

CHAPTER 8: APPLICANT CHARACTERISTICS

7 CFR 3555.151

8.1 INTRODUCTION

Applicants seeking the assistance of a SFHGLP loan must meet the minimum applicant characteristics outlined in this chapter. Lenders must determine that the criteria have been met prior to analyzing the applicant's income, credit and ratio qualifications. The lender must have at least one personal interview with the applicant to verify that the information on the application is correct. The interview may be completed by telephone or face-to-face.

8.2 APPLICANT ELIGIBILITY REQUIREMENTS

The lender must confirm the applicant meets the criteria for obtaining a SFHGLP guarantee prior to full analysis of the applicant's loan request.

A. Owning a Dwelling [7 CFR 3555.151 (e)]

An applicant who owns a dwelling to which they will retain ownership is eligible for a guaranteed loan to purchase another home if:

- The homeowner's current dwelling is not financed by a Rural Development guaranteed or direct Section 502 or 504 loan or active grant;
- The homeowner is financially qualified to own more than one house (the loan applicant is limited to owning one single family housing unit other than the one associated with the loan request);
- The homeowner will occupy the home financed with the guaranteed loan as their primary residence on a permanent basis.
- The current home owned no longer adequately meets the applicants' need. As an example – the applicant is disabled and requires handicap accessibility. The applicants' present home is not handicap accessible and no longer meets the applicants' needs.

Repayment Income for rents received less than 24 months. Applicants retaining their existing dwelling must qualify for all mortgage liability payments. Newly signed leases have no historical basis to conclude that the income is likely to continue and cannot be used for repayment ratio calculation. Rents received less than 24 months do not represent a stable continued source of income for repayment income due to lack of history and cannot be used when qualifying the loan request. The exclusion of rental

income will ensure the applicant has sufficient monthly income to meet all mortgage and liability payments. Lenders who utilize GUS will not populate data fields on the “REO Property Information” page with any information regarding rental income received for less than 24 months in the “Gross Rental Income,” “Mortgage Payments,” or “Insurance, Maintenance and Taxes” data fields. However, the corresponding mortgage liability associated with the retained dwelling must be included in the long-term debt liability.

Repayment Income for rents received 24 months or greater. When applicants can demonstrate rental income is stable and dependable, as evidenced and documented with the most recent two years tax returns and a copy of the current written lease executed by the homeowner and the lessee, the net rental income can be considered for repayment ratios. IRS Form 1040 Schedule E is required to verify all rental income. Depreciation shown on Schedule E may be added back to the net income or loss. Positive rental income is considered gross income for repayment income while negative income must be treated as a reoccurring liability.

Repayment Ratios. If the net rental amount is negative, the amount of debt will be considered as a reoccurring liability for repayment ratios. This applies to manual and automated underwritten loan files.

Annual Income Calculation. Any positive net rental income will be included in the calculation of annual income to determine eligibility of the household for the SFHGLP. In the absence of a Schedule E for rents received less than 12 months, documentation to support income will be canceled checks, money order receipts, or bank statements. Any negative net rental income is treated as zero for the purposes of calculating annual income.

Documentation. Refer to Chapter 9 of this Handbook for additional information surrounding documentation requirements of rental income.

B. Obtaining Credit

Form RD 3555-21, “Request for Single Family Housing Loan Guarantee” requires both the lender and the applicant to certify that the applicant is unable to secure credit from other sources upon terms and conditions which the applicant can reasonably fulfill. The certification can be made if the applicant does not meet the requirements to obtain a traditional conventional credit loan. Traditional conventional credit is defined for Agency purposes as:

- The applicant has available personal non-retirement liquid asset funds of at least 20% of the purchase price that can be used as a down payment;

- The applicant can, in addition to the 20% down payment, pay all closing costs associated with the loan;
- The applicant can meet qualifying ratios of no more than 28% PITI and 36% TD when applying the 20% down payment;
- The applicant demonstrates qualifying credit for such a loan. Qualifying credit consists of at least two credit bureau trade lines open and paid as agreed for at least a 24- month period to include that:
 - The applicant was not currently 30 days or more past due on any trade line; and
 - The applicant had not been 60 days or more past due on any trade line over the past 24 month period; and
 - The applicant did not have a foreclosure or bankruptcy in their credit history over the past 36- month period.
- The conventional mortgage loan term is for a 30- year fixed rate loan term without a condition to obtain private mortgage insurance (PMI).

If the applicant meets the cumulative criteria of traditional conventional credit, as defined by the Agency above; the applicant is ineligible for the SFHGLP.

Liquid assets for conventional credit down payment purposes typically consist of cash or cash equivalents. Cash or cash equivalents include funds in the applicant's checking or savings accounts, or investments in stocks, bonds, mutual funds, certificates of deposit, and money market funds, unless they were encumbered (pledges as collateral) or otherwise inaccessible without substantial penalty. Cash equivalents do not include funds in Individual Retirement Accounts, 401(k) accounts, Keogh accounts, or other retirement accounts that are restricted and may not be accessed without incurring substantial monetary penalties. Owning land is not considered a liquid asset. Land cannot typically be converted to cash quickly without minimal impact to the price received and ease in transfer of ownership.

C. Occupying the Property [7 CFR 3555.151(c)]

Applicants must agree to personally occupy the dwelling as a principal residence on a permanent basis. Bona fide occupancy in the home as the applicant's principal residence within 60 days after signing the security instruments is required.

- **Active duty military applicants.** Active duty military applicants may be eligible for the SFHGLP. They must occupy the property as their principal residence. A

military serviceperson will be considered to meet occupancy requirements defined in § 3555.10 of 7 CFR 3555 provided proof that a discharge will be received within a reasonable period of time, usually within 1 year, and the serviceperson's family will continue to occupy the property if the serviceperson is assigned to a combat zone, other hazardous duty area or another duty station prior to discharge.

- **Student applicants.** Due to the probability of relocation after graduation, full-time students cannot obtain loans unless they intend to make the home a permanent residence and there are reasonable prospects of securing employment in the area after graduation.

D. Having Legal Capacity [7 CFR 3555.151(f)]

The applicant must be considered an adult under State law, and must have the legal capacity to incur the loan obligation. An applicant with a court-appointed guardian or conservator, who is empowered to obligate the applicant in real estate matters, is eligible for a loan.

E. Not Having a Suspension or Debarment [7 CFR 3555.151(g)]

Individuals who have been suspended or debarred from participation in Federal programs are not eligible for a guaranteed loan. The approved lender, or their agent, is responsible for screening the applicant and parties to the transaction on the U.S. General Services Administration's (GSA) System for Award Management (SAM.gov) website as part of their eligibility determination of the applicant. Additional information regarding parties ineligible to participate in the SFHGLP transaction can be found in Section 15.2 of Chapter 15 of this Handbook. The lender will document their permanent file with the date and screen print of the results of that check. Form RD 3555-21 will document the lender performed the check. The check should occur prior to the request for commitment and be no greater than 30 days prior to loan closing, otherwise the lender will update their documentation by performing another check of SAM. Rural Development staff is not required to rescreen an applicant upon request of a loan guarantee.

F. Having Acceptable Citizenship or Immigration Status [7 CFR 3555.151 (b)]

The applicant must be a U.S. citizen, a U.S. non-citizen national, or a qualified alien.

This program is available to individuals who receive a loan note guarantee under the SFHGLP to those who:

- reside as a citizen in any of the 50 States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the

Northern Marianas, Federated States of Micronesia, and the Republics of the Marshall Islands and Palau; or,

- a non-citizen who resides in one of the foregoing areas after being legally admitted to the U.S. for permanent residence or on indefinite parole.

The term “indefinite parole” is no longer a term used by the Citizenship and Immigration Service (CIS), formerly known as the Immigration and Naturalization Service (INS). Instead, under Section 401 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (8 U.S.C. Section 1611) lenders and the Agency must determine whether the applicant for a guaranteed loan is a U.S. citizen, a U.S. non-citizen national, or a “qualified alien.”

Generally, a U.S. non-citizen national is a person born in American Samoa or Swains Island or after the date the U.S. acquired American Samoa or Swains Island, or a person whose parents are U.S. non-citizen nationals. Typical evidence of the relatively uncommon status as a non-citizen national includes a birth certificate or passport, and persons who are non-citizen nationals are eligible for consideration.

Aliens must provide acceptable evidence that they are qualified aliens. A qualified alien is defined under PRWORA (8 U.S.C. Section 1641) as:

1. An alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act (INA); or
2. An alien who is granted asylum under section 208 of such Act; or
3. A refugee who is admitted to the United States under section 207 of such Act; or
4. An alien who is paroled into the United States under section 212(d)(5) of such Act for a period of at least 1 year; or
5. An alien whose deportation is being withheld under section 243(h) of such Act; or
6. An alien who is granted conditional entry pursuant to section 203(a)(7) of such Act as in effect prior to April 1, 1980; or

7. An alien who is a Cuban/Haitian Entrant as defined by section 501(e) of the Refugee Education Assistance Act of 1980; or
8. An alien who has been battered or subjected to extreme cruelty under section 431 of the Immigration and Nationality Act.

In addition to the categories of qualified aliens described above, Native Americans born in Canada may also be eligible as lawfully admitted for permanent residence. They might not possess any of the documentation described above, and the Agency might not be able to verify their status through Systematic Alien Verification for Entitlements (SAVE) Program. SAVE is a program the Agency has access through a “Memorandum of Agreement” with the Department of Homeland Security (DHS). To establish the applicant(s) is a qualified alien, the Native American should provide **all** of the documentation listed below, as described in the Wabanaki Legal News at <http://www.ptla.org/wabanaki/jaytreaty.htm>.

- A letter from their Native American tribe stating that the alien has at least 50 percent Native American or Aboriginal blood (also referred to as the blood quantum);
- Their Canadian “Certificate of Indian Status Card” with a red stripe along the top;
- Their birth certificate;
- If an Haudenosaunee, their Red I.D. Card;
- If an Inuit, an Inuit enrollment card from one of the regional Inuit lands claim agreements;
- Their Social Security Card issued by the U.S. Social Security Administration;
- Their Canadian or U.S. driver license.

Lenders must secure proof of identity and evidence that non-citizens who apply for a guaranteed loan are qualified aliens. The evidence confirming qualified alien status may be obtained after the lender has received an application for credit from the potential borrower. The lender should obtain the non-citizen’s alien identification number with copies of any supporting documents and communicate it to the Agency office servicing their area. Examples of supporting documents are provided in the screen print below.

Agency staff will then submit the alien’s information to SAVE and, in most cases, will be able to promptly inform the lender of the applicant’s eligibility status based on the aliens Class of Admission (COA).

The system typically responds within seconds of the applicant’s eligibility and a COA code. In most cases SAVE will give a “System Response” indicating the alien’s status.

Online Resources | Tutorial

Case Verification Number: 26 [redacted]

Initial Verification

Alien Number:	02 [redacted]	Benefits:	USDA Housing Loans
I-94 Number:	[redacted]		
Card Number:	MS [redacted]		
Naturalization Number:	[redacted]	Citizenship Cert. Number:	[redacted]
Visa Number:	[redacted]	SEVIS ID:	[redacted]
Passport Number:	[redacted]	Document Exp. Date:	10/27/2018
Document Type:	I-551	Other Document Desc:	[redacted]
Last Name:	[redacted]	First Name:	Gloria
Middle Name:	[redacted]	Date of Birth:	12/17/1952
Initiated By:	F [redacted]	Initiated On:	07/24/2012

Initial Verification Results

Last Name:	[redacted]	First Name:	GLORIA
Middle Name:	[redacted]	COA Code:	F26
Country:	MEXIC - Mexico	Date of Birth:	12/17/1952
Date of Entry:	10/22/2008	Date Admitted To:	INDEFINITE
EAD Expiration Date:	[redacted]		
System Response:	LAWFUL PERMANENT RESIDENT-EMPLOYMENT AUTHORIZED		

[Print Case Details](#)

* = required entry

If the system replies with this response, your applicant is a qualified alien

If the response states, “LAWFUL PERMANENT RESIDENT-EMPLOYMENT AUTHORIZED,” the borrower is eligible for our benefit. The Agency will print the case details for the lender and permanent Agency file.

If SAVE is unable to determine the alien’s status, the system responds with the message “Request Additional Verification” as illustrated in the screen print below.

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Case Verification Number: [redacted]

Initial Verification

Alien Number:	[redacted]	Benefits:	USDA Housing Loans USDA Housing Grants USDA Loan Guarantees
I-94 Number:	[redacted]		
Card Number:	[redacted]		
Naturalization Number:	[redacted]	Citizenship Cert. Number:	[redacted]
Visa Number:	[redacted]	SEVIS ID:	[redacted]
Passport Number:	[redacted]	Document Exp. Date:	07/07/2012
Country of Issuance:	[redacted]	Other Document Desc:	[redacted]
Document Type:	I-766		
Last Name:	[redacted]	First Name:	[redacted]
Middle Name:	[redacted]	Date of Birth:	[redacted]
Initiated By:	[redacted]	Initiated On:	[redacted]

Initial Verification Results

Last Name:	[redacted]	First Name:	[redacted]
Middle Name:	[redacted]	COA Code:	[redacted]
Country:	[redacted]	Date of Birth:	[redacted]
Date of Entry:	[redacted]	Date Admitted To:	[redacted]
EAD Expiration Date:	[redacted]		
System Response:	INSTITUTE ADDITIONAL VERIFICATION		

Additional Verification

SAVE is asking the Agency user to supply additional information for this second step process. Agency staff should click on the “Request Additional Verification” button and follow the instructions. The Agency will request additional information of the lender to proceed. With information received Agency personnel will reply via the SAVE site within three to five days. Agency staff must return to their case verification screen to view the system response. In the event that SAVE is unable to determine a COA code the system will respond “submit copies of documentation.”

Initial Verification	
Alien Number:	Benefits: USDA Housing Loans
I-94 Number:	USDA Housing Grants
Card Number:	USDA Loan Guarantees
Naturalization Number:	Citizenship Cert. Number:
Visa Number:	SEVIS ID:
Passport Number:	Document Exp. Date: 07/01/2012
Country of Issuance:	Other Document Desc:
Document Type: I-755	First Name:
Last Name:	Date of Birth:
Middle Name:	Initiated On: 12/21/2012
Initiated By:	
Initial Verification Results	
Last Name:	First Name:
Middle Name:	COA Code:
Country:	Date of Birth:
Date of Entry:	Date Admitted To:
EAD Expiration Date:	
System Response: INSTITUTE ADDITIONAL VERIFICATION	
Additional Verification	
User Case Number:	A.K.A.:
I-94 Number:	Country of Issuance:
Passport Number:	Initiated On: 12/21/2012
Special Comments:	
Initiated By:	
Additional Verification Results	
DHS Response: Resubmit Doc (Need copy original)	Expires On:
COA Code:	Date Admitted To:
USCIS Benefits:	Response Date: 12/26/2012
Revocation Date:	

If this is the case, the Agency staff must print the CIS Form 845 (prefilled by SAVE) from the verification screen and mail it with copies of all supporting documentation to their United States Citizenship and Immigration Service (USCIS) branch office. The USCIS personnel have seven to fourteen business days from receipt of the documents to reply. The reply will be via the case verification screen in the SAVE program so Agency staff must return and check for the reply.

Mailing addresses to send the supportive documentation are available at: www.uscis.gov.

In all cases, non-citizens legally admitted into the United States will have an Alien Identification Number. In the rare occasion where a number is not available or known, the

applicant should contact the CIS. Some documented cases have been discovered where an alien has been legally in the US for a long period of time, and the Department of Homeland Security has supplied them with a number, but the alien did not ever receive or has misplaced the number.

8.3 TRUTHFUL APPLICATION

The integrity of the information presented in the mortgage application process of the utmost importance. Applicants and lenders should be aware that they will be held responsible for the validity of the information submitted to the Agency. Applicants must provide truthful information when applying for a guaranteed loan. Applicants who provide false information, or who fail to disclose relevant information, will be denied a guaranteed loan. Falsification of information or disclosure can jeopardize any issued Loan Note Guarantee or continued eligibility of the approved lender, depending on the severity of the action

The types of information covered by this policy include all documentation and information submitted by the approved lender when requesting a Conditional Commitment, Loan Note Guarantee, or servicing action request. Fraud or other criminal misconduct in connection with his or her application will be reported to the appropriate office or Agency as required by state or federal law. These include the Office of Inspector General, state agencies, or other entities that may take whatever action is required by law.

Any intentional or negligent misrepresentation of information contained in the application package may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation made on the 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.

8.4 ACCESS STEPS TO SAVE

Attachment 8-A provides information on how Agency staff may access the SAV E website to retrieve information regarding an applicant's alien status.

ATTACHMENT 8-A

SAVE System Access by Agency Employees

The Agency has entered into a “Memorandum of Agreement” with the Department of Homeland Security (DHS) United States Citizenship and Immigration Service (USCIS) to allow access to the SAVE program database. This program enables the Agency staff to obtain online immigration status information to assist in determining a non-citizen applicant’s program eligibility. In most cases, SAVE will provide an immediate response concerning the immigration status of an applicant.

The lender remains responsible for securing proof of identity and evidence that non-citizens are qualified aliens.

In all cases, non-citizens legally admitted into the United States will have an Alien Identification Number. In the rare occasion where a number is not available or known, the applicant should contact CIS.

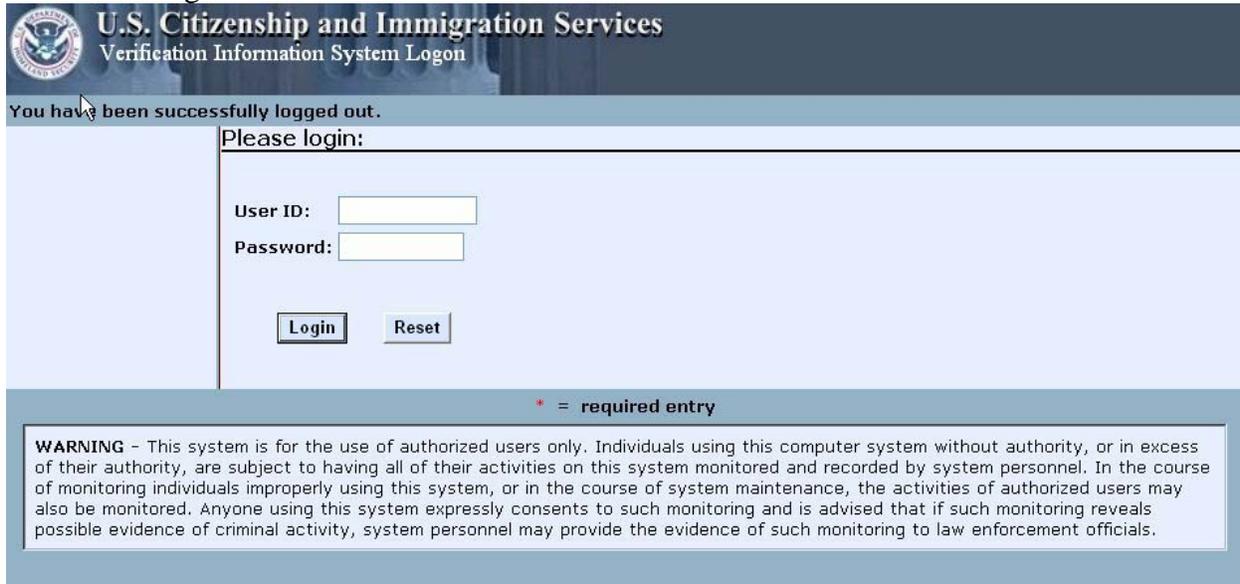
Selected Agency personnel will be supplied a user name and password to access the SAVE website. Selected Agency personnel will be supplied a user name and password to access the SAVE website. Each State Office should submit the name, telephone number, and address of one person who will administer user access to SAVE to the division representative. The Agency representative will be provided a “supervisor” access role and will be able to establish other SAVE supervisors and users within their State. It is required that all personnel using the SAVE system complete the SAVE Program Guide and Web-3 User Guide provided on the SAVE system home page. At this time, only Housing and Community Facilities program staff are authorized to access the SAVE system.

All personnel who are designated to use the system must complete the SAVE tutorial prior to using the system for the first time. After the tutorial is completed, the employee will be able to enter the applicant’s Alien Identification Number (9 digits) and other documentation information into the proper fields, select the program for which the alien is seeking a benefit, and submit the information for processing. Social Security numbers, driver’s license numbers, or any number other than an Alien Identification Number will NOT yield a valid result.

The following steps are not a tutorial or a user guide. Steps are not all inclusive. Refer to the tutorial online for complete information. Agency personnel must complete the SAVE tutorial Section once logged on and prior to using the system.

Access Steps

Log into the SAVE website.



 **U.S. Citizenship and Immigration Services**
Verification Information System Logon

You have been successfully logged out.

Please login:

User ID:

Password:

* = required entry

WARNING - This system is for the use of authorized users only. Individuals using this computer system without authority, or in excess of their authority, are subject to having all of their activities on this system monitored and recorded by system personnel. In the course of monitoring individuals improperly using this system, or in the course of system maintenance, the activities of authorized users may also be monitored. Anyone using this system expressly consents to such monitoring and is advised that if such monitoring reveals possible evidence of criminal activity, system personnel may provide the evidence of such monitoring to law enforcement officials.

Enter the applicant's Alien Identification Number (9 digits) into the "Alien number" field. Social Security numbers, driver's license numbers, or any other number other than the Alien Identification Number will not yield a valid result.

For SFHGLP, select *USDA Loan Guarantees* as the program for which the alien is seeking a benefit.

Submit the information for processing.
