$200.00

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Applicants if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise separate Statements and Schedules are required. If the Applicant #2 section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

Completed Jointly Not Jointly

ASSETS		Cash or Market Value	Liabilities and Pledged Assets. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
Description			LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Cash deposit toward purchase held by:	\$				
List checking and saving accounts below					
Name and Address of Bank, S&L, or Credit Union			Name and Address of Company	\$ Payment/Months	\$
Five Star Bank 55 Dollar Drive Somerset, WI			Rocky Top Cars	300.00	600.00
			Acct. No. 321	2	
Acct. No. 10056987	\$	1,253.00	Name and Address of Company	\$ Payment/Months	\$
Name and Address of Bank, S&L, or Credit Union			Cars R Us	275.00	7,268.00
First Orbit Bank Somerset, WI				12	
Acct. No. 12210961	\$	7,262.00	Name and Address of Company	\$ Payment/Months	\$
Name and Address of Bank, S&L, or Credit Union			USDOE	400.00	60,000.00
				108	
Acct. No.	\$		Name and Address of Company	\$ Payment/Months	\$
Name and Address of Bank, S&L, or Credit Union			QVC	70.00	2,888.00
				open end	
Acct. No.	\$		Name and Address of Company	\$ Payment/Months	\$
			Bank of America	50.00	1,950.00
				open end	
Stocks & Bonds (Company name/number & description)	\$		Acct. No.		
	\$		Name and Address of Company	\$ Payment/Months	\$
	\$				
	\$				
Life insurance net cash value	\$				
Face amount: \$	\$				
Subtotal Liquid Assets	\$				
Real estate owned (Enter market value from schedule of real estate owned)	\$		Acct. No.		
Vested interest in retirement fund	\$		Name and Address of Company	\$ Payment/Months	\$
Net worth of business(es) owned (Attach financial statement)	\$				
Automobiles owned (Make and year)	\$		Acct. No.		
2003 Cheapmobile	\$	2,000.00			
2012 Expensivemobile	\$	8,500.00	Alimony/Child Support/Separate Maintenance Payments Owed to:	\$	
	\$				
Other Assets (Itemize)	\$		Job Related Expense (Child care, union dues, etc.)	\$	
	\$				
	\$				
	\$		Total Monthly Payments	\$	1,095.00
Total Assets a.	\$	19,015.00	Net Worth (a minus b)	\$	-53,691
			Total Liabilities b.	\$	72,706

VI. ASSETS AND LIABILITIES (cont.)

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Properly Address (Enter S if sold, PS if pending sale or R if rental being held for income)	Type of Property	Present Market Value	Amount of Mortgage & Liens	Gross Rental Income	Mortgage Payments	Insurance Maintenance Taxes & Misc.	Net Rental Income
		\$	\$	\$	\$	\$	\$
Totals		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternative Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS			
		Applicant #1		Applicant #2	
		Yes	No	Yes	No
a. Purchase price	\$	If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.			
b. Alterations, improvements, repairs		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. Land (If acquired separately)		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d. Refinance (incl. debts to be paid off)		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e. Estimated prepaid items		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f. Estimated closing costs		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g. PMI, MIP, Funding Fee		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h. Discount (If Borrower will pay)		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
i. Total Costs (Add items a through h)	\$ 0 . 00	a. Are there any outstanding judgments against you?			
j. Subordinate financing		b. Have you been declared bankrupt within the past 7 years?			
k. Borrower's closing costs paid by Seller		c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?			
l. Other Credits (Explain)		d. Are you a party to a lawsuit?			
		e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? (This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or V.A. case number, if any, and reasons for the action.)			
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		f. Are you presently delinquent or in default on any Federal debt or any other loan mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in question e. above.			
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		g. Are you obligated to pay alimony, child support, or separate maintenance?			
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		h. Is any part of the down payment borrowed?			
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		i. Are you a co-maker or endorser on a note?			
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
m. Loan amount (Exclude PMI, MIP Funding Fee financed)		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
n. PMI, MIP, Funding Fee financed		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
o. Loan amount (Add m & n)	\$ 0 . 00	l. Do you intend to occupy the property as your primary residence? If "Yes," complete question m. below.			
		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
p. Cash from/to Borrower (Subtract j, k, l, & o from i)		m. Have you had ownership interest in a property in the last 3 years?			
		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		(1) What type of property did you own-principal residence (PR), second home (SH), or investment property (IP)?			
		(2) How did you hold title to the home-solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?			

IX. ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, services, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "loan") will be secured by a mortgage or deed of trust on the property described herein, (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated herein; (6) any owner or servicer of the Loan may verify or reverify any information contained in the application from any source named in this application, and Lender, its successors or assigns may retain the original and/or an electronic record of this application, even if the Loan is not approved; (7) the Lender and its agents, brokers, insurers, servicers, successors and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the owner or servicer of the Loan may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer credit reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Applicant's Signature X George Jetson	Date 04-25-2051	Applicant's Signature X Wilma Flintstone	Date 04-25-2051
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X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may discriminate neither on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

BORROWER <input type="checkbox"/> I do not wish to furnish this information	CO-BORROWER <input type="checkbox"/> I do not wish to furnish this information
Ethnicity: <input type="checkbox"/> Hispanic or Latino <input checked="" type="checkbox"/> Not Hispanic or Latino	Ethnicity: <input type="checkbox"/> Hispanic or Latino <input checked="" type="checkbox"/> Not Hispanic or Latino
Race <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input checked="" type="checkbox"/> White	Race <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input checked="" type="checkbox"/> White
Sex: <input type="checkbox"/> Female <input checked="" type="checkbox"/> Male	Sex: <input checked="" type="checkbox"/> Female <input type="checkbox"/> Male

To be Completed by Interviewer This application was taken by: <input checked="" type="checkbox"/> face-to-face interview <input type="checkbox"/> by mail <input checked="" type="checkbox"/> by telephone <input type="checkbox"/> Internet	Interviewer's Name (Print or type) I. M. Helpful	Name and Address of Interviewer's Employer	
	Interviewer's Signature		Date 04-25-2051
	Interviewer's Phone Number (Incl. Area Code) (715) 555-1397		

Continuation For/Residential Loan Application

Use if you need more space to complete the Residential Loan Application Mark A1 for Applicant #1 or A2 for Applicant #2	Applicant #1 (A1)	Agency Account Number:
	Applicant #2 (A2)	Lender Account Number:

A2: Declaration e, I was jointly obligated for a loan with another party (WFHM, account 2200033) in which foreclosure was started in 2044. The home was sold and the account was legally paid in full for less than the full balance. My co borrower and I separated due to irreconcilable differences and I was unable to make the full payments on my own and pay rent at the same time.

Additional Information Required for RHS Assistance

1. Loan Type: Section 502 Section 504 Loan Grant

APPLICANT #1 George Jetson

APPLICANT #2 Wilma Flintstone

2. Have you ever obtained a loan/grant from RHS?
Yes No

3. Have you ever obtained a loan/grant from RHS?
Yes No

4. Are you a relative to an RHS Employee or Closing agent/attorney?
Yes No
If yes, who? _____
Relationship _____

5. Are you a relative to an RHS Employee or Closing agent/attorney?
Yes No
If yes, who? _____
Relationship _____

6. Are you a Veteran? Yes No

7. Are you a Veteran? Yes No

8. Complete for all household members.

To be considered eligible for RHS assistance, all household income including any income not shown in Section V of this application, must be disclosed below:

Name	Age	Are you a full time student? y/n	Do you want to be considered for an adjustment from household income because of a disabling condition? y/n	Annual Wage Income	Source of Wage Income (employer)	Annual Non-Wage Income	Source of Non-Wage Income (social security, alimony, child support, separate maintenance, etc.)
George Jetson	41	N	N	\$23,000.00	Good Snacks		
Wilma Flintstone	38	N	N	\$27,000.00	On the Rocks Qua	800.00	ChildSupport
Elroy Jetson	18	N	N	\$6,840.00	seasonal	960.00	unemployment
Pebbles Flintstone	8	Y	N				
Jane Jetson	3	N	N				

9. Child Care (Minors who are 12 years of age or under for whom you have to hire a babysitter or leave at a child care center)
Cost per week \$ _____ Cost per month \$ 500.00

10. Name, Address and Telephone No. of Child care Provider(s).

Little Dipper Daycare
567 Outer Space Road
Bert, WI 45678
(888) 111-2345



11. Characteristics of Present Housing

Does the Dwelling:	Yes	No		Yes	No
Lack complete plumbing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Physically deteriorated or structurally unsound	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack adequate heating	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Overcrowded (More than 2 persons per room)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

12. Name, Address and Telephone Number of Present Landlord.

Skypad Apartments
550 Fraser Drive
Somerset, WI 54025
(715) 555-8888



If residing at present address for less than two years, complete the following:

Name, Address and Telephone Number of Previous Landlord(s).

13. (For Section 504 Grants Only) I certify that as the condition of the grant, I/we will not engage in unlawful manufacture, distribution, dispensing, possession or use of a controlled substance in conducting any activity with the grant.

14. I am aware RHS does not warrant the condition or value of the property.

15. Notices to Applicant

Privacy Act. See attached sheet.

Social Security Number. The Debt Collection Act of 1982, Pub. L. 97-365, and 31 U.S.C. 7701(c) require persons applying for a federally insured or guaranteed loan to furnish his or her social security number (SSN). Failure to provide your SSN will result in the rejection of your application.

Right to Request Copy of Appraisal. You have the right to a copy of the appraisal report used in connection with your application for credit. If you wish a copy, please write us at the address of the Rural Development Field Office where you made application. In your written request, you must provide us with the complete name and address used when making application as well as a current mailing address. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application. The creditor, Rural Housing Service, may require you to reimburse the Agency for the cost of the appraisal.

Right to Financial Privacy Act of 1978, 12 U.S.C. 3401, et seq. You authorize RHS to have access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your loan and loan application will be available to RHS without further notice or authorization but will not be disclosed or released by RHS to another Government agency or department without your consent except as required or permitted by law.

Federal collection policies for consumer debts: Delinquencies, defaults, foreclosures and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future. The Federal Government, as mortgage lender in this transaction, its agencies, agents and assigns, are authorized to take any and all of the following actions in the event loan payments become delinquent on the mortgage loan covered by this application: (1) Report your name and account information to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Government to service your account; (4) Offset amounts owed to you under other Federal programs, (5) Refer your account to a private attorney, the United States Department of Justice, a collection agency, or mortgage servicing agency to collect the amount due, and foreclose the mortgage, sell the property, and seek judgment against you for any deficiency; (6) If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (7) Refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (8) Report any resulting written-off debt of yours to the Internal Revenue Service as your taxable income. All of these actions can and will be used to recover any debts owed when it is determined to be in the interest of the lender and/or Federal Government to do so.

Unlawful Discrimination. "The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer."

The Fair Housing Act prohibits discrimination in real estate-related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. If you believe you have been discriminated against for any of these reasons you can write the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Certification. As the applicant, I certify to the best of my knowledge and belief; (1) I am not presently debarred, suspended, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency; (2) I have not within a three year period preceding this proposal been convicted or had a civil judgment rendered against me for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state, or local) transaction or contract under a public transaction; or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statement, or receiving stolen property; (3) I am not a judgment debtor on an outstanding judgment in favor of the United States which was obtained in any Federal court other than the United States Tax Court; and (4) I am not delinquent on any outstanding debt to the Federal Government (including any Federal agency or department).

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, sex, disability, familial status, national origin, marital status, age (provided the borrower has the capacity to enter into a binding contract), because all or a part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. If you believe you were denied a loan for this reason, you should contact the Federal Trade Commission, Washington, DC. 20580.

16. I AM unable to provide the housing I need on my own account, and I am unable to secure the credit necessary for this purpose from other sources upon terms and conditions which I can reasonably fulfill. I certify that the statements made by me in this application are true, complete to the best of my knowledge and belief and are made in good faith to obtain a loan.

SECTION 1001 OF TITLE 18, UNITED STATES CODE PROVIDES: "WHOEVER, IN ANY MATTER WITHIN THE JURISDICTION OF ANY DEPARTMENT OR AGENCY OF THE UNITED STATES KNOWINGLY AND WILLFULLY FALSIFIES, CONCEALS OR COVERS UP BY ANY TRICK, SCHEME, OR DEVICE A MATERIAL FACT, OR MAKES ANY FALSE, FICTITIOUS OR FRAUDULENT STATEMENTS OR REPRESENTATIONS, OR MAKES OR USES ANY FALSE WRITING OR DOCUMENT KNOWING THE SAME TO CONTAIN ANY FALSE, FICTITIOUS OR FRAUDULENT STATEMENT OR ENTRY, SHALL BE FINED UNDER THIS TITLE OR IMPRISONED NOT MORE THAN FIVE YEARS, OR BOTH."

NOTE TO APPLICANT: IF ANY INFORMATION ON THIS APPLICATION IS FOUND TO BE FALSE OR INCOMPLETE, SUCH FINDING, IN ADDITION TO POSSIBLE LIABILITY UNDER CIVIL AND CRIMINAL STATUS, MAY BE GROUNDS FOR DENIAL FOR THE REQUESTED CREDIT AND MAY BE A BASIS FOR DEBARMENT FROM PARTICIPATION IN ALL FEDERAL PROGRAMS UNDER 7 C.F.R. PART 3017.

Date	Signature of Applicant
04-25-2051	George Jetson
	<u> X </u>
Date	Signature of Applicant
04-25-2051	Wilma Flintstone
	<u> X </u>

17. Date	Signature of Loan Approval Official	Determination of Eligibility _____ Eligible _____ Not Eligible	Racial Data Provided by _____ Applicant _____ RHS
----------	-------------------------------------	---	--

18. Application received on _____
Application completed on _____

19. Credit Report Fee
Date Received: _____ Amount Received: \$ _____
Initial: _____

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

The information requested on this form is authorized to be collected by the Rural Housing Service (RHS), Rural Business-Cooperative Services (RBS), Rural Utilities Service (RUS) or the Farm Service Agency (FSA) ("the agency") by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471 et seq.) or by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), or by other laws administered by RHS, RBS, RUS or FSA.

Disclosure of information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Identification Number, may result in a delay in the processing of an application or its rejection. Information provided may be used outside of the agency for the following purposes:

1. When a record on its face, or in conjunction with other records, indicates a violation or potential violation of law, whether civil, criminal or regulatory in nature, and whether arising by general statute or particular program statute, or by regulation, rule, or order issued pursuant thereto, disclosure may be made to the appropriate agency, whether Federal, foreign, State, local, or tribal, or other public authority responsible for enforcing, investigating or prosecuting such violation or charged with enforcing or implementing the statute, or rule, regulation, or order issued pursuant thereto, if the information disclosed is relevant to any enforcement, regulatory, investigative, or prosecutive responsibility of the receiving entity.
2. A record from this system of records may be disclosed to a Member of Congress or to a congressional staff member in response to an inquiry of the Congressional office made at the written request of the constituent about whom the record is maintained.
3. Rural Development will provide information from this system to the U.S. Department of the Treasury and to other Federal agencies maintaining debt servicing centers, in connection with overdue debts, in order to participate in the Treasury Offset Program as required by the Debt Collection Improvement Act, Pub. L. 104-134, Section 31001.
4. Disclosure of the name, home address, and information concerning default on loan repayment when the default involves a security interest in tribal allotted or trust land. Pursuant to the Cranston-Gonzales National Affordable Housing Act of 1990 (42 U.S.C. 12701 et seq.), liquidation may be pursued only after offering to transfer the account to an eligible tribal member, the tribe, or the Indian Housing Authority serving the tribe(s).
5. Referral of names, home addresses, social security numbers, and financial information to a collection or servicing contractor, financial institution, or a local, State, or Federal agency, when Rural Development determines such referral is appropriate for servicing or collecting the borrower's account or as provided for in contracts with servicing or collection agencies.
6. It shall be a routine use of the records in this system of records to disclose them in a proceeding before a court or adjudicative body, when: (a) the agency or any component thereof; or (b) any employee of the agency in his or her official capacity; or (c) any employee of the agency in his or her individual capacity where the agency has agreed to represent the employee, or (d) the United States is a party to litigation or has an interest in such litigation, and by careful review, the agency determines that the records are both relevant and necessary to the litigation, provided; however, that in each case, the agency determines that disclosure of the records is a use of the information contained in the records that is compatible with the purpose for which the agency collected the records.
7. Referral of names, home address, and financial information for selected borrowers to financial consultants, advisors, lending institutions, packagers, agents and private or commercial credit sources, when Rural Development determines such referral is appropriate to encourage the borrower to refinance the Rural Development indebtedness as required by title V of the Housing Act of 1949, as amended (42 U.S.C. 1471), or to assist the borrower in the sale of the property .
8. Referral of legally enforceable debts to the Department of the Treasury, Internal Revenue Service (IRS), to be offset against any tax refund that may become due the debtor for the tax year in which the referral is made, in accordance with the IRS regulations at 26 C.F.R. 301.6402-6T, Offset of Past Due Legally Enforceable Debt Against Overpayment, and under the authority contained in 31 U.S.C. 3720A.
9. Referral of information regarding indebtedness to the Defense Manpower Data Center, Department of Defense, and the United States Postal Service for the purpose of conducting computer matching programs to identify and locate individuals receiving Federal salary or benefit payments and who are delinquent in their repayment of debts owed to the U.S. Government under certain programs administered by Rural Development in order to collect debts under the provisions of the Debt Collection Act of 1982 (5 U.S.C. 5514) by voluntary repayment, administrative or salary offset procedures, or by collection agencies.
10. Referral of names, home addresses, and financial information to lending institutions when Rural Development determines the individual may be financially capable of qualifying for credit with or without a guarantee.
11. Disclosure of names, home addresses, social security numbers, and financial information to lending institutions that have a lien against the same property as Rural Development for the purpose of the collection of the debt. These loans can be under the direct and guaranteed loan programs.
12. Referral to private attorneys under contract with either Rural Development or with the Department of Justice for the purpose of foreclosure and possession actions and collection of past due accounts, in connection with Rural Development.
13. It shall be a routine use of the records in this system of records to disclose them to the Department of Justice when: (a) The agency or any component thereof; or (b) any employee of the agency in his or her official capacity where the Department of Justice has agreed to represent the employee; or (c) the United States Government, is a party to litigation or has an interest in such litigation, and by careful review, the agency determines that the records are both relevant and necessary to the litigation and the use of such records by the Department of Justice is therefore deemed by the agency to be for a purpose that is compatible with the purpose for which the agency collected the records.

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION- CONTINUED

14 Referral of names, home addresses, social security numbers, and financial information to the Department of Housing and Urban Development (HUD) as a record of location utilized by Federal agencies for an automatic credit prescreening system.

15. Referral of names, home addresses, social security numbers, and financial information to the Department of Labor, State Wage Information Collection Agencies, and other Federal, State, and local agencies, as well as those responsible for verifying information furnished to qualify for Federal benefits, to conduct wage and benefit matching through manual and/or automated means, for the purpose of determining compliance with Federal regulations and appropriate servicing actions against those not entitled to program benefits, including possible recovery of improper benefits.

16. Referral of names, home addresses, and financial information to financial consultants, advisors, or underwriters, when Rural Development determines such referral is appropriate for developing packaging and marketing strategies involving the sale of Rural Development loan assets.

17. Rural Development, in accordance with 31 U.S.C. 3711(e)(5), will provide to consumer reporting agencies or commercial reporting agencies information from this system indicating that an individual is responsible for a claim that is current.

18. Referral of names, home addresses, home telephone numbers, social security numbers, and financial information to escrow agents (which also could include attorneys and title companies) selected by the applicant or borrower for the purpose of closing the loan.

19. Disclosures pursuant to 5 U.S.C. 552a(b)(12): Disclosures may be made from this system to consumer reporting agencies as defined in the Fair Credit Reporting Act (15 U.S.C. 168a(f) or the Federal Claims Collection Act (31U.S.C. 3701(a)(3)).

Appendix 11: Form RD 1-3550-12 Subsidy Repayment Agreement

SUBSIDY REPAYMENT AGREEMENT

Only one agreement should be executed by the subject borrower for the subject property. The agreement is completed at the closing of the first Agency loan to the borrower regardless of whether or not they qualify for payment assistance at that time.

1. As required under section 521 of the Housing Act of 1949 (42 U.S.C. 1490a), subsidy received in accordance with a loan under section 502 of the Housing Act of 1949 is repayable to the Government upon the disposition or nonoccupancy of the security property. Deferred mortgage payments are included as subsidy under this agreement.

2. When the borrower transfers title or fails to occupy the home, recapture is due. This includes, but is not limited to, events of foreclosure and deeds in lieu of foreclosure. If the borrower refinances or otherwise pays in full without transfer of title and continues to occupy the property, the amount of recapture will be calculated, but payment of recapture can be deferred, interest free, until the property is subsequently sold or vacated. If deferred, the Government mortgage can be subordinated but will not be released nor the promissory note satisfied until Government is paid in full. In situations where deferral of recapture is an option, recapture will be discounted 25% if paid in full at time of settlement or in a timely manner after Agency notification to the borrower that recapture is due.

3. Amount of Recapture Due

a. Except as provided in paragraph 4, the amount of recapture due is the LESSER of either the amount of subsidy received, or the Portion of Value Appreciation subject to recapture as calculated under this paragraph.

b. The Portion of Value Appreciation subject to recapture is calculated as follows:

Current market value (see paragraph 3(c))

LESS

Original amount of prior liens and subordinate affordable housing products (see paragraph 3(d)),

Balance to be paid off on RHS loans (see paragraph 3(e)),

Reasonable settlement costs (see paragraph 3(f)),

Principal reduction at note rate (see paragraph 3 (g)),

Original equity (see paragraph 3 (h)), and

Capital improvements (see paragraph 3(i)).

EQUALS

Value appreciation (If this is a positive value, continue. If this is a negative value or "\$0", there is no recapture due.)

TIMES

Percentage of outstanding balance of open loans, if applicable (see paragraph 3(j)),

Recapture percentage (see paragraph 3(k)), and

Return on borrower's original equity (see paragraph 3(1)).

EQUALS

Portion of value Appreciation subject to recapture.

- c. Current market value is the market value of the property at the time of the loan pay off; and is determined by an appraisal meeting Agency standards or an arm's length sales contract provided by the borrower upon Agency request.
- d. The original amount of prior liens and subordinate affordable housing products is the total of all liens against the property at the time the loan is approved.
- e. The balance to be paid off on RHS loans is the unpaid balance at the time of loan payoff, including principal, interest, fees, negative escrow, and protective advances.
- f. Reasonable settlement cost are those which are currently reasonable and customary in the area, and documented by a good faith estimate by the lender or an estimate provided by the closing agent.
- g. Principal reduction at note rate is the amount of RHS loan principal paid by the borrower to date. This does not include principal payments that are attributed to the payment assistance subsidy.
- h. Original equity is the market value of the property LESS prior liens, subordinate affordable housing products and Rural Housing Single Family Housing loans when the original RHS loan was made. Market value at the time of loan approval generally is the LESSER of the: (1) sales price, construction/rehabilitation cost, or total of these costs, whichever is applicable; OR (2) appraised value at the time of loan approval. For Self-Help loans, the market value is the appraised value as determined at the time of loan approval/obligation, which is subject to completion per plans and specifications. If the house is not ultimately finished under the Self-Help program, an amended agreement using the market value definition in this paragraph must be used. If the applicant owns the building site free and clear, or if an existing non-Agency debt on the site without a dwelling will not be refinanced with Agency funds, the market value at the time of loan approval will be the lower of the appraised value or the construction cost plus the value of the site.

Market value at the time of original loan approval for the property located at:

_____ \$ _____

LESS prior liens \$ _____ Held by _____

\$ _____ Held by _____

LESS subordinate affordable housing products \$ _____ Held by _____

\$ _____ Held by _____

LESS Rural Development Single Family Housing Loans \$ _____

EQUALS original equity (If negative number, use "0") \$ _____

DIVIDE original equity by market value for
percentage of original equity _____ %

- i. Capital improvements are additions made to the property after the original RHS loan was made that add value above and beyond repairs necessary to maintain the property and keep it in good condition. The value of a capital improvement is determined by an appraisal, either obtained by the Agency or provided by the borrower upon Agency request, based on the change in the property's value attributable to the improvement. The cost of making the improvement will not be considered when making assessment.
- j. Percentage of outstanding balance of open loans applies if all loans are not subject to recapture, or if all loans subject to recapture are not being paid in full. To calculate the percentage of outstanding balance of open loans subject to recapture, divided the balance of RHS loans subject to recapture that are being paid by the balance of all open loans. Multiply the result by 100 to determine the percentage of the outstanding balance of open loans being paid.
- k. Recapture percentage is determined by the number of months the oldest loan subject to recapture has been outstanding and the average subsidized interest rate paid over the years. For example, in the chart below, if the oldest loan subject to recapture has been outstanding for 70 months and the average interest rate paid is 2.5%, the recapture percentage is .50.

months loan outstanding	Average interest rate paid							
	1 %	1.1 2%	2.1 3%	3.1 4%	4.1 5%	5.1 6%	6.1 7%	>7%
0 - 59	.50	.50	.50	.50	.44	.32	.22	.11
60 - 119	.50	.50	.50	.49	.42	.31	.21	.11
120 - 179	.50	.50	.50	.48	.40	.30	.20	.10
180 - 239	.50	.50	.49	.42	.36	.26	.18	.09
240 - 299	.50	.50	.46	.38	.33	.24	.17	.09
300 - 359	.50	.45	.40	.34	.29	.21	.14	.09
360 & up	.47	.40	.36	.31	.26	.19	.13	.09

l. Return on borrower's equity is the difference between 100 percent and the percentage of borrower's original equity.

4. Foreclosure and Deed in Lieu. In case of foreclosure or deed- in-lieu of foreclosure (voluntary conveyance) to the Government, the amount of recapture due shall equal the total amount of subsidy received. Such amount will be recoverable from the security property only, not as a personal liability of the borrower.

5. The Direct Single Family Housing Loan Program is administered under regulations at 7 C.F.R. part 3550. This agreement is subject to those regulations as well as any future amendments and successor regulations not inconsistent with this agreement.

Borrower agrees to pay recapture in accordance with this agreement.

Borrower	Date
Borrower	Date
Borrower	Date
Borrower	Date

Appendix 12: Form RD 1924-2, Description of Materials

Proposed Construction

DESCRIPTION OF MATERIALS

No. (To be inserted by Agency)

Under Construction

Property address City State

Mortgagor or Sponsor (Name) (Address)

Contractor or Builder (Name) (Address)

INSTRUCTIONS

- 1. For additional information on how this form is to be submitted... 2. Describe all materials and equipment to be used... 3. Work not specifically described or shown will not be considered unless... 4. Include no alternates, "or equal" phrases... 5. Include signatures required at the end of this form. 6. The construction shall be completed in compliance with the related drawings and specifications...

1. EXCAVATION: Bearing soil, type
2. FOUNDATIONS: Footings: concrete mix; strength psi; Reinforcing; Foundation wall: material; Reinforcing; Interior foundation wall: material; Party foundation wall; Columns: material and sizes; Piers: material and reinforcing; Girders: material and sizes; Sills: material; Basement entrance areaway; Window arcaways; Waterproofing; Footing drains; Termite protection; Basementless space: ground cover; insulation; foundation vents; Special foundations; Additional information

3. CHIMNEYS: Material; Prefabricated (make and size); Flue lining: material; Heater flue size; Fireplace flue size; Vents (material and size): gas or oil heater; water heater; Additional information

4. FIREPLACES: Type: solid fuel; gas-burning; circulator (make and size); Ash dump and clean-out; Fireplace: Facing; lining; hearth; mantel; Additional information

5. EXTERIOR WALLS: Wood frame: wood grade, and species; Comer bracing. Building paper or felt; sheathing; thickness; width; solid; space; o.c.; diagonal; Siding; grade; type; size; exposure; fastening; Shingles; grade; type; size; exposure; fastening; Stucco; thickness; Lath; weight; Masonry veneer; Sills; Lintels; Base flashing; Masonry: solid; faced; stuccoed; total wall thickness; facing thickness; facing material; Backup material; thickness; bonding; Door sills; Window sills; Lintels; Base flashing; Interior surfaces: dampproofing; coats of; furring; Additional information; Exterior painting: material; number of coats; Gable wall construction: same as main walls; other construction

6. FLOOR FRAMING: Joists; wood, grade, and species; other; bridging; anchors; Concrete slab: basement floor; first floor; ground supported; self-supporting; mix; thickness; reinforcing; insulation; membrane; Fill under slab; material; thickness; Additional information

7. SUBFLOORING: (Describe underflooring for special floors under item 21.) Material: grade and species; size; type; Laid: first floor; second floor; attic; sq. ft.; diagonal; right angles. Additional information

8. FINISH FLOORING: (Wood only. Describe other finish flooring under item 21.) Table with columns: LOCATION, ROOMS, GRADE, SPECIES, THICKNESS, WIDTH, BLDG. PAPER, FINISH. Rows: First floor, Second floor, Attic floor, Additional information

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not 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 0575-0042. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching, gathering data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

9. PARTITION FRAMING:

Studs: wood, grade, and species _____ size and spacing _____ Other _____

Additional information: _____

10. CEILING FRAMING:

Joists: wood, grade, and species _____ Other _____ Bridging _____

Additional information: _____

11. ROOF FRAMING:

Rafters: wood, grade, and species _____ Roof trusses (see detail): grade and species _____

Additional information: _____

12. ROOFING:

Sheathing: wood, grade, and species _____ solid spaced _____ " o.c.

Roofing _____ ; grade _____ ; size _____ ; type _____

Underlay _____ ; weight or thickness _____ ; size _____ ; fastening _____

Built-up roofing _____ ; number of plies _____ ; surface material _____

Flashing: material _____ ; gage or weight _____ gravel stops; snow guards

Additional information: _____

13. GUTTERS AND DOWNSPOUTS:

Gutters: material _____ ; gage or weight _____ ; size _____ ; shape _____

Downspouts: material _____ ; gage or weight _____ ; size _____ ; shape _____ ; number _____

Downspouts connected to: Storm sewer; sanitary sewer; dry-well. Splash blocks: material and size _____

Additional information: _____

14. LATH AND PLASTER:

Lath walls, ceilings: material _____ ; weight or thickness _____ Plaster: coats _____ ; finish _____

Dry-wall walls, ceilings: material _____ ; thickness _____ ; finish _____

Joint treatment _____

15. DECORATING: (Paint, wallpaper, etc.)

ROOMS	WALL FINISH MATERIAL AND APPLICATION	CEILING FINISH MATERIAL AND APPLICATION
Kitchen _____		
Bath _____		
Other _____		

Additional information: _____

16. INTERIOR DOORS AND TRIM:

Doors: type _____ ; material _____ ; thickness _____

Door trim: type _____ ; material _____ Base: type _____ ; material _____ ; size _____

Finish: doors _____ ; trim _____

Other trim (item, Type and location) _____

Additional information: _____

17. WINDOWS:

Windows: type _____ ; make _____ ; material _____ ; sash thickness _____

Glass: grade _____ sash weights; balances, type _____ ; head flashing _____

Trim: type _____ ; material _____ Paint _____ ; number coats _____

Weatherstripping: type _____ ; material _____ Storm sash, number _____

Screens: full; half, type _____ ; number _____ ; screen cloth material _____

Basement windows: type _____ ; material _____ ; screens, number _____ ; Storm sash, number _____

Special windows _____

Additional information: _____

18. ENTRANCES AND EXTERIOR DETAIL:

Main entrance door: material _____ ; width _____ ; thickness _____ " Frame: material _____ ; thickness _____ "

Other entrance doors: material _____ ; width _____ ; thickness _____ " Frame: material _____ ; thickness _____ "

Head flashing _____ Weatherstripping: type _____ ; saddles _____

Screen doors: thickness _____ ; number _____ ; screen cloth material _____ Storm doors: thickness _____ ; number _____

Combination storm and screen doors: thickness _____ ; number _____ ; screen cloth material _____

Shutters: hinged; fixed. Railings _____ ; Attic louvers _____

Exterior millwork: grade and species _____ Paint _____ ; number coats _____

Additional information: _____

19. CABINETS AND INTERIOR DETAIL:

Kitchen cabinets, wall units: material _____ ; lineal feet of shelves _____ ; shelf width _____

Base units: material _____ ; counter top _____ ; edging _____

Back and end splash _____ Finish of cabinets _____ ; number coats _____

Medicine cabinets: make _____ ; model _____

Other cabinets and built-in furniture _____

Additional information: _____

20. STAIRS:

STAIR	TREADS		RISERS		STRINGS		HANDRAIL		BALUSTERS	
	Material	Thickness	Material	Thickness	Material	Thickness	Material	Thickness	Material	Thickness
Basement _____										
Main _____										
Attic _____										

Disappearing: make and model number _____

Additional information: _____

21. SPECIAL FLOORS AND WAINSCOT: (Describe carpet as listed in Certified Products Directory.)

Floors	Location	Material, Color, Border, Sizes, Gage, Etc.	Threshold Material	Wall Base Material	Underfloor Material
	Kitchen				
	Bath				
Wainscot	Location	Material, Color, Border, Sizes, Gage, Etc.	Height	Height Over Tub	Height in Showers (From Floor)
	Bath				

Bathroom accessories: Recessed; material _____; number _____; Attached; material _____; number _____
 Additional information: _____

22. PLUMBING

Fixture	Number	Location	Make	Mfr's Fixture Identification No.	Size	Color
Sink						
Lavatory						
Water closet						
Bathtub						
Shower over tub						
Stall shower						
Laundry trays						

A Curtain rod A Door Shower pan: material _____
 Water supply: public; community system; individual (private) system.*
 Sewage disposal public; community system; individual (private) system.*
 * Show and describe individual system in complete detail in separate drawings and specifications according to requirements.
 House drain (inside): cast iron; tile; other _____ House sewer (outside): cast iron; tile; other _____
 Water piping: galvanized steel; copper tubing; other _____ Still cocks, number _____
 Domestic water heater: type _____; make and model _____; heating capacity _____
 _____ gph. 100' rise. Storage tank: material _____; capacity _____ gallons.
 Gas service: utility company; liq. pet. gas; other _____ Gas piping: cooking; house heating.
 Footing drains connected to storm sewer; sanitary sewer; dry well. Sump pump; make and model _____
 _____; capacity _____; discharges into _____

23. HEATING

Hot water. Steam. Vapor. One-pipe system. Two-pipe system.
 Radiators. Convectors. Baseboard radiation. Make and model _____
 Radiant panel: floor; wall; ceiling. Panel coil: material _____
 Circulator. Return pump. Make and model _____; capacity _____ gpm.
 Boiler: make and model _____ Output _____ Btuh.; net rating _____ Btuh.
 Additional information: _____
 Warm air: Gravity. Forced. Type of system _____
 Duct material: supply _____ return _____ Insulation _____; thickness _____ Outside air intake.
 Furnace: make and model _____ Input _____ Btuh.; output _____ Btuh.
 Additional information: _____
 Space heater; floor furnace; wall heater. Input _____ Btuh.; output _____ Btuh.; number units _____
 Make, model _____ Additional information: _____
 Controls: make and types _____
 Additional information: _____
 Fuel: Coal; oil; gas; liq. pet. gas; electric; other _____; storage capacity _____
 Additional information: _____
 Firing equipment furnished separately: Gas burner, conversion type. Stoker: hopper feed bin feed
 Oil burner: pressure atomizing; vaporizing _____
 Make and model _____ Control _____
 Additional information: _____
 Electric heating system: type _____ Input _____ watts; @ _____ volts; output _____ Btuh.
 Additional information: _____
 Ventilating equipment: attic fan, make and model _____, capacity _____ cfm.
 Kitchen exhaust fan, make and model _____
 Other heating, ventilating, or cooling equipment _____

24. ELECTRIC WIRING:

Service: overhead; underground. Panel: fuse box; circuit-breaker; make _____ AMP's _____ No. circuits _____
 Wiring: conduit; armored cable; nonmetallic cable; knob and tube; other _____
 Special outlets: range; water heater; other _____
 Doorbell. Chimes. Push-button locations. _____ Additional information: _____

25. LIGHTING FIXTURES:

Total number of fixtures _____ Total allowance for fixtures, typical installations, \$ _____
 Nontypical installation _____
 Additional information: _____

Appendix 13: USDA-RD eForms User Guide September 2022

eForms User Guide

September 2022

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Chapter 1: Introduction

The eForms site is used for a variety of United States Department of Agriculture (USDA) programs and purposes. Chapter 2 of this guide focuses on the basic steps required to submit a Single Family Housing (SFH) direct loan application package electronically using the eForms site. Chapter 3 of this guide focuses on the steps required of Rural Development (RD) Field Office users to import the SFH direct loan application package electronically into UniFi using the eForms site.

Approved intermediaries are required to submit applications electronically using the eForms site. To help them meet this requirement, each state must be prepared to accept and process applications using the eForms site. **The first step towards establishing a working eForms process is to establish a line of communication between intermediaries and RD State and Field Offices! State and Field Offices should determine and communicate the processing structure within the state to the intermediaries in order to correctly receive and timely process packages.**

If you have suggestions how we can improve this guide, please send us an email with your comments to: SFHDIRECTPROGRAM@usda.gov.

Thank you,
The National Headquarters Direct Program Staff

Link to the eForms site:

<https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>

The eForms site to UniFi Interface

The eForms site allows applicants and individuals working on behalf of the applicant through approved entities (such as certified loan application packagers or approved intermediaries) to search for and complete forms requesting services from USDA, RD.

With the eForms site, users can electronically submit a SFH direct loan application package which includes all the items needed by RD to determine applicant eligibility (e.g. pay stubs, bank statements, etc.). Users can also upload a completed uniform residential loan application. By transmitting applications this way, loan application packages will be received in a more timely and confirmed manner. In addition, RD staff will be able to import the uniform residential loan application information from the eForms site directly into the SFH direct loan origination system (UniFi).

Chapter 2: Applicants, Certified Loan Application Packagers, Approved Intermediaries, and Others

How to Submit a Single Family Housing Direct Loan Application Package Using the
eForms Site

Help Resources

Before you use the eForms site to submit any applications, we first recommend contacting our **RD State Office**. Let us know you are interested in SFH direct loan application packaging and our staff will help guide you through the eForms process and answer any questions you may have. You can find your State Office using the following link: <https://www.rd.usda.gov/contact-us/state-offices>



To submit an online application using the eForms site, the user must have a **USDA eAuthentication** account.

If you experience problems of a technical nature with the eForms site, you can contact the RD Help Desk by calling 1-800-457-3642, select USDA Applications (press 2), then select Rural Development (press 2). Alternatively, you may send an email to RD.HD@USDA.GOV.

Access to submit packages through the eForms site requires a USDA eAuthentication account with a verified identity. If you do not have an eAuthentication account go to <https://www.eauth.usda.gov/eauth/b/usda/registration>. When your account is created then follow the process to verify your identity. For information on USDA eAuthentication accounts visit the [USDA eAuthentication FAQs](#).

Overview– Submitting the Electronic Loan Application

The user starts the process by logging into the eForms site, browsing to the RD 410-4 loan application, downloading Form RD 410-4 to complete offline. Once Form RD 410-4 is complete, upload the completed form into eForms **or** upload an existing application from another loan application system (provided it is compatible with the eForms site). Users working for an approved intermediary who are submitting applications on behalf of an applicant or certified packager **MUST** submit the loan application in the eForms site using one of these two methods.



Users should confirm the processing structure with the State and Field Offices prior to submitting, in order to determine the correct location to submit the package. Some states have a central office to submit all packages regardless of the county in which the applicant is wanting to purchase. Submitting to the incorrect location can cause delays in processing. Never submit to a site labeled remote location.

Next, create a package and select the imported form. Upon clicking “submit”, the user will be prompted to name the loan application package, select the ‘servicing center’ (a.k.a. Field Office) that will receive the package based on the county in which the applicant is wanting to purchase or based on the central office, and attach the documents as required by [HB-1-3550 Attachment 3-J](#)

for [502 Direct](#) or [HB-1-3550 Attachment 12-E for 504 Direct](#) to complete the loan application package. Packagers and Intermediaries must include all items listed on the Phase 1 cover letter in [HB 1-3550 Attachment 3-A](#). Intermediaries and packagers should attach documents based on the stacking order checklist available on the [Direct Loan Application Packagers website](#).

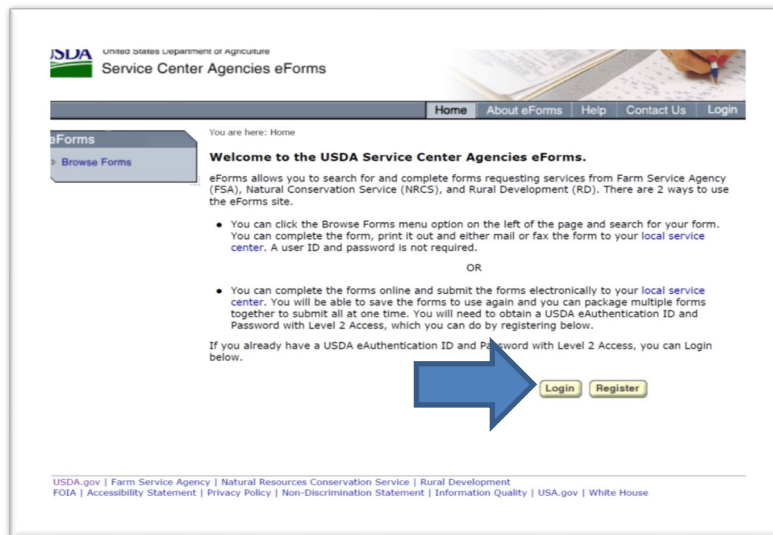
After all supporting documentation is attached, click “submit”, the loan application package is sent! If the transmission is successful, the user will receive a confirmation and the package will be moved to the users outbox on the eForms site.



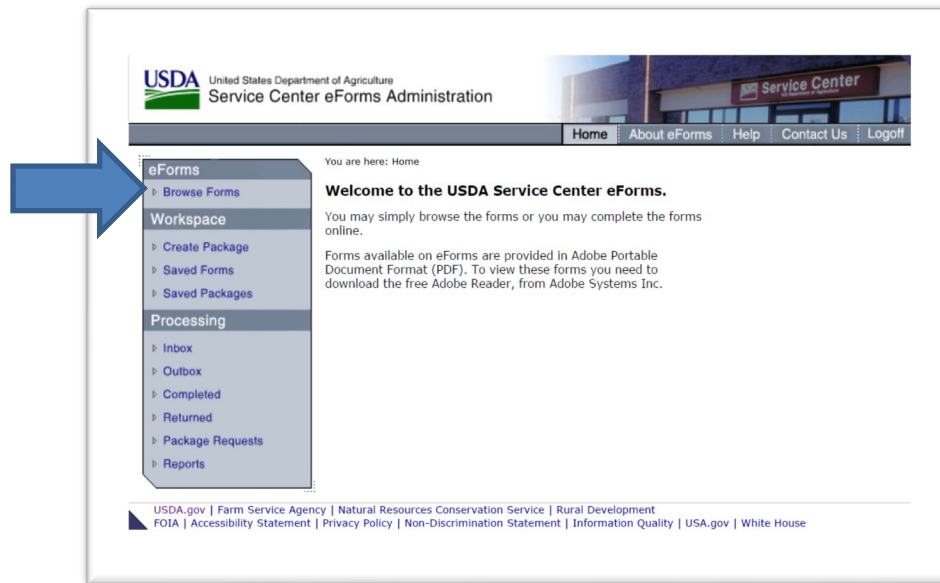
RD staff **will not** accept an application unless it is **COMPLETE**. If any documents are determined missing or incomplete during the review by RD staff, the package will be returned to the user. This applies to all applications, whether submitted by a loan application packager or applicant. **A 410-4 application submitted via the eForms site is acceptable; a signature on a 410-4 is not required for the application to be deemed complete.**

Step-by-Step Screenshots

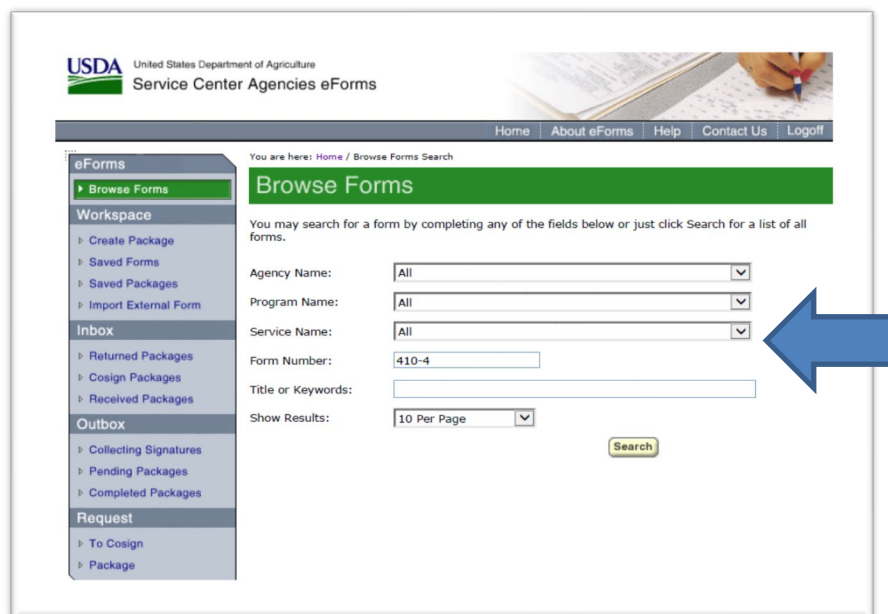
Steps 1 & 2: Navigate and Login to the eForms site using any browser.



Step 3. Select “Browse Forms” from the menu options.

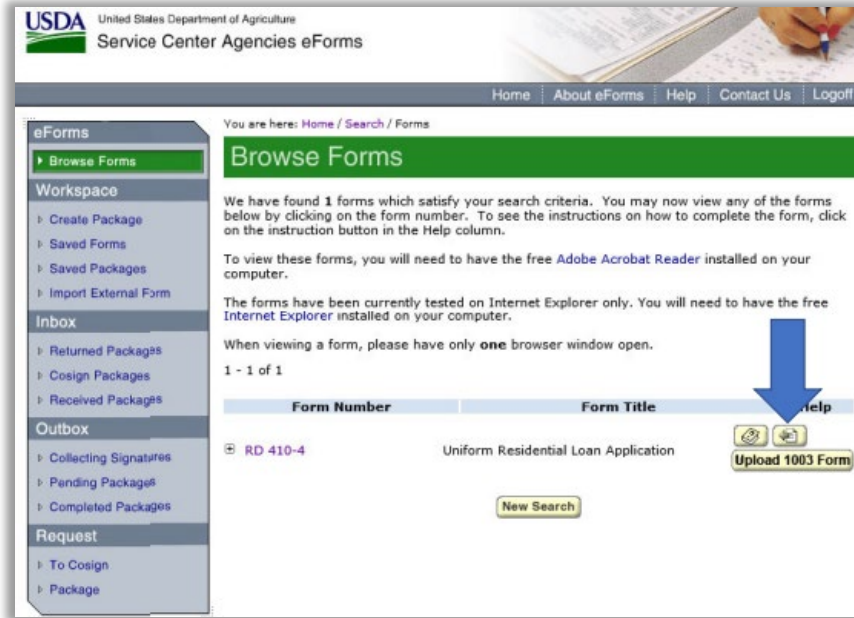


Step 4: At the Form Number search option, enter “410-4”.



Note: you must use the 410-4 form provided in the eForms site. Other source versions of the 410-4 will not upload or transmit correctly.

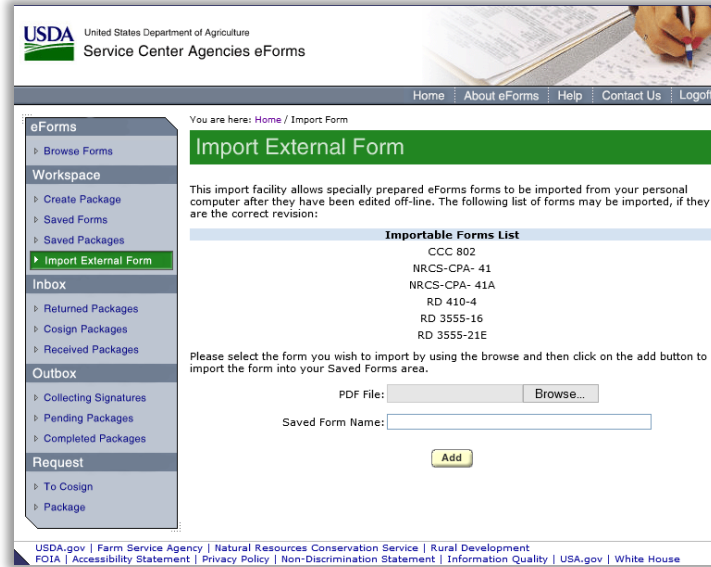
Step 5: Select “Export Form for Offline Completion” to download the form to your computer **OR** select “Upload 1003 Form” (users uploading 1003 Form will skip Step 6).



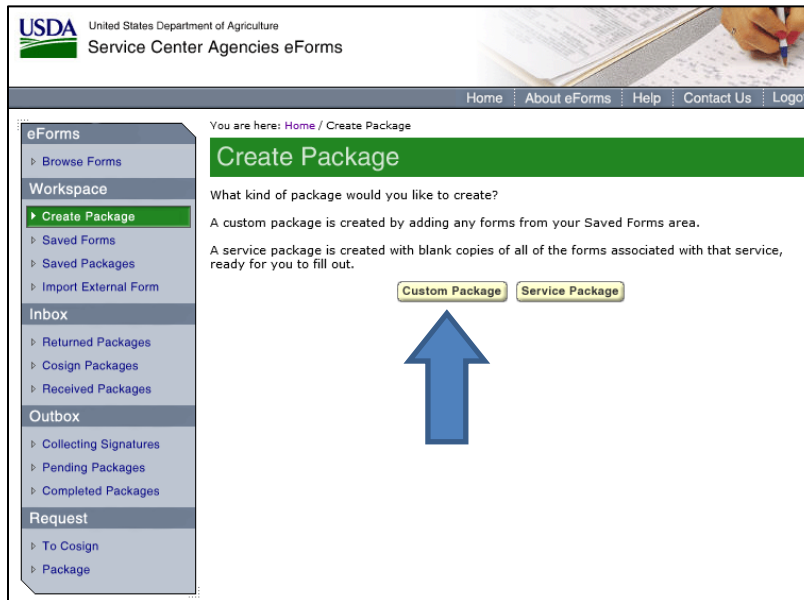
Note: Click this ‘Help’ icon if you have questions how to complete a form! ‘Help’ for more information

Step 6: Complete the 410-4 form offline at your convenience. Do not use special characters or punctuation (i.e. use Road instead of Rd.). Do not provide comments or enter letters in numerical fields (i.e a child 3 months old should be entered as 1).

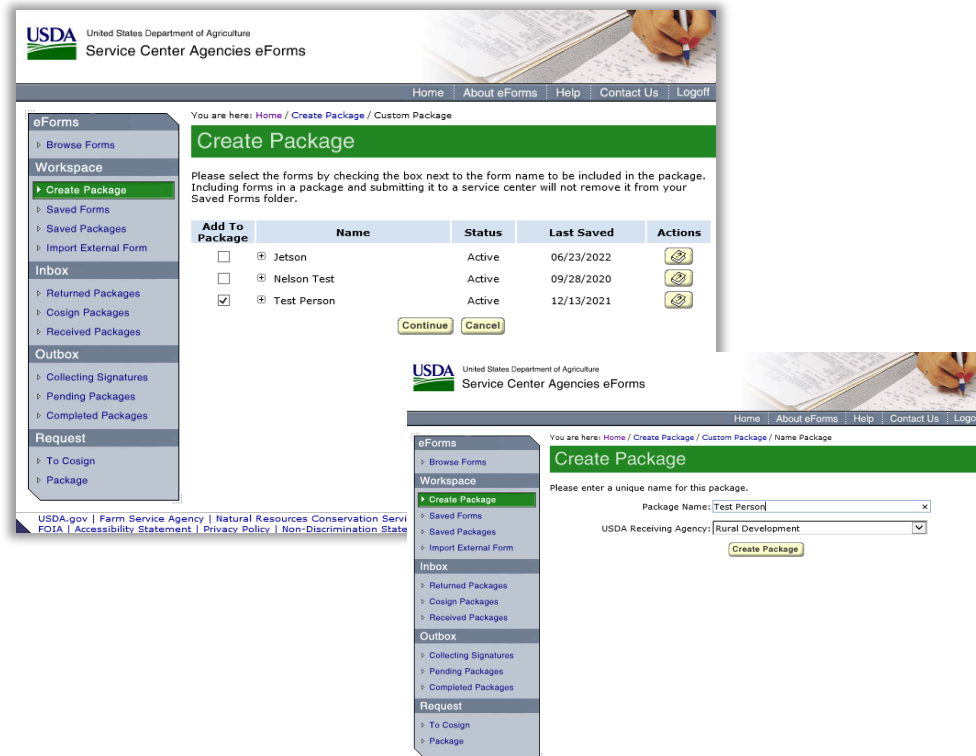
Step 7: Upload the complete 410-4 form by clicking “Import External Form”. Use “Browse” to locate the saved form on your computer. Enter a name in the “Saved Form Name” and click “Add”. The form is added to the Saved Forms workspace. If the “Upload 1003 form” button was selected earlier, the user would first browse their local input files (.prn), select the file to upload, and click “Add”.



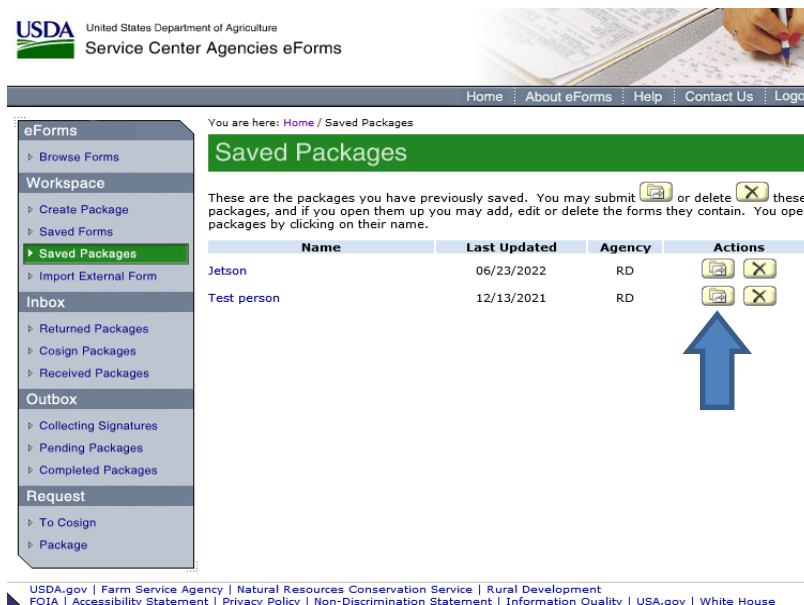
Step 8: Next create the package by clicking “Create Package”. Select “Custom Package”.



Step 9: The list of Saved Forms displays, select the desire form by checking the “Add to Package” checkbox and clicking “Continue”. Name your package. The package name cannot contain special characters. Confirm the USDA Receiving Agency is Rural Development. Your package is saved to the “Saved Packages” workspace.



Step 10: Next to the desire package, click submit under the Actions column.



Step 11: Select the appropriate geographical county and then the USDA servicing center. Not all offices accept eForms applications. Please contact RD staff prior to submitting your first package so you know the right county/servicing selections to choose. Submitting to the incorrect location can cause delays in processing. Never submit to a site labeled remote location.

The first screenshot shows the 'Browse Forms' page for the state of Arkansas. It features a map of Arkansas counties. The second screenshot shows the 'Browse Forms' page for the selected Greene county in Arkansas. It lists two service center offices:

Name	Address	Action
ARKANSAS USDA STATE OFFICES	700 W CAPITOL AVE STE 3416 LITTLE ROCK AR, 72201-3215	Select Map
JONESBORO SERVICE CENTER	3407 S CARAWAY RD JONESBORO AR, 72404	Select Map

Steps 12, 13, & 14: Attach supporting application documents and submit.

The screenshot shows the 'Saved Forms' page. It displays a table with one form entry:

Name	Description
test410-4Import	This form is to be completed by anyone wishing to apply for a Rural Housing loan or grant.

Below the table, there is a section for 'Attachments' with the message: 'There are currently no attachments for this package.' and an 'Add' button.

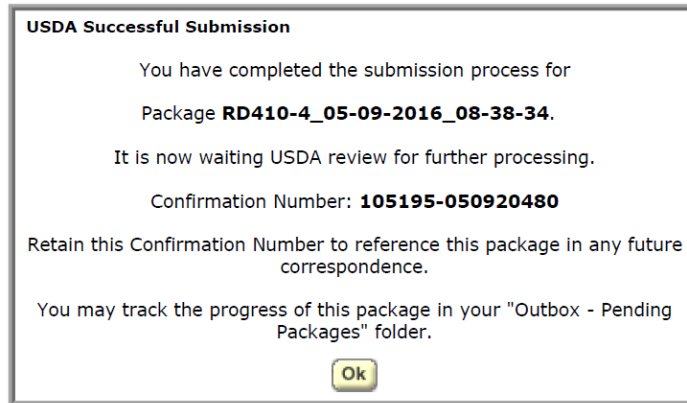
Below the attachments section, there is a text area for 'Add comments here...'. Below the text area, there is a note: 'Your USDA eAuthentication account email address is karl.kelley@stl.usda.gov. All notifications pertaining to this package will be sent to this email address. If this is not the address you wish to have used, you must change it through the USDA eAuthentication. Any changes to your eAuthentication profile will require that you log out of eForms and back in again to take affect.' Below the note, there is a section for 'Service Center' information:

Service Center: ST LOUIS GOODFELLOW BLVD COMPLEX
4300 GOODFELLOW BLVD
ST LOUIS, MO 63120-1703
Phone Number: 3144574800

At the bottom of the page, there is a 'Submit' button.

The 'Add' option is what the user selects to add the application supporting documents as described earlier. The supporting documents must be sent along with the electronic submission of the uniform residential loan application, not separately. When submitting a package using the eForms site, a signature on the 410-4 is not required.

That's it! You will receive a confirmation message and the application package will be moved to your Outbox. Users are advised to retain the confirmation number in their records.

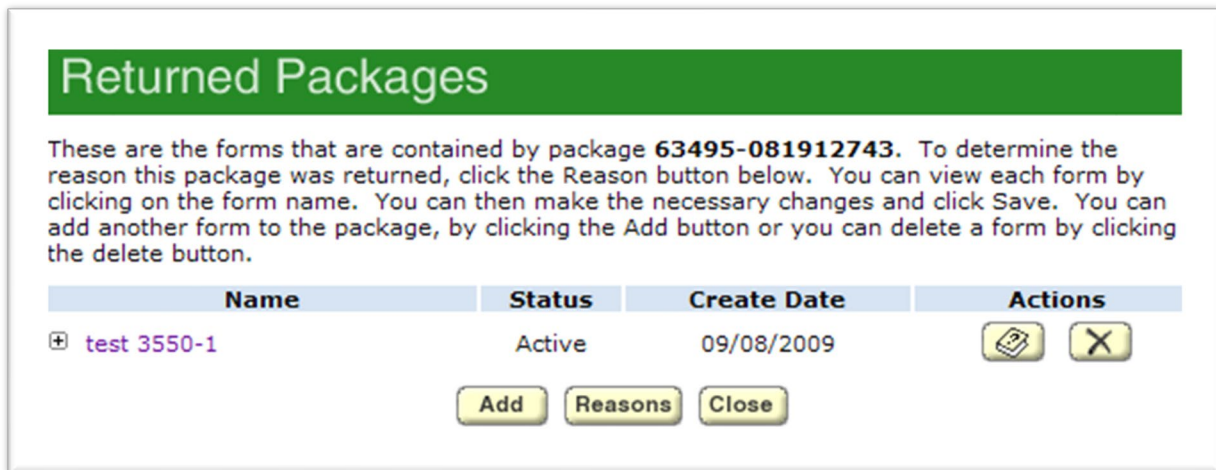


Inbox

The Inbox menu area of the eForms site contains three actions; they are Returned Packages, Cosign Packages, and Received Packages. In most cases, the user will only be concerned with Returned Packages and Received Packages.

Returned Packages

The Returned Packages area contains a list of packages that have been returned by the USDA. The details of each package may be viewed by clicking on the "Confirmation #" or "Name".



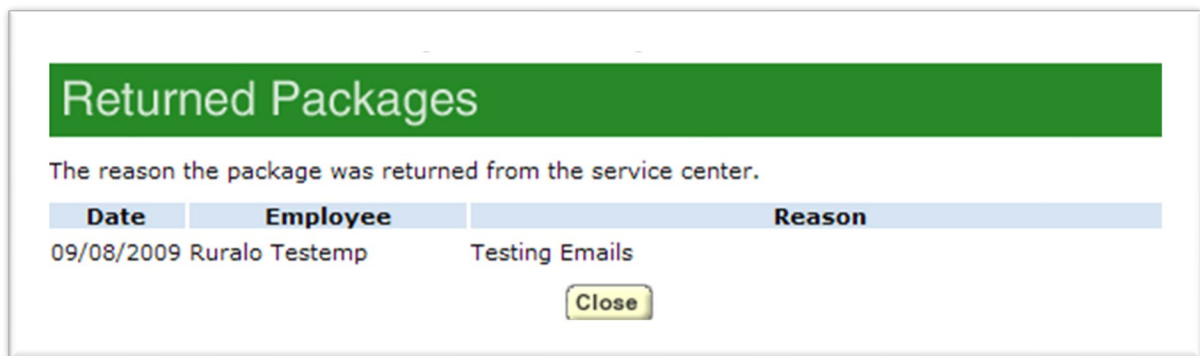
Returned Packages

These are the forms that are contained by package **63495-081912743**. To determine the reason this package was returned, click the Reason button below. You can view each form by clicking on the form name. You can then make the necessary changes and click Save. You can add another form to the package, by clicking the Add button or you can delete a form by clicking the delete button.

Name	Status	Create Date	Actions
<input type="checkbox"/> test 3550-1	Active	09/08/2009	<input type="button" value="Reason"/> <input type="button" value="Delete"/>

The detail view contains the following actions:

- Standard Package Item actions.
 - The Expand Details (⊞) icon allows you to display more details about this saved form.
 - The “Name” is a link to the saved PDF and data. Selecting the link will load the form and data in the current browser window.
 - The Delete (X) icon will delete the item.
 - The Instructions (📖) icon opens a new browser window containing detailed help instructions about the form.
- The Reasons button (Reasons) displays a page of reasons for the return.



Received Packages

The Received Packages area contains a list of packages that were originated by a Federal Employee representative of Farm Service Agency, Natural Resources Conservation Service, or RD.

Outbox

The Outbox menu area contains three actions; they are Collecting Signatures, Pending Packages, and Completed Packages. In most cases, the user will only be concerned with Pending and Completed Packages.

Pending Packages

The Pending Packages area provides a package list of open package submissions. Open package submissions are packages that are:

- New – a submitted package that has not been opened by a USDA employee.
- Pending – a submitted package that has been opened by a USDA employee.
- Redirected – a submitted package that has been forwarded to another servicing location for processing.

A pending package can be viewed, but editing is not allowed.

If a package is pending or new status for more than 3 business days contact the State Office. Packages should be reviewed for completeness within 3 business days after receipt.

Completed Packages

The Completed Packages area contains a package list view of all submitted packages that have been accepted. The term “Accepted” only means that information contained in the package was sufficient to allow further processing of the request and may or may not require signed printed copies of the electronic forms to be submitted.

Chapter 3:

RD Field Office Users

How to Upload the Single Family Housing Direct Loan Application Package into UniFi Using the eForms Site

Help Resources

If you experience problems of a technical nature with the eForms site to UniFi upload, you can contact the RD Help Desk by calling 1-800-457-3642, select USDA Applications (press 2), then select Rural Development (press 2). Alternatively, you may send an email to RD.HD@USDA.GOV.

If you have non-technical issues (i.e. program related questions) regarding the eForms site to UniFi upload, please contact your State Office.



To retrieve an online application in eForms, the Field Office user must have access to the appropriate office location in the eForms site.

Gaining Access to eForms

Field Office users should be able to access the eForms site using their existing eAuthentication credentials. If you are unable to access the eForms site, please contact your state's Information Security System Staff Point of Contact (ISSSPOC). Your ISSSPOC will need to submit a ticket into the User Access Management (UAM) System in order for you to gain the necessary access.

Overview– Processing the loan application in eForms



If you do not receive a notification email then you are not properly assigned to the office that received the eForms application! If this occurs, please contact your state's SFH Program Director or designated eForms contact. They will work with National Headquarters staff to update the user profile.

The Field Office user should receive a notification email whenever a loan application package is submitted to their Field Office through the eForms site. This notification should prompt Field Office staff to review the incoming package and based on their review, either accept, re-direct or return it.

ALL individuals working in the Field Office may receive the notification email, including non-SFH personnel. Please communicate with the other staff members in your office so they are aware of this possibility. Non-SFH personnel should not take action on SFH packages within eForms.

Accepted packages are uploaded from the eForms site into UniFi. The application should become available in UniFi within 30 minutes from being accepted in the eForms site. When an employee logs on to UniFi, a pop-up of all the RD 410-4 loan applications accepted for that Field Office or State (depending on the eForms site code and employee UniFi access level) will be displayed on a screen (this process is similar to the one displayed when credit reports have been received in UniFi).

The employee will then select a RD 410-4 loan application and begin ‘parsing’ the application. Parsing an application, ensures the data transmitted is sent to the correct UniFi fields.

Quick Guide

Step 1. Navigate to the eForms site.

<https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>

Step 2. Login to the eForms site.

Step 3. Go to inbox and identify ‘new’ packages.

Step 4. Review the package. Open (double click) the package and review ALL attached documents. For packagers, documents should be attached as described in the “Stacking Order Checklist” document available on the [Single Family Housing Direct Loan Application Packagers page](#).

Step 5. Accept, Re-direct, or Return the package.

- ACCEPT ONLY COMPLETE PACKAGES! When the 410-4 form is submitted using the eForms site, a signature is not required on the 410-4 for the package to be deemed complete. The electronic 410-4 form submitted through the eForms site is acceptable.
- Accepted packages will transmit to UniFi on the next upload.
- Re-directed packages will be sent to the inbox of the office selected.
- Returned packages will be sent to the inbox of the user and should include a detailed explanation why the package was returned.

Steps 6 -13. Parse application into UniFi.

Reviewing the Loan Application Package in eForms

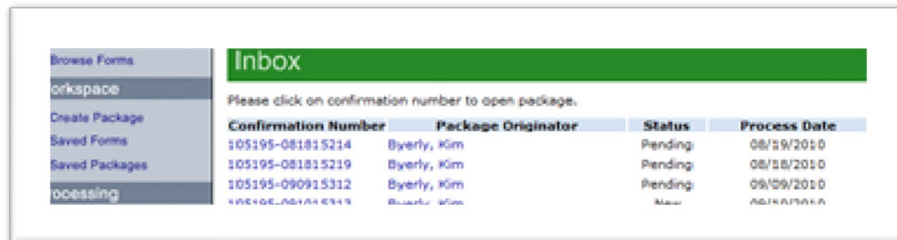
Loan application packages submitted through the eForms site rely on the Field Office user to frequently review their **Inbox** and to take the appropriate action. Packages should be reviewed for completeness within 3 business days after receipt. After a thorough review, the most common actions a Field Office user will take is to either **Accept**, **Re-direct**, or **Return** the application package. Staff must use the Microsoft Edge browser to review packages.



The Agency **will not** “Accept” an application unless it is **COMPLETE**. Please refer to HB-1-3550, Chapter 3 or Chapter 12 for more information. If any documents are determined missing or incomplete during the review, the entire package is to be returned to the user. This applies to all applications, whether submitted by a loan application packager or applicant. When an application is submitted in the eForms site, a signature on the 410-4 is not required. The electronic 410-4 is acceptable for a complete application.

The **Inbox** area provides a list of open package submissions. Open package submissions are either:

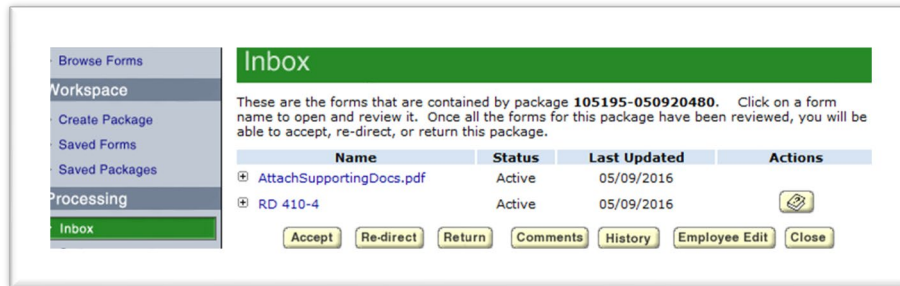
- New – a submitted package that has not been opened by a USDA employee.
- Pending – a submitted package that has been opened by a USDA employee.



Confirmation Number	Package Originator	Status	Process Date
105195-081815214	Byerly, Kim	Pending	08/19/2010
105195-081815219	Byerly, Kim	Pending	08/28/2010
105195-090915312	Byerly, Kim	Pending	09/09/2010
105195-090915313	Byerly, Kim	None	09/09/2010

All the forms must be reviewed (i.e. opened and closed) in the package before any action to accept, re-direct, or return can be taken. Otherwise, you will receive an error message.

Accepting, Re-directing, or Returning Packages.



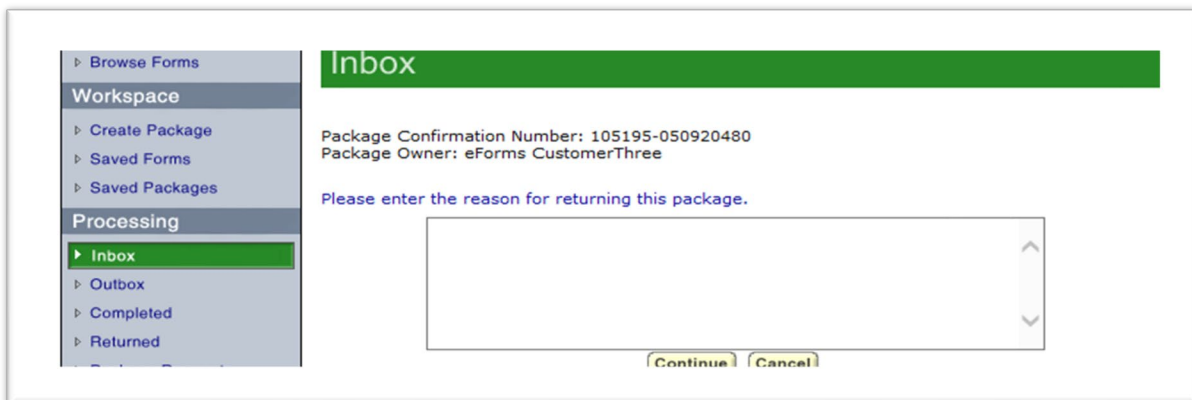
When you **Accept** a package, it moves the package from the inbox to the **Completed** folder and notifies the UniFi system that it is ready for upload.

An automated process uploads all accepted loan application packages from the eForms site into UniFi. This task is scheduled to run every 10 minutes with additional tasks occurring behind the scenes. The application should become available in UniFi within 30 minutes from being accepted in the eForms site.

Field Office users also can choose to **Re-direct** a package. This allows the Field Office user to send it to another Field Office for processing. This is a useful option when a package was sent to the wrong office or if a state uses centralized processing and wants to re-direct the package internally.

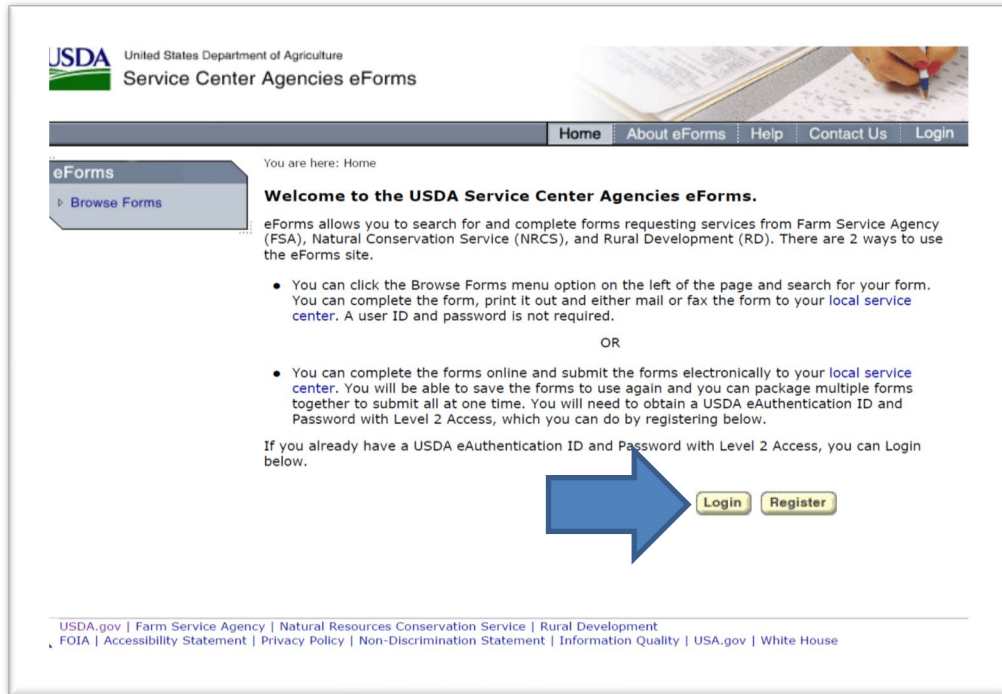
Returning Packages.

If during the review, the application is determined incomplete, the Field Office users can **Return** the package. When this action is taken, the Field Office user should (in detail) describe the reason for returning the package. This action will send the package back to the **Inbox** of the user who originally submitted the package.

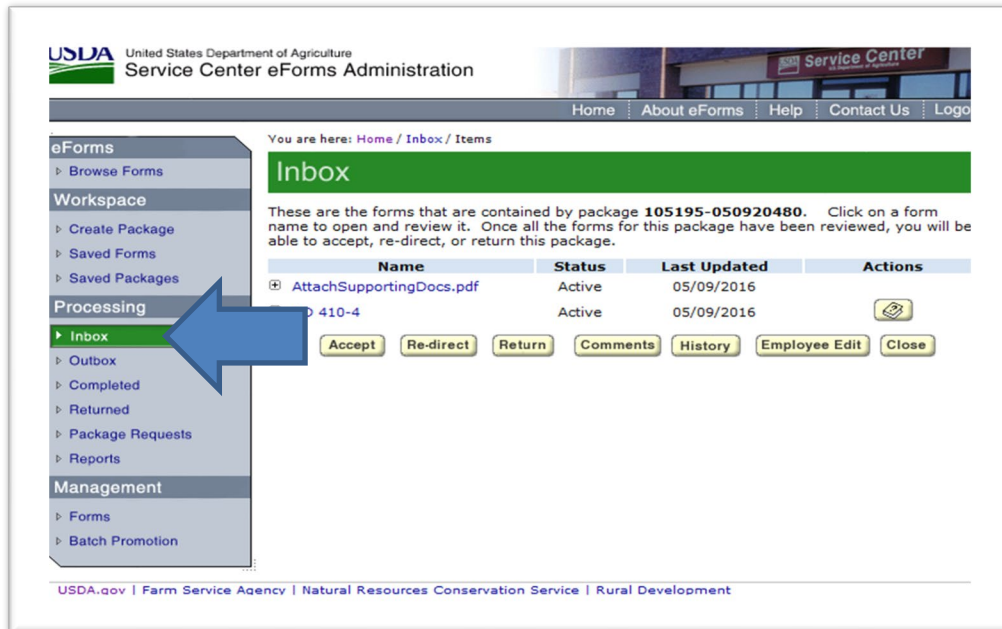


Step-by-Step Screenshots

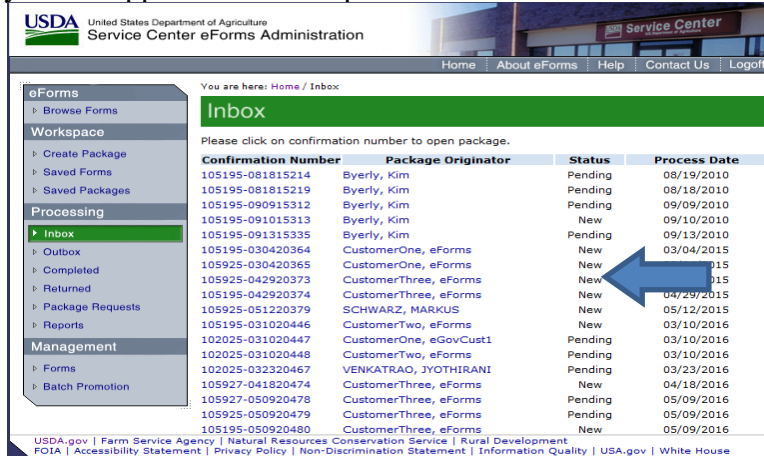
Steps 1: Navigate and Login to the eForms site in Microsoft Edge.



Step 2: Select "Inbox" from the menu options.

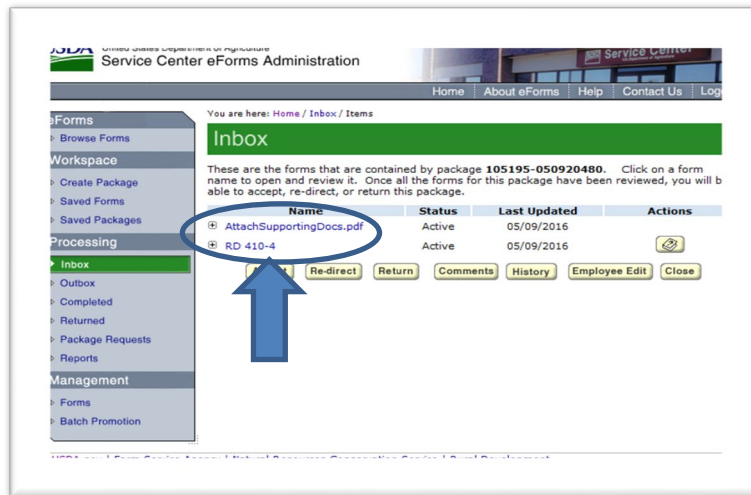


Step 3: Identify any ‘new’ applications and open them.

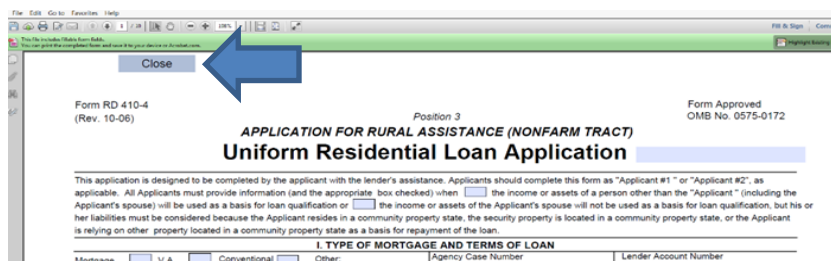


Step 4: Open (double click) on each form to review their contents. You must review **ALL** documents in order to complete the next step.

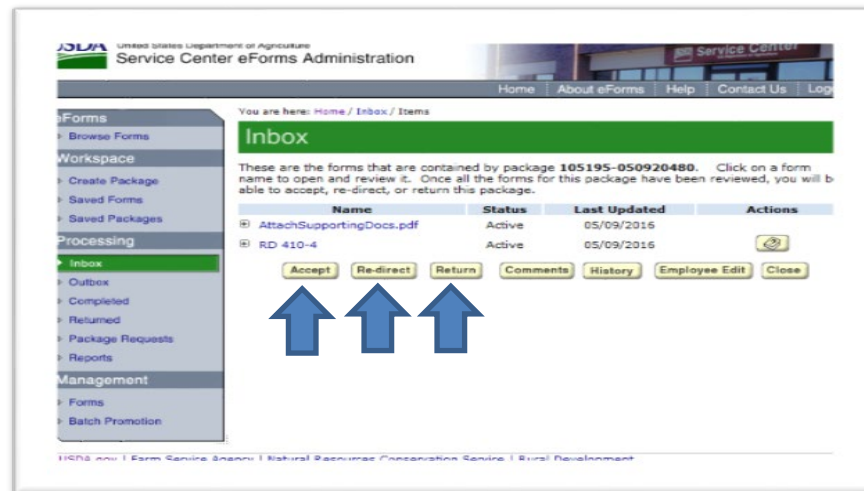
In order to open and view Form RD 410-4, staff must be using Microsoft Edge.



When the 410-4 application review is complete, be sure to close the form using the ‘Close’ action button in the upper left corner. This is slightly different than how you close out of other supporting documents. For those, the user can simply ‘X’ out of the tab.



Step 5: Once all documents have been opened and reviewed, the user can either Accept, Re-direct, or Return the package. Accepting the package notifies the eForms site to transmit the 410-4 form to UniFi during the next upload.



Remaining steps are performed in UniFi

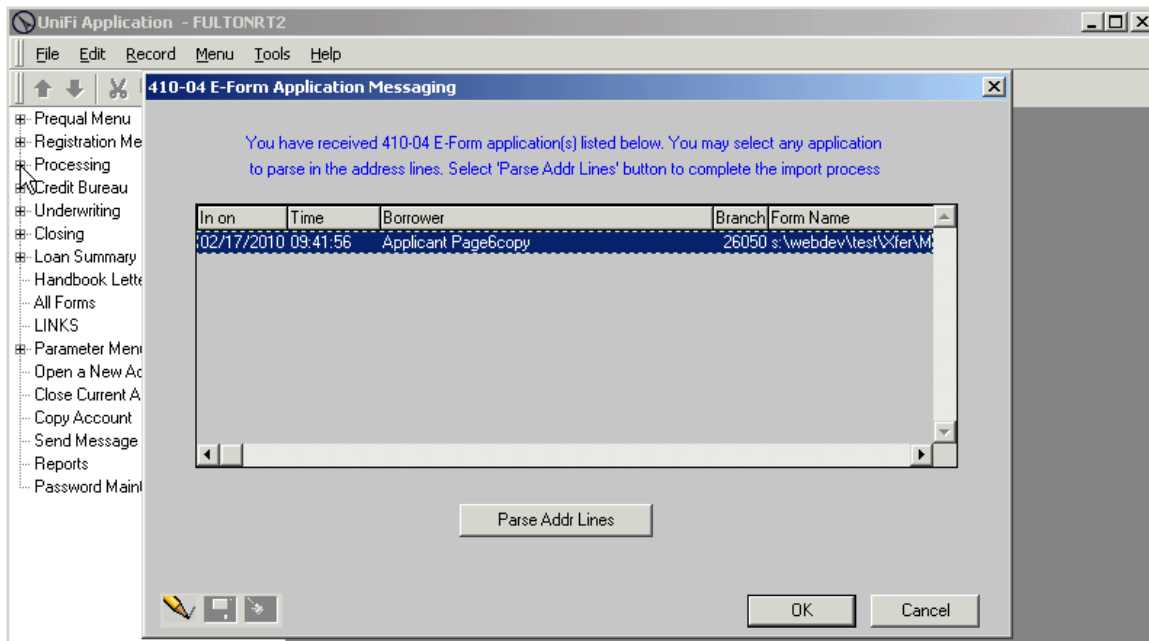


To parse, the users UniFi ID must be identical to the code of the RD Field Office that accepts the application. If a user has UniFi access that does not match the code of the 'accepting' Field Office, then the application will not display in UniFi to parse! **By default, Field Offices use a branch level code** based on their geographical county. However, this default can be changed to accommodate other access levels (e.g. statewide access). **States utilizing district or statewide UniFi access should contact the National Headquarters to ensure proper settings are in place.**

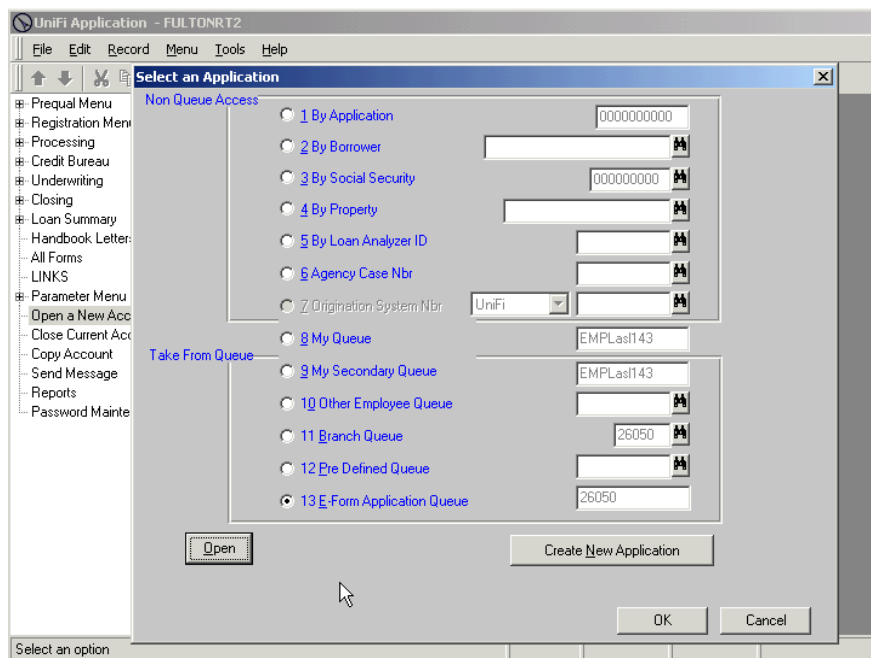
Parsing the 410-4 Application in UniFi

The following are the steps taken to parse (map) data from Form RD 410-4 into UniFi.

Step 6: eForms applications waiting to be put into UniFi for a branch will be displayed when a user from that branch logs on to UniFi. Choose the Cancel button if you do not want to parse the application(s) at this time. The application(s) will be held in a special queue and can be accessed at a later time.

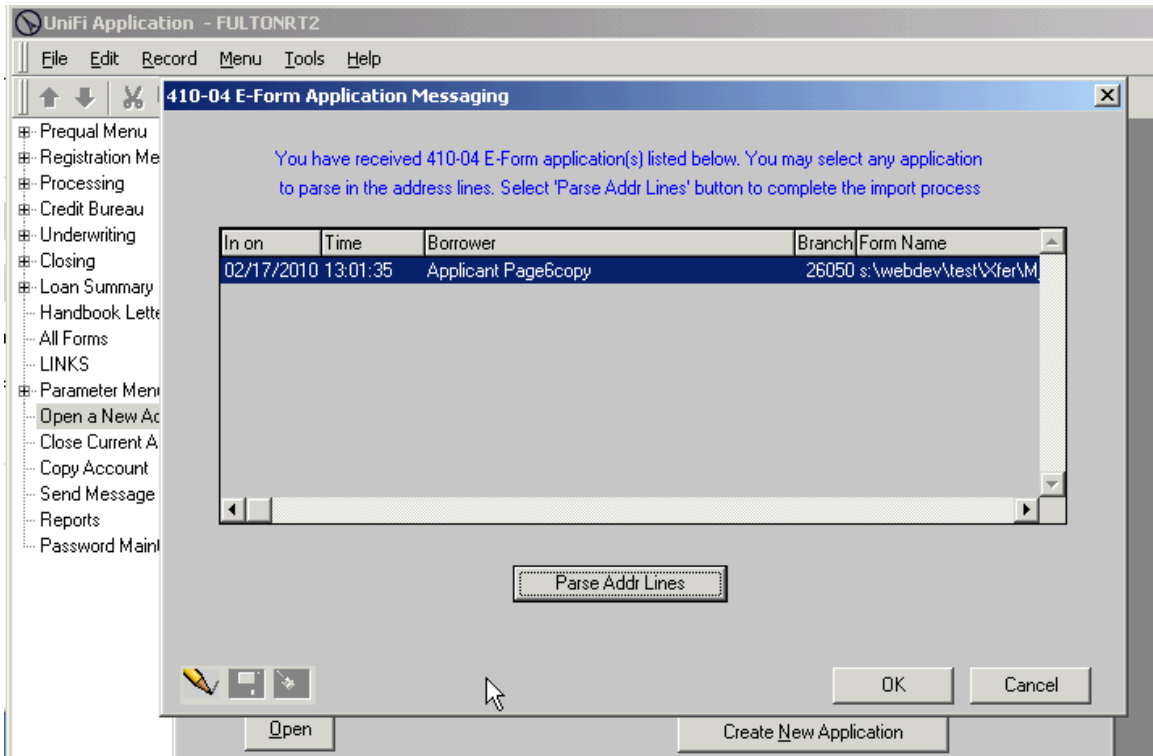


Step 7: When you are ready to parse an application previously bypassed at logon: Go to Open a New Account, select 13 E-Form Application Queue, then Open.



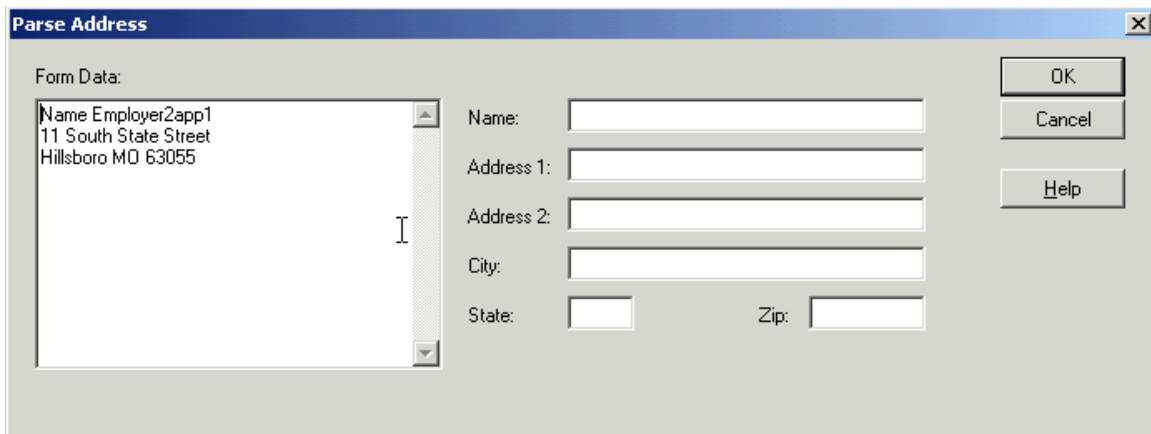
NOTE: Form RD 410-4's remain in the Queue until someone parses the application. If the application has been parsed since the original user logged on and bypassed the parsing screen, the original field employee will no longer be able to retrieve the application by accessing this process.

Step 8: The 410-04 E-Form Application Messaging screen will appear with the applications waiting to be parsed. Highlight the account (if not already highlighted) and click “Parse Addr Lines” box.



Step 9: A pop-up screen, Parse Address, will appear for any incomplete address on the application. Enter the information (copy or type) from the left side of the screen labeled Form Data to the right side in the proper field (Name, Address 1, etc.). If all address are complete, the system move directly to Step 11.

If the field office address comes up for parsing; you do not have to parse this address. It will be automatically brought in when the Field Office is assigned on the Registration Screen.



Step 10: Click OK when each address has been parsed.

NOTE: If you select cancel on the Parse Address screen, the address on the left will not be entered into UniFi and the next address to be parsed will be displayed for parsing. Any address not parsed will need to be input manually into UniFi. If the Field Office address comes up for parsing; you do not have to parse this address. It will be automatically brought in when the Field Office is assigned on the Registration Screen.

Parse Address

Form Data:

Name Employer2app1
11 South State Street
Hillsboro MD 63055

Name: Name Employer2app1
Address 1: 11 South State Street
Address 2:
City: Hillsboro
State: MO Zip: 63055

OK
Cancel
Help

Step 11: Click OK when all addresses for an applicant have been parsed and the following message appears.

UniFi Application - FULTONRT2 - NEW APPLICATION - Loan Analyzer

410-04 E-Form Application Messaging

You have received 410-04 E-Form application(s) listed below. You may select any application to parse in the address lines. Select 'Parse Addr Lines' button to complete the import process

In on	Time	Borrower	Branch	Form Name
08/31/2010	08:33:50	William Short	26050	s:\webdev\test\xfer\My
08/31/2010	08:33:23	William Employerfill	26050	s:\webdev\test\xfer\My

Message

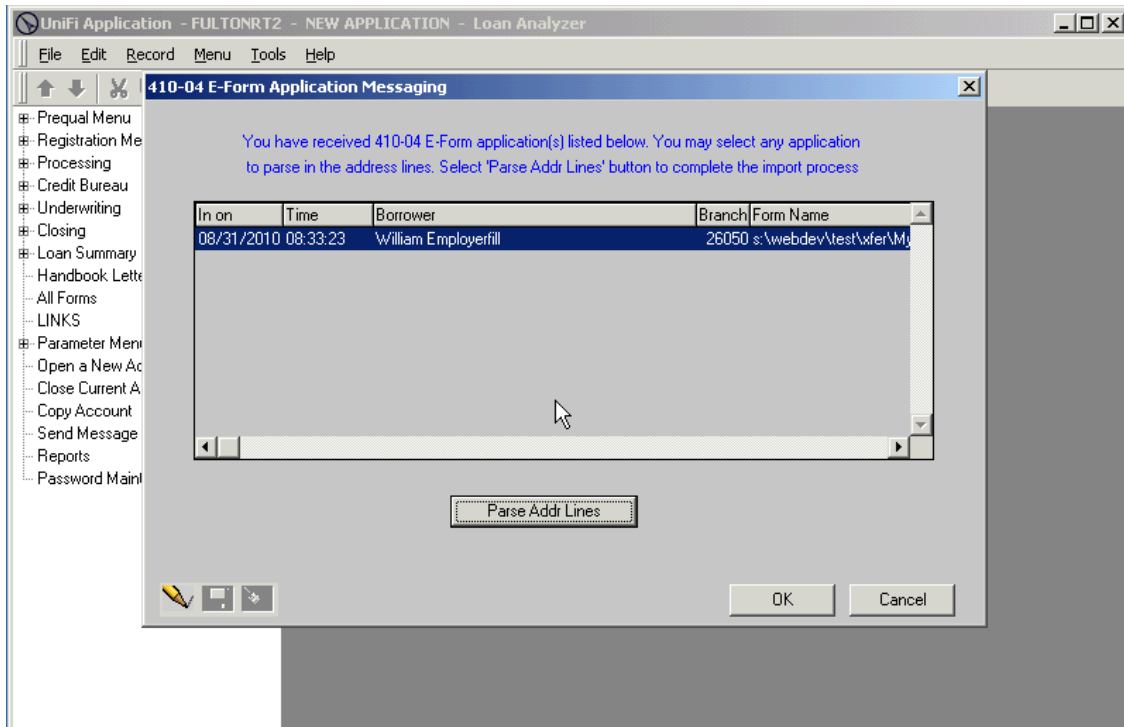
The import of s:\webdev\test\xfer\MyForms\2010-07-15_13-45-30_Item-14914-1.xml has been completed!

OK

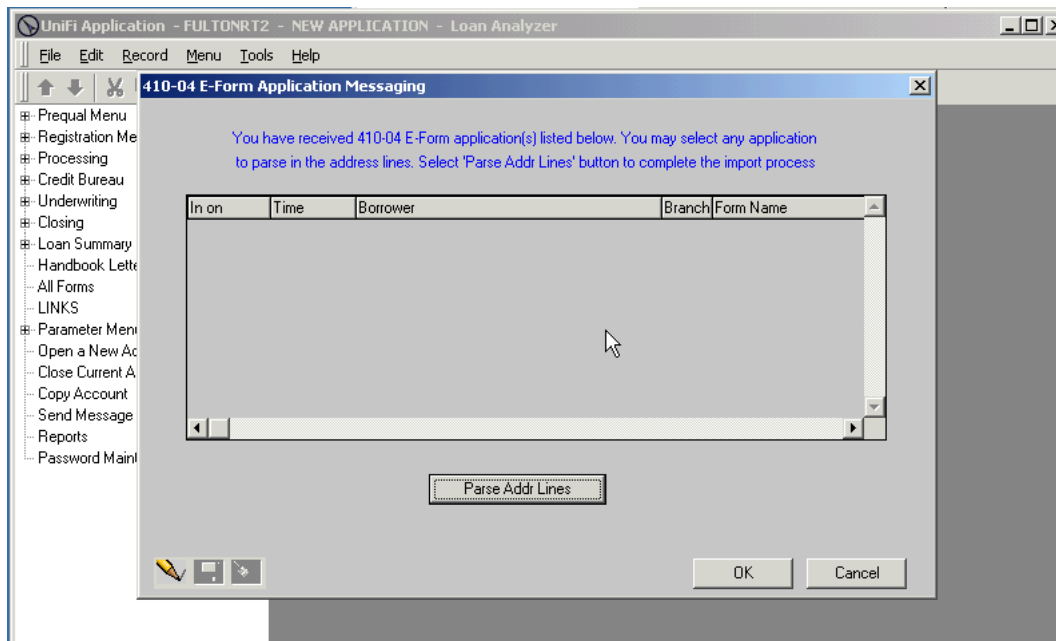
Parse Addr Lines

OK Cancel

Step 12: If there are additional applicants available to parse, the screen will display as shown below. Click “Parse Addr Lines” box to parse addresses for additional applicant(s) repeating steps above. Click Cancel if you do not want to parse the application(s) at this time.



Step 13: Click OK on 410-04 E-Form Application Messaging screen when parsing applications is completed and there are no additional applicants to parse as shown below.





If you select Cancel and receive a pop-up “Changes have been made to this information. Cancel all changes? Yes No” – **ALWAYS SELECT NO**. If you click Yes all uploaded information will be lost and must be reentered manually from a copy of the printed form from the eForms site.

The last application parsed will be open in UniFi to enter additional information (e.g. program type, product, purpose code, etc.) to complete the application. Click on a Menu Item (e.g. Registration Menu, Registration Screen, etc.) to open the screens and complete the information for the newly parsed application.

If you choose to close the current application after parsing but before completing the application in UniFi, **make sure to deselect before closing account**. Deselect will put the application in your queue. UniFi stores the name as **** New Account **** and if the application is in your queue it may be easier to find. Otherwise, you will need to select the application by name (**** New Account ****) or SSN.

If you closed an application after parsing (without completing the application) or parsed more than one application at a time, you can open parsed applications by selecting #9, My Secondary Queue, from the Select an Application pop-up and click on the “In on” button. This will sort the applications according to the most recent date and time entered. Parsed accounts where no additional work has been done will display as ****NEW ACCOUNT**** as shown below.

All Loans Active in Your Queue (EMPLas143)									
In on	Time	Borrower	Application Number	Branch	Stage	Exp Close Dt	Purp	Prod	Comments/Task
02/25/10	3:11 PM	** NEW ACCOUNT **		? 26050	00		10 00000		Account Created New
02/24/10	12:40 PM	Page6, Applicant		? 26050	00		00 00000		Opened Non Queue
02/22/10	11:49 AM	Maxdata#copy, Testy	0070000479	18090	20	11/19/2004	20 00250		Opened Non Queue
02/19/10	2:24 PM	** NEW ACCOUNT **		? 26050	00		40 00000		Opened Non Queue
02/18/10	2:16 PM	** NEW ACCOUNT **		? 26050	00		40 00000		Account Created New

Finishing Touches

The applications can now be completed as regular non eForms applications. You will also need to review/complete the following items in UniFi:

- If a mailing address is entered on application; you need to go to the Borrower Information - Individual Screen (Processing, Supplemental Borrower Information, Borrower Information – Individual) and uncheck the box marked. This address is also the Mailing Address.

- If a second applicant is on the Form RD 410-4 they are automatically set as Note signer on the Household Member screen. In addition, the second applicant is set with Form #01 on the Borrower Information – Individual screen. Either of these may be changed in UniFi on their respective screens as the situation warrants but you need to change this information manually.
- All the assets and liabilities are mapped to the first applicant as there is no field on the form to indicate to which applicant these belong. Any of these fields can be changed manually to the second applicant or both when needed.



Some of the data entered in eForms on the Form RD 410-4 is not mapped to UniFi or may be updated in UniFi different than was input on the eForms site. Mapping exceptions are shown below by page number.

Mapping Exceptions

Page 1 of Form RD 410-4

- Interest Rate is mapped but may be changed when Expect to Close date is entered in UniFi.
- Manner in which Title will be held is not mapped.

Page 2 of Form RD 410-4

- Net Rental Income is mapped from the Net Rental Income from the Schedule of Real Estate Owned section on page 4 of the Form RD 410-4 not from information entered in V. Monthly Income and Combined Housing Expense Information section.
- Proposed First Mortgage is mapped based on loan amount, term, interest rate in UniFi not from information entered in V. Monthly Income and Combined Housing Expense Information section.
- Other Line 1 for both applicants is not mapped from what is input on the form. It is computed in UniFi based on Monthly Income for other than the first employer.
- Describe Other Income section at the bottom of the page is not mapped.

Page 3 of Form RD 410-4

- Real Estate Owned is mapped from the Present Market Value of the Schedule of Real Estate Owned section on page 4 of the Form RD 410-4 not from information entered in Assets column in VI. Assets and Liabilities section.

Page 4 of Form RD 410-4

- Type of Property column in the Schedule of Real Estate Owned section is not mapped.
- Section titled “List any additional names under which credit has previously been received” is not mapped.

- Several items (d, e, f, g, h, i, k, m, n, o and p) in VII. Details of Transaction section are not mapped but computed in UniFi.
- If nothing is entered on Form RD 410-4 in section VIII. Declarations, items default to No.
- Item m (Have you had ownership interest in a property in the last 3 years?) in section VIII. Declarations will be Yes if Own was checked on Present Address on page 1 of Form RD 410-4.

Page 5 of Form RD 410-4

- Dates are not mapped.
- Borrower and Co-Borrower answer to question “I do not wish to furnish this information” is not mapped. Source of Ethnic/Race Data field in UniFi will be determined by the check in item on page 8 “Racial Data Provided By”.
- Interviewer’s Name is not mapped.
- Interviewer’s Signature is not mapped.
- Interviewer’s Phone Number is not mapped.

Page 6 of Form RD 410-4

- Loan Type is not mapped.
- Source of Wage Income (household members 1 and 2) is not mapped.
- Household Members 3 through 6 are not mapped.

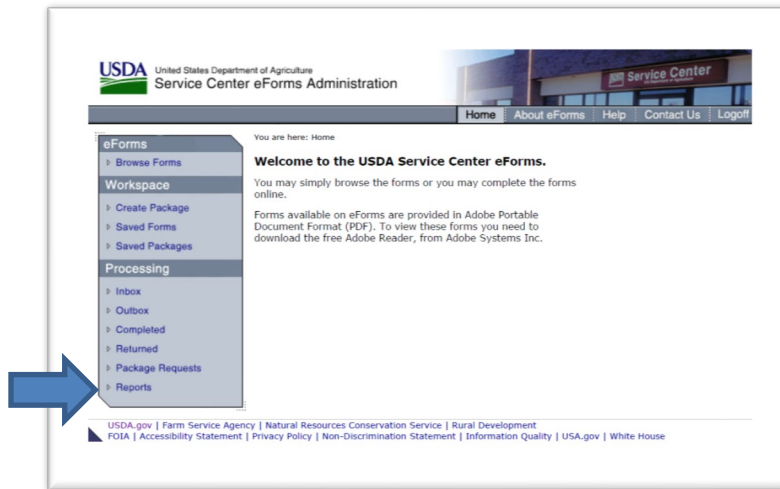
Page 8 of Form RD 410-4

- Determination of Eligibility field is not mapped.

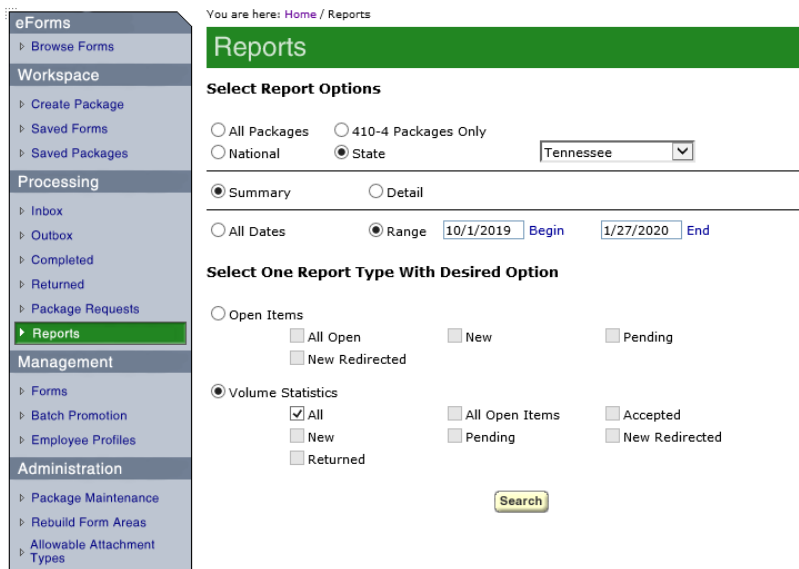
Reports

Reports are available in the eForms site to track new, pending, accepted, new redirected, and returned applications. Report should be generated weekly to ensure applications are processed timely. The report is a great tool to confirm applications have been submitted to locations with staff to process the applications.

Step 1: Click Reports.

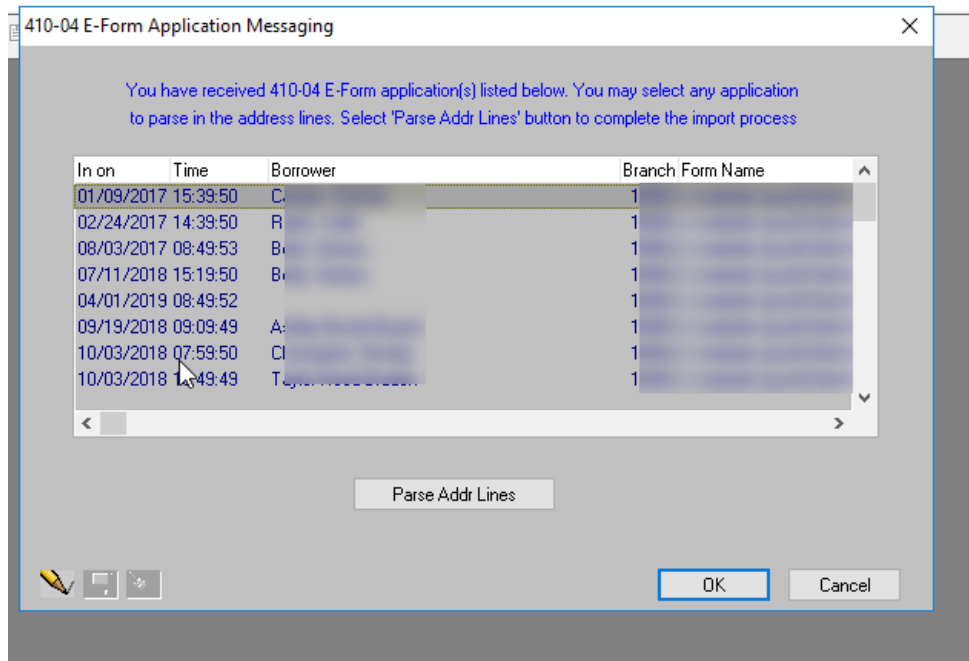


Step 2: Under “Select Report Options” click State and in the dropdown menu, select the state. Select Summary or Details (provides data per Field Office within the state) and Range then enter a begin and end date. Under “Select One Report Type With Desired Option” click Volume Statistics and All. Click Search.



UniFi-eForms Application Queue “Cleanup”

UniFi users will notice that on occasion when logging into UniFi, they are prompted with the eForms queue (“410-04 E-Form Application Messaging” prompt). This queue appears when applications are in the eForms parsing queue, where the servicing branch assigned to parse, matches the main branch code assigned to the UniFi user logging into the system. That queue looks similar to the following:



Users normally expect that an accepted application will be sent to this queue in order to parse address data, and fully import into UniFi for application completion.

However, as with the above example, there are several instances in UniFi when an application was previously submitted but there could have been a problem with the application, the state was not completing eForms applications at the time, or an application was submitted to the wrong area in eForms, thus sending a queue to the wrong branch number in UniFi, etc. So there are several reasons why old applications may still be in existence in the eForms queue today.

This cleanup process will only be completed by RD Technology Office. The process will remove any application in the eForms queue with a date older than 365 days from when the queue cleanup tool processes (meaning, if the process is run on September 30th, any application older than September 30th of the prior year will be removed).

We anticipate running this process on a bi-annual basis (March and September) to make sure the queues remain manageable and do not begin to create any storage issues within the UniFi Production environment.

Appendix 14: USDA-RD Stacking Order Checklist

Agency-Approved Stacking Order for Intermediaries

Loan application packaging generally involves two distinct and separate phases:

- Phase 1 – Application Submission (via eForms), and
- Phase 2 – Property Submission (via email)

Intermediaries are to use this Agency-approved stacking order when submitting loan application packages to the Agency during either phase. While Handbook-1-3550 guidance should be followed regarding which items to submit for an application, based on that applicant's unique situation, this stacking order checklist identifies how those documents should be organized for submittal to the Agency. For a listing of documents needed for both Phase 1 and Phase 2 packaged loan applications submissions, please refer to Handbook-1-3550, Attachment 3-A.

Phase 1 – Application Submission via eForms

The application and applicable accompanying documentation must be grouped together and organized as shown below. Please note:

- **Each bolded header (e.g. Application Processing, Eligibility-Income, etc.) must be a separate attachment for grouping the applicable items listed below.**
 - Each attachment will be named the header title followed by the applicant's last name (e.g. ApplicationProcessing-Jones, EligibilityIncome-Jones, etc.).
- Verify that all applicable documents are included, fully completed, signed (as needed), and readable prior to submitting to Rural Development.
- Incomplete application submissions, application submissions that don't follow the stacking order, and/or application submissions not received via eForms will be returned.

Application Processing.

- Fully completed Form RD 410-4, Uniform Residential Loan Application (URLA). There are three ways to complete this form: Import the industry standard form 1003, complete within eForms, or export the form, complete offline, and then import the completed form into eForms. The eForms submission of the URLA constitutes a signature.
- A signed [Form RD 3550-1, Authorization to Release Information](#), for each adult member of the household.
- Homebuyer education certificate of completion.
- Verification of applicant's identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on photo identification), and a copy of their Social Security card (only required if no other evidence of the full taxpayer identification number).
- Evidence that a non-citizen applicant is a qualified alien. (If application is marked citizen, no additional evidence is necessary)

Eligibility – Income. Include verification of all applicable household income sources, such as:

- Copies of the last four week's consecutive pay stubs.
- Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).
- Last 12-month payment history of alimony and/or child support received. If this is not available,

provide an acceptable alternative listed in HB-1-3550, Chapter 4.

- For each applicant, a complete copy of the last two Federal Income Tax Returns. IRS Form W-2, Wage and Tax Statement, and/or IRS Form 1099-MISC, Miscellaneous Income, must be attached. If the actual returns filed cannot be provided, obtain a copy of the tax return transcripts. The applicant can directly request and obtain the tax return transcripts using IRS Form 4506-T, Request for Transcript of Tax Return.
- For each applicant, a written explanation of employment history of less than two years or employment gaps in excess of 30 days within the last two years.
- A completed and signed [Form RD 3550-4, Employment and Asset Certification](#).

Eligibility – Deductions. Verification of applicable household deductions, such as:

- Written evidence of childcare expenses for dependents 12 years of age or younger.
- For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript.
- Evidence of out of pocket annual medical expenses (only applicable for applicants 62 years of age and older, or individuals with a disability) who wish to be considered for a deduction to household income.
- Evidence of unreimbursed, anticipated costs for disability assistance including documentation describing the nature of the expense and evidence of cost, and documentation that the expense enables the individual with disabilities or another family member to work.

Eligibility – Assets. Verification of household assets, such as:

- Copies of two most recent brokerage or bank statements for all household members (excluding tax advantaged plans for education, health/medical, and retirement).
- Verification of the market value of other assets such as land, real estate, etc.

Eligibility – Credit.

- Nonrefundable credit report fee of \$25 for individual or joint applicants, options include:
 - Provide a scanned copy of a voided check or deposit slip for processing collection through the Automated Clearing Housing (ACH) System
 - Mail or deliver a physical check, money order, or cashier's check to the appropriate Rural Development office.
- For each applicant, a written explanation for late payments, collections, judgments, or other derogatory items in their credit history of which they may be aware.
- Copy of preliminary credit report used by the packager for preliminary credit analysis.

Eligibility – Other.

- Loan application narrative recommendation, which includes an eligibility and preliminary credit analysis.
- Signed copy of disclosure letter found in Attachment 3-A.
- Fully completed Worksheet for Computing Income and Maximum Loan Amount Calculator. (Upload the Excel worksheet as a separate attachment in eForms and use the following modified naming convention for this item (e.g. – EligibilityOther4A-Jones)).

Phase 2 – Property Submission via Email

In accordance with Handbook-1-3550, Attachment 3-A, loan application packagers are to instruct their clients that a property must not be identified in the application unless and until such time as the Agency issues a Certificate of Eligibility (COE). Once a COE has been issued and the applicant has found a property, the packager will assist the applicant to assemble the property documentation for submission to Rural Development.

The property documentation must be grouped together as shown below. Please note:

- **Each bolded header (e.g. Property Eligibility) must be a separate attachment for grouping the applicable items listed below.**
 - Each attachment will be named using the bolded header title followed by the applicant's last name (e.g. PropertyEligibility-Jones).
- Verify that all applicable documents are included, fully completed, signed (as needed), and readable prior to emailing the property documentation to Rural Development.

Property Eligibility.

- Fully executed sales contract.
- Flood elevation certificate (if property is in a flood zone). (Note: Rural Development must order the flood hazard determination.)
- Whole house inspection report (existing property).
- Amended sales contract to identify any repairs negotiated between buyer/seller.
- Potential repair list, estimated cost for repairs, and proposal for how repairs will be funded/completed (if not already addressed in the sales contract).
- Legal description (if not included in the sales contract).
- Property eligibility map (screen print from eligibility website).
- Certified plans, specifications, and cost estimates for new construction.

Other

- Packaging fee invoice
- Updated loan application narrative with actual property details and any updates to applicant eligibility since the Certificate of Eligibility was issued.
- Worksheet for Computing Income and Maximum Loan Calculator to reflect any updates to household income, debts, and assets as well as actual property details (insurance, taxes, homeownership association dues, etc.) and requested loan amount/funding sources.
- Updated income, debt, and asset verification documentation for any items which have expired since the Phase 1 submission or will expire within the next 30 days, follow stacking order described in Phase 1.

Appendix 15: Subsidy Recapture Single Family Housing (Direct Loans), What is Subsidy Recapture?

Subsidy Recapture Single Family Housing (Direct Loans)

What is subsidy recapture?

Payment assistance – also called “subsidy” – is offered to eligible homeowners with USDA Rural Development Single Family Housing Direct-financed mortgages. This assistance reduces eligible customers’ required monthly payments based on their household income. At loan closing, borrowers sign a subsidy repayment agreement which defines their loan repayment terms, including the circumstances under which all – or a portion of – the subsidy must be repaid (known as “subsidy recapture.”)

How do I know if I will have to pay subsidy recapture?

If you have ever received payment subsidy, the subsidy is subject to recapture.

The mortgage or deed of trust on a property categorizes the subsidy as a lien against that property. The lien will not be released - and that means the property cannot be sold - until subsidy recapture is paid in full.

When is subsidy recapture repaid?

The borrower must pay subsidy recapture when they:

- Sell the property
- No longer live on the property (NOTE: Subsidy is also recaptured following the death of a borrower.)
- Pay the loan in full
 - If a borrower pays their loan in full and continues to occupy the property, subsidy recapture can be deferred until they move or transfer the property title to someone else.
 - As an incentive to encourage early repayment, Rural Development will offer eligible borrowers a 25-percent discount on their subsidy recapture if it is repaid at the same time the loan itself is paid in full.
 - In the event of a loan default (a foreclosure or deed in lieu of foreclosure) the amount of subsidy recapture due is equal to the amount of subsidy received over the life of the loan.

- In certain circumstances, the subsidy recapture amount may be refinanced. Call the Servicing and Asset Management Office (hereafter: Servicing Office) at 800-414-1226 to learn more about this possible option.

How is subsidy recapture calculated?

Under the current formula, the maximum subsidy recapture amount is calculated at 50 percent of the property’s value appreciation or the total dollar amount of subsidy the borrower received – whichever is less.

Other factors – such as the loan term, average interest rate, percentage of outstanding balance(s) on other open loans, and whether other loans subject to recapture are being paid off – also are considered when the subsidy capture is calculated.

How can I find out how much subsidy recapture I must repay?

You can get a verbal loan payoff estimate – including subsidy recapture – by calling USDA Rural Development’s Servicing Office Interactive Voice Response system at (800) 414-1226. Choose the “payoff information” option. Be ready to provide an estimate of the current market value of the property, along with an estimate of any closing costs that may be result from selling or refinancing.

A sample subsidy recapture worksheet is available at this link: <https://go.usa.gov/xtTke>.

NOTE: Because information is subject to change, always consult official program instructions or contact your local Rural Development office for help. You will find additional resources, forms, and program information at this link: <https://rd.usda.gov>. USDA is an equal opportunity provider, employer, and lender.

Single Family Housing Subsidy Recapture (Direct Loans) Worksheet

Subsidy Recapture Example – Sale of Home

Part 1. Calculating Value Appreciation		Amount
1	Current market value of property	\$200,000.00
2	(less) Original amounts of prior liens and subordinate affordable housing products	\$2,000.00
3	(less) Rural Development (RD) loans being paid off	\$150,000.00
4	(less) Equity recapture due from Farm Program (FP) loan	\$0.00
5	(less) Closing costs	\$5,500.00
6	(less) Principal reduction (note rate) on RD loan being paid off	\$1,200.00
7	(less) Principal Reduction Attributed to Subsidy (PRAS) on loan being paid off	\$0.00
8	(less) Original equity	\$0.00
9	(less) Capital improvement credit	\$0.00
10	Value appreciation (Line 1 minus the total of Lines 2–9) (If \$0 or less, enter \$0 and complete Part II; if more than \$0, complete Part III.)	\$41,300.00
Part II. Amount Due if There is No Value Appreciation		Amount
11	Rural Development loans being paid off (Line 3)	n/a
12	Equity recapture from FP loan to be collected	n/a
13	PRAS to be collected	n/a
14	Amount due (Lines 11 + 12 + 13) (If negative, stop here. If positive continue to Part III.)	n/a
Part III. Percentage of Total Debt Subject to Recapture to be Paid Off		Amount
15	Rural Development loans being paid off which are subject to recapture (Line 3)	\$150,000.00
16	Outstanding balance of all RD loans and the balance of prior non-RD liens and subordinate affordable housing products being paid off [In this example, at the time of payoff, the prior non-RD liens and subordinate affordable housing products were already paid in full.]	\$150,000.00
17	RD loans being paid off as a percentage of all mortgage loans (Line 15/Line 16)	100.00%
Part IV. Value Appreciation Subject to Recapture		Amount
18	Amount of value appreciation attributable to loans subject to recapture (Line 10; or if Part III was completed, Line 10 × Line 17)	\$41,300.00
19	Recapture percentage (the lesser of 50% or the percentage contained in the Subsidy Recapture Agreement) [For the purposes of this example, 50% is used.]	50.00%
20	Value appreciation reduced by recapture percentage (Line 18 × Line 19)	\$20,650.00
21	Percentage of original equity (from Subsidy Repayment Agreement)	0.00%
22	Value appreciation, reduced by recapture percentage, attributable to original equity (Line 20 × Line 21)	\$0.00
23	Value appreciation subject to recapture (Line 20 – Line 22)	\$20,650.00
Part V. Amount Due if There is Value Appreciation		Amount
24	Amount of payment subsidy received	\$30,000.00
25	Recapture amount (Line 7 + the lesser of Line 23 or Line 24)	\$20,650.00
26	Discounted recapture amount, if applicable (Line 25 × 75%)	n/a
27	Final payoff amount (Line 3 + Line 4 + Line 25 or Line 26 as appropriate)	\$170,650.00

NOTE: Because information is subject to change, always consult official program instructions or contact your local Rural Development office for help. You will find additional resources, forms, and program information at rd.usda.gov. USDA is an equal opportunity provider, employer, and lender.