

## CHAPTER 2: RECORD RETENTION

### 2.1 INTRODUCTION

Both the lender and the Agency have record retention responsibilities. Upon request, the lender must be able to provide the Agency with all mortgage loan files including all loan origination documents. When the lender uses imaging for storage of records, it must retain the capability to reproduce legible and exact duplicates of all original documents. The Agency must retain all files relating to its approval of a lender for participation in the SFHGLP.

### 2.2 LENDER RECORD MAINTENANCE

Lenders must maintain loan origination records and keep record of all payments and disbursements in which the Agency has an interest. Upon written request from the Agency, the lender must provide any mortgage records or documents requested by the Agency.

#### A. Loan Origination Records

Loan origination records must be retained by the lender. If the lender sells the loan, the selling lender must retain copies of the loan origination documents for a minimum of two years after selling the loan. In addition, the purchasing lender must receive copies of the loan origination documents from the selling lender, and retain those copies for a minimum of two years after the lender sells the loan. Retention of origination documents for a minimum of two years after selling a loan is required for each succeeding lender. Each selling lender is required to transfer copies of the origination documents to the purchasing lender. Loan origination records retained by the lender include:

- Loan application, including any preliminary (handwritten) application and the final typed application signed at loan settlement;
- Summary of program eligible income and repayment income calculations, verification of employment and income, including documentation of any oral contact or correspondence with an employer for all adult members of the household;
- All credit reports, including explanations for adverse credit;
- Uniform Underwriting and Transmittal Summary or loan approval form;

- All inspection reports, plan certifications, builder warranties, including lender certifications to the Agency;
- All Agency forms submitted to the Agency or received from the Agency;
- Closing documents, including original security instruments; and
- All residential real estate appraisals and supporting documents.

#### **B. Payment and Disbursement Records**

Lenders must maintain a record of all payments received and disbursements paid on the obligation while the Agency has potential liability. The lender should also maintain a record of all servicing actions, relevant post closing documents, and all borrower notices and correspondence. The following retention periods apply.

- Mortgage files that have been satisfied through payment in full will be retained for a minimum of three years from the date of the final payment or foreclosure.
- Mortgage files that have been satisfied through voluntary or involuntary liquidation must be retained for at least six years from the date the claim proceeds were received.

### **2.3 AGENCY RECORD MAINTENANCE**

#### **A. Lender Approval Files**

The Agency will establish a file folder for each lender approved for participation in the SFHGLP. The Agency will digitally image or electronically store all lender approval documents in the Rural Development Imaging Repository. The Agency will retain all documents relative to lender approval for participation as long as the lender remains active and maintains its approval status. Refer to Chapter 3 and Attachment 3-A of this Handbook for required documentation for lender approval.

If a lender's approval status is voluntarily withdrawn by the lender, or terminated by the Agency, the lender file and all documentation pertaining to the withdrawal or termination will be retained for at least two years from the final action. Any audits or reviews performed by the Agency, or those designated to do so for the Agency, will also be retained for a minimum of two years.

#### **B. Mortgage Files**

The Agency may dispose of all documents except those listed below, which will be retained in accordance with RD Instruction 2033-A once the Agency receives notification from the lender that the mortgage has been satisfied.

The documents will be digitally imaged and retained in electronic format. A guide to origination document scanning may be found at <http://rddocmgmt.sc.egov.usda.gov/>. Imaged documents can be found in Rural Development's Centralized Indexing Application at <http://rddocmgmt.sc.egov.usda.gov/>.

Attachment 2-A of this Chapter provides a checklist of records to be retained for long-term preservation in the Agency's official SFHGLP folder. The document matrix has been designed to assist states in identifying the core documents to be retained when a file has been underwritten manually and when underwritten with use of the Agency's automated underwriting system, Guaranteed Underwriting System. States will image essential documents submitted for files receiving an ACCEPT recommendation in the Agency's automated underwriting system that have been selected for quality control purposes and a full documentation file has been submitted.

The original documents may be destroyed once a state has performed a quality control review to confirm the imaged documents have been scanned and indexed to quality expectations of accuracy and consistency. When disposing of documents, paper records will be shredded. The following records will be retained in accordance with Attachment 2-A:

1. *Form RD 3555-18, "Conditional Commitment for Single Family Housing Guarantee,"* with conditions, requirements and Lender Certification;
2. Promissory Note;
3. *Form RD 1980-19, "Guaranteed Loan Closing Report,"* as applicable (those lenders electronically submitting loan closings in accordance with Chapter 16 of this Handbook are not required to submit *Form RD 1980-19*);
4. Loan Application(s);
5. Employment/Income Verifications and Income Determinations;
6. Credit Report(s);
7. Documentation (printed hardcopy query results) from the System for Award Management (SAM) located at <https://www.sam.gov/portal/public/SAM/>.
8. *Form RD 3555-21, "Request for Single Family Housing Guarantee";*

9. All forms related to the Agency's environmental review (*Forms RD 1940-22, "Environmental Checklist for Categorical Exclusions," 1940-20, "Request for Environmental Information," FEMA Form 81-93, "Standard Flood Determination Form,"* etc.);
10. Uniform Underwriting and Transmittal Summary, the lender's loan analysis and approval sheet, or final Guaranteed Underwriting System (GUS) Underwriting and Findings Report;
11. *Form RD 3555-17, "Loan Note Guarantee"* and the final Amortization Schedule attached to the Loan Note Guarantee;
12. Confirmation requirements under 7 CFR 3555, Section 3555.202 have been met;
13. Appraisal Report(s);
14. *Form RD 1922-15, "Administrative Appraisal Review"*;
15. National Office waivers, if applicable;
16. Final *Form HUD-1, "Settlement Statement"* ;
17. Internal agency Checklist for Origination/Post Closing. See Chapter 15 of this Handbook;
18. Lender Income Worksheets;
19. Origination and loan closing lender stack list;
20. Any other forms deemed necessary for record retention by the state.

When a loss claim is paid on an account, the mortgage file and documentation supporting the claim will be retained for a minimum of three or seven years from the date of final claim disbursement in accordance with RD Instruction 2033-A. Loss claim documents may also be digitally imaged, and the original documents destroyed.

The State Director will ensure that appropriate files are established and maintained. Each mortgage file is to be labeled in a manner that will immediately identify the record retention periods for ease of disposition.

**ATTACHMENT 2-A**

**SINGLE FAMILY HOUSING GUARANTEED LOAN PROGRAM**

**MINIMAL ESSENTIAL DOCUMENTS MATRIX (internal use only)**

Use the following information as a reference for maintaining SFHGLP documents pertaining to loan origination electronically. File the identified document in the Rural Development Image Repository. If a GUS ACCEPT triggers a quality control message requiring a full documentation file, refer to the “Manual UW” column when retaining minimal essential documentation. States may also retain any other documentation they deem necessary for retention.

	<i>Document</i>	<i>Manual UW</i>	<i>GUS Accept</i>	<i>Comments</i>
<input type="checkbox"/>	<b>Uniform Residential Appraisal Report (URAR)</b>  <ul style="list-style-type: none"> <li>✓ FNMA Form 1004/ FHLMC 70 <b>and</b> any addendums or supplemental reports (i.e. manufactured home; condo)</li> </ul>	√	√	
<input type="checkbox"/>	<b>Property Inspections</b>  <ul style="list-style-type: none"> <li>✓ Lender certifications in accordance 7 CFR 3555, section 3555.302</li> <li>✓ Property inspections (if submitted)</li> </ul>			Property Inspections are typically held by a lender in their permanent case folder. Image if provided.
<input type="checkbox"/>	<b>Conditional Commitment</b>  <ul style="list-style-type: none"> <li>✓ Form RD 3555-18 <b>and</b></li> <li>✓ If required, conditions to Form RD 3555-18 <b>and</b></li> <li>✓ Lender Certification (completed and executed by lender – POST CLOSING). Lenders who submit closed loans electronically in accordance with Chapter 16 of this Handbook are not subject to submittal of the Lender Certification.</li> </ul>	√	√	
<input type="checkbox"/>	<b>Administrative Appraisal Review</b>  <ul style="list-style-type: none"> <li>✓ Form RD 1922-15</li> </ul>	√	√	

	<i>Document</i>	<i>Manual UW</i>	<i>GUS Accept</i>	<i>Comments</i>
<input type="checkbox"/>	<b>Uniform Residential Loan Application (URLA)</b> <ul style="list-style-type: none"> <li>✓ Form FNMA 1003/FHLMC 65 bearing borrower and lender interviewer signature</li> </ul>	√		
<input type="checkbox"/>	<b>System for Award Management (SAM)</b> <ul style="list-style-type: none"> <li>✓ Queried result or lender certification on Form RD 1980-21</li> </ul>	√	√	
<input type="checkbox"/>	<b>Underwriting</b> <ul style="list-style-type: none"> <li>✓ Uniform Underwriting and Transmittal Summary, Form FNMA 1008/FHLMC 70 – completed with underwriter’s name <b>and</b> approval signature <b>or</b> Lender’s Loan Approval Sheet – provided information captured mirrors that of FNMA 1008/FHLMC 70</li> <li>✓ Guaranteed Underwriting System (GUS) final Underwriting and Findings Report.</li> </ul>	√	√	The Lender’s loan underwriting analysis must bear the underwriter’s confirmation to validate the loan has been underwritten by the approved lender prior to request for Conditional Commitment.
<input type="checkbox"/>	<b>Income/Employment Verifications and Determinations</b>  <b>Employment income of non-self- employed applicants:</b> <ul style="list-style-type: none"> <li>✓ Verification of Employment (Form RD 1910-5 or equivalent) <b>and</b> most recent paycheck stub <b>or</b></li> <li>✓ Paycheck stubs or payroll earnings statements covering the most recent 30-day period <b>and</b> W-2 tax forms for the previous 2 tax years <b>and</b> a telephone verification of the applicant’s current employment <b>or</b></li> <li>✓ Electronic verification or other computer-generated documents accessed <b>and</b> printed from a Intranet or Internet, <b>and</b> W-2 forms for the previous 2 tax years <b>and</b> a telephone verification of the applicant’s current employment</li> </ul> <b>Self-employed applicants:</b> <ul style="list-style-type: none"> <li>✓ Copies of signed individual Federal tax return – most recent two years <b>or</b> IRS-issued transcripts of the borrower’s tax returns with all applicable schedules</li> <li>✓ Year to date Profit and Loss and Balance Statements</li> <li>✓ Fannie Mae Form 1084, “Cash Flow Analysis” and/or Fannie Mae Form 1088 “Comparative Income Analysis” – if utilized by lender</li> </ul>	√		

<input type="checkbox"/>	<p><b>Other income:</b></p> <ul style="list-style-type: none"> <li>✓ Third party verification <b>or</b> evidence of receipt using deposits on banks statements or cancelled checks for the most recent three months</li> </ul> <p><b>Income of non-purchasing household members</b></p> <ul style="list-style-type: none"> <li>✓ Confirm income with any of the following:</li> <li>✓ Copies of earning statements with YTD, employment/income verification, W-2 forms or income tax returns</li> </ul>	✓	
<input type="checkbox"/>	<b>Credit Reports</b>	✓	
<input type="checkbox"/>	<b>Verification of Rent (VOR)</b>	✓	
	<b>Adverse Credit Waiver</b>		
<input type="checkbox"/>	<ul style="list-style-type: none"> <li>✓ Waiver and basis can be documented on the lender's loan underwriting analysis <b>or</b></li> <li>✓ Independent form – if the lender desires</li> </ul>		
<input type="checkbox"/>	<p><b>Repayment Ratio Waiver request and decision granted by Rural Development</b></p> <ul style="list-style-type: none"> <li>✓ Waiver and basis for lender's request can be documented on the lender's loan underwriting analysis <b>or</b></li> <li>✓ Independent form – if the lender desires</li> <li>✓ Written concurrence by Rural Development in allowing higher ratio based on compensating factors. Written evidence can be Rural Development's review/confirmation of requested waiver. The concurrence is not intended to be formal.</li> </ul>	✓	
<input type="checkbox"/>	<b>Documentation of Household and Repayment Income Worksheets</b> prepared by lender	✓	✓
<input type="checkbox"/>	<b>Origination and loan closing lender stack list</b>	✓	✓
<input type="checkbox"/>	<b>Qualified alien documents</b>	✓	✓
<input type="checkbox"/>	<b>Request for Single Family Housing Loan Guarantee</b>	✓	✓
	<ul style="list-style-type: none"> <li>✓ Form RD 3555-21 completed and executed by lender and applicant(s)</li> </ul>		
<input type="checkbox"/>	<b>Loan Note Guarantee and Amortization Schedule</b>		
	<ul style="list-style-type: none"> <li>✓ Form RD 3555-17 – completed/executed by Rural Development</li> </ul>	✓	✓

<input type="checkbox"/>	<b>Guaranteed Loan Closing Report</b>  <input checked="" type="checkbox"/> Form RD 1980-19 completed/executed by Rural Development	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Lenders participating in the Electronic Add Loan Closing/pay.gov feature do not submit a Form RD 1980-19.
<b>Environmental Review</b>				
<input type="checkbox"/>	<input checked="" type="checkbox"/> Form RD 1940-22 and/or Form RD 1940-21 (with attachments) <b>and</b> <input checked="" type="checkbox"/> FEMA Form 086-0-32 (Standard Flood Determination Form)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<input type="checkbox"/>	<b>Final Form HUD-1, "Settlement Statement"</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<input type="checkbox"/>	<b>Other Documents Retained by State</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Includes National Office waivers, if applicable
<input type="checkbox"/>	<b>Agency Documentation and Processing Checklist</b> (internal – see Chapter 15 of this Handbook)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<input type="checkbox"/>	<b>Agency Worksheet for Documenting Household and Repayment Income</b> (as applicable, see Chapter 9 of this Handbook)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>