



Single Family Housing Guarantee Loan Program

Questions & Answers – Subparts A through F

Subparts A & B

Q: What is a lender 'Pre-Approval'?

A: If a lender meets the criteria for an approved lender and provides the supporting documentation required of Chapter 3 of the Handbook the Agency will issue approval. It will be pre-approval until mandatory training is completed by members of the lender's organization.

Q: Can brokers or third-party originators close Single Family Housing Guaranteed Loans?

A: The lender is responsible for obtaining and submitting all items required of Chapter 15 of the Handbook. The lender is responsible for underwriting and obtaining the Conditional Commitment. The agent may close the loan in its name provided immediately post-closing the loan is transferred to the approved lender who will receive the Loan Note Guarantee.

Q: Do we require flood documentation/environmental reviews when a property is partially located on flood zones A or AE but the actual dwelling and/or other structures are not affected?

A: When loan collateral includes more than one building, a schedule for additional buildings/mobile homes indicating the determination for each may be made. Otherwise a separate form must be completed for each building or mobile home. Any attachments should be noted in the comment section. A separate flood insurance policy is required for each building or mobile home. No flood insurance is required if the residential dwelling and all detached buildings are outside of the 100 year flood plain.

Q: Can lender representatives attend training sessions?

A: Yes.

Q: Since CSC is two-years behind on the processing of loss claims, do we penalize them in the lender approval stage?

A: Lenders must meet the approval criteria set forth in Chapter 3 of the Handbook. Lenders may participate in the program as long as the lender maintains the standards set forth in the Chapter and follows program requirements. All approved lenders will be subject to periodic Compliance Reviews.

Q: Under the 3555 Regulation, how would a lender submit record changes for holding and servicing lenders?

A: Changes are required to be reported immediately to the State or National Office who approved the lender initially.

Q: Will all currently approved lenders be certified to meet the 3555 Regulation and Handbook prior to September 1, 2014?

A: At this time, all lenders who are approved to participate in the SFHGLP will continue participating under their present agreements, until otherwise modified by the Agency.

Q: Will existing lenders need to go through any process to retain their approval under the 3555 Regulation/Handbook?

A: See response above.

Q:	In the automated loan closing, LNGs are issued and posted in GLS; if the loan is sold, can the holding lender access the LNG and will the electronic LNG be acceptable as an original?
A:	In Phase II the Automated Loan Closing (ALC) project, holders will be provided access to obtain the Loan Note Guarantee. An automated version is acceptable as an original.
Q:	Will lenders be required to use GUS since we are now going to a full electronic processing system?
A:	GUS remains an optional tool for lenders. However, once fully developed, the Agency plans on a rule to require use of GUS by approved lenders.
Q:	Do we need to type "Duplicate Original" on LNGs if they are re-issued?
A:	With the implementation of Phase II Automated Loan Closing (ALC), Loan Note Guarantee's (LNG) issued by the system that represent duplicates will be noted as "reissued" LNGs.
Q:	Why do we not require training for processors, loan coordinators, closers, etc.?
A:	It remains the lenders responsibility to maintain a well-trained staff. Lenders are encouraged to seek refresher training courses. If performance is below the required standards of the Agency, the lender may be required that all staff members participate in technical training.
Q:	Can approved lenders contract out the underwriting function of their operation?
A:	The approved lender remains responsible for the underwriting, whether performed by an employee of their organization or an agent.
Q:	On State Supplements, do state's webpage messages need to get National Office approval?
A:	State Supplements require National Office prior approval. Any web message should comply with the rules/regulations governing the program.
Q:	If a lender is approved in one state and plans to extend into another, are they required to send their application to the National Office?
A:	If the lender participates in a single state, the application will be sent to the state in which the lender wishes to participate. If the lender wants to participate in more than one state, the application will be forwarded to the National Office.
Q:	If a lender wants to become approved to participate in the SFHGLP but has high delinquency/losses with FHA or other agency, should we still approve them if they meet all other criteria?
A:	A lender is expected to maintain high standards as outlined in Chapter 3 of the Handbook. The Agency may revoke a lender's approval to participate if the lender fails to maintain appropriate eligibility status or violates the terms and conditions of the lender agreement.
Q:	Regarding contract lenders, are they interchangeable with brokers and/or correspondents?
A:	Lenders who contract with approved lenders to perform originating, processing and other functions on behalf of the lender are considered third party originators.
Subpart C	
Q:	Does the 3555 regulation allow for any and all repairs or do they have to be required by the appraiser?
A:	Required repairs are limited to those repairs necessary to preserve the continued marketability of the property and to protect the health and safety of the occupants.
Q:	If an existing property does not have a washer and dryer, can we finance the purchase of these items?
A:	Loan funds can be used to pay for essential household equipment which MAY include washers and dryers – as long as the equipment is conveyed with the dwelling and the equipment is normally sold with dwellings the area.

Q:	Regarding income producing properties, are kitchenettes and full bathrooms allowed in basements?
A:	Kitchenettes and full bathrooms in basement homes are not a prohibited loan purpose. Purchase or improvement of income-producing land or buildings that will be used <u>principally</u> for an income producing purpose is not allowed. The property must be residential in character, use and design.
Q:	Are there limits on late fees imposed by lenders?
A:	<p><u>Late payment charges</u>. Late payment charges will not be covered by the guarantee. Such charges may not be added to the principal and interest due under any guaranteed note. Late charges may be made only if:</p> <p>(1) <u>Maximum amount</u>. The maximum amount does not exceed the percentage of the payment due as prescribed by HUD or Fannie Mae or Freddie Mac.</p>
Q:	Do we need to request evidence that a lender has had two or more years of experience in construction lending? Will a certification from the lender be sufficient?
A:	The approved lender will be responsible for approving participating builders for the single close feature, as outlined in detail in Chapter 12 of the Handbook.
Q:	What criteria/guidance should we use to determine when regularly scheduled P&I payments should start after construction is complete?
A:	As outlined in Chapter 12 of the Handbook, amortization must begin no later than the first of the month, following 60 days from the final inspection.
Q:	Can the interest accrued during the construction period be included in the loan?
A:	Yes, when the market value of the collateral supports the eligible loan purpose.
Q:	Can an interest reserve account be financed with loan funds?
A:	Same response as above.
Q:	What are some examples of red flags in GUS ACCEPT files that indicate we shouldn't proceed with the loan?
A:	Red flags that may require additional information/documentation from the lender are outlined in the Agency's Red Flag file review document saved in the SharePoint website. Some short examples: appraised value or address inconsistent with appraisal report; repayment income is greater than annual income; locked interest rate exceeds maximum guidelines; no data values in core fields – such as insurance, taxes; incomplete credit on the liabilities page compared to the credit report; short-term employment history; inflated assets.
Q:	On a GUS ACCEPT file, does the lender need to submit the income calculation worksheet?
A:	The income calculation worksheet will be incorporated into the request for loan note guarantee commitment.
Q:	Do appraisers have to be FHA certified?
A:	Appraisers are not required to be FHA certified. It remains the lenders responsibility to select an appraiser who is qualified to inspect and appraisal the proposed collateral.
Q:	Most lenders using Pay.gov are not using the 16-A, could we send out a ListServ message to remind them to use it?
A:	A LISTServ message has been discussed to reiterate the importance of data integrity and documentation.
Q:	Sometimes the final HUD-1s submitted with the closing package are missing the settlement

	dates; if that is the case, can I look at the date the HUD-1 was signed and use that date as the closing date rather than request the lender to obtain a settlement date and submit a revised HUD-1 with such date?
A:	Use item I on the Settlement Statement to establish the loan closing date.
Q:	On a refinance loan, why would being current on the current mortgage be a compensating factor to exceed ratios if the requirement for refinancing is to be current for the 180 days prior to application?
A:	Compensating factors noted are general to purchase and refinance loans. To be eligible for a refinance transaction the loan must have been current for the 180-day period prior to application.
Q:	Is the limitation for a lender to provide a complete package within 3 days after the submission of an incomplete application going to be included in the new handbook?
A:	The lender will have 10 business days. See Chapter 15 for additional guidance.
Q:	If lenders submit the closing package after the conditional commitment has expired but the loan closed while it was still valid, do we require additional documentation from the lender?
A:	Chapter 16 outlines in detail the steps the Agency will take to issue the Loan Note Guarantee.
Q:	Where do funds come from for the reserve account on the construction-to-permanent loan? Are they loan funds or the borrower's personal funds?
A:	The reserve account may represent an eligible loan purpose or be a contribution from the borrower. Any funds remaining at the end of construction are disbursed to the borrower, if the funds were from the borrower's personal funds, or as a principal reduction to the loan.
Q:	How does the Pilot Refinance Program fit into the new Handbook?
A:	The Rural Refinance Pilot Program (RRF) will continue to be guided through issuance of an Administrative Notice (AN). The PRP was not part of the 7 CFR 3555 rule.
Q:	Is a property with an outbuilding 2,500 sq ft or larger eligible under our program? (They could easily be used for an income producing business)
A:	An outbuilding utilized for storage, for example, is an eligible loan purpose. Buildings utilized principally for income producing purposes are ineligible for the program.
Q:	Will we be ordering the credit reports for the Contractor/Builder?
A:	The lender will be required to qualify the contractor/builder for the single close transaction.
Q:	In a construction-to-permanent loan conversion, do we need a title search to verify the property is free and clear of all liens?
A:	The lender is responsible to ensure no liens encumber the collateral and that the permanent loan is in first lien position.
Q:	When will RD accept electronic signatures?
A:	Electronic signatures will be accepted by lenders, under certain requirements as outlined in Chapter 15 of the Handbook.
Q:	If a dwelling is 50 years or older, is the cost approach required?
A:	The cost approach is required on all appraisals.
Q:	When an application package is submitted, do we have to review it package within four days from the submission date?
A:	When a state is unable to process a request from a lender within 4 business days of receipt, the Handbook instructs the Agency to notify the lender of the delay and anticipated process date.
Q:	Can the cost of credit reports be included in the total loan amount?

A:	A credit report is an eligible loan purpose. See Chapter 6 for an expanded list of eligible loan purposes.
Q:	Will there be a construction-to-permanent loan checklist for both the agency and lenders?
A:	Several attachments are available in Chapter 12 of the Handbook.
Q:	Currently, the cost approach is not required in the appraisal if the property is older than one year. Is this changing with the 3555 regulation?
A:	<p>Section 1980.334(b) has always required the cost approach. AN 4699 allowed the lender to insert the site value only</p> <p>RD Instruction 1980-D</p> <p>§1980.334(b) <u>Appraisal report</u>. Residential appraisals will be completed using the sales comparison (market) and cost approach to market value.</p> <p>(1) <u>URAR</u>. The appraiser will use the most recent revision of the URAR.</p> <p>(i) The "Estimated Reproduction Cost-New of Improvements" section of the form must be completed when the dwelling is less than 1 year old.</p> <p>(ii) Not less than three comparable sales, which are not more than 12 months old, will be used unless the appraiser provides documentation that such comparables are not available in the area. Comparable sales should be located as close as possible to the subject dwelling. When the need arises to use a comparable sale that is a considerable distance from the subject, the appraiser must use his or her knowledge of the area and apply good judgment in selecting comparable sales that are the best indicators of value for the subject property.</p>
Q:	Will RD notify the Finance Office that a LNG is terminated due to refinance? Doesn't the lender report that the loan has been paid in full?
A:	The policy will continue that the State representative will notify DCFO of a paid in full loan, due to a refinance. This will avoid having two active loans in the portfolio. The lender with their quarterly portfolio reports should report the loan as terminated also.
Q:	
A:	