

**CHAPTER 3: APPLICATION PROCESSING**

**3.1 INTRODUCTION**

This chapter describes the process of accepting and managing applications, up to the point that an applicant is selected for processing. This includes pre-qualifying potential applicants, taking and reviewing applications, and selecting applications for processing.

**SECTION 1: PRE-QUALIFICATION**

**3.2 OVERVIEW**

Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant, someone who is interested in the program but has yet to submit an application for assistance, would be program eligible. The results of pre-qualification are not binding and will not hinder the submission of an application. A potential applicant with possible obstacles to program eligibility may submit an application and a potential applicant who appears program eligible is not guaranteed that a loan will be made.

Pre-qualification, which is strongly encouraged but not required, serves as an opportunity to:

- Explain the program and the application process;
- Determine the likelihood of eligibility based on income and other factors;
- Calculate the likely maximum loan amount; and
- Encourage the early completion of homeownership education for maximum benefit.

The Loan Originator should make clear to the potential applicant the purposes of prequalification, that the pre-qualification results are not binding, and pre-qualification is different than the submission of a formal application.

**3.3 PROCEDURES FOR PRE-QUALIFICATION**

The Loan Originator should provide consistent pre-qualification counseling



for all potential applicants. Refer to Attachment 3-F for guidance on how to address negative pre-qualification results. **Again, the pre-qualification process does not apply to someone who has already submitted an application. Submission of an application triggers disclosure and official Agency action requirements.**

#### **A. Describe the Program**

During the course of the pre-qualification review, the Loan Originator should provide as much information as possible about how the program works. Although this information will be repeated during the course of the application and loan approval process, it is important for the potential applicant to begin to understand how the program works and the steps that will be required to obtain a loan.

#### **B. Gathering Basic Eligibility and Financial Information**

Pre-qualification provides an opportunity to consider whether the potential applicant appears to meet the basic eligibility requirements described in detail in Chapter 4. The Loan Originator should enter the information provided by the potential applicant in UniFi as well as their observations on the potential applicant's diversity (race, ethnic group, etc.) if reliable, register the pre-qualification following the instructions in the DLOS Training Manual, and counsel the potential applicant about the following requirements and restrictions.

- **Creditworthiness.** The Loan Originator should advise potential applicants about the Agency's credit history standards including the ramifications of delinquency on a federal debt. To aid in this discussion, the Loan Originator may order an in-file credit report provided the potential applicant has signed *Form RD 3550-1, Authorization to Release Information*. The Loan Originator can also check the Department of Housing and Urban Development's online Credit Alert Interactive Voice Response System (CAIVRS) and MortgageServ's Borrower Cross Reference screen (Customer/XREF/Social Security).
- **Citizen or qualified alien.** The Loan Originator can ask potential applicants about their citizenship status and, for qualified aliens, inform them of the documentation that will be required when an application is submitted.
- **Identity Information.** The Loan Originator should explain to potential applicants the documentation required to verify identity when an application is submitted.
- **Requirement to occupy the dwelling.** The Loan Originator should explain that the dwelling must serve as a borrower's primary residence, and confirm that the potential applicant intends to use the loan for this purpose.

Paragraph 3.3 Procedures for Pre-Qualification

- **Financial information.** The Loan Originator should obtain information from the potential applicant about household members, income, expenses, and debt in order to make a pre-qualification determination of income eligibility and repayment ability.

**C. Using UniFi to Calculate the Maximum Loan Amount**


Once pre-qualification data is entered, UniFi computes the maximum loan amount for which the potential applicant would qualify using standard loan terms, and using any adjustments to the standard terms for which the potential applicant appears to qualify. (See Paragraph 6.16 B. for a full discussion of adjustments to the standard terms.)

When completing the pertinent screens in UniFi, the Loan Originator may want to consider a leveraged loan arrangement if the potential applicant is working with or has already completed an application to another funding source prior to making a pre-qualification inquiry with the Agency.

The Loan Originator should refer potential applicant to entities offering affordable housing products, such as grants, forgivable loans, deferred payment loans and below-market interest rate loans when such funding sources are available in the local area. In order to receive the benefits of a leveraged loan, the loan must meet the provisions set forth in Chapter 10 which provides detailed information about leveraged loans.

**D. Discussing Pre-Qualification Results**

The Loan Originator should generate the Eligibility Summary from UniFi to assist in the discussion with the potential applicant. The Loan Originator should always emphasize that the results of the pre-qualification review are unofficial and that the outcome may change when information is verified. For potential applicants in the following 4 categories, additional counseling is appropriate.

	<p><b>Pre-Qualification Review</b></p> <p>Regardless of the outcome of the pre-qualification review, all potential applicants must be offered an opportunity to complete an application.</p>
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**1. Over-income Applicants**

Potential applicants with household incomes above the low-income limit should be informed about options available for those with moderate-income (assumed loan, purchase of a REO property, a Guaranteed Rural Housing loan, and other credit).

**2. *Low Estimated Maximum Loan Amounts***

If the loan amount for which the potential applicant appears to qualify is not sufficient to purchase a modest, decent, safe, and sanitary house in the area, the Loan Originator should counsel the potential applicant about the need for additional resources, such as other sources of subsidized funds, increased household income, reduced household debt, and the possibility of adding additional parties or a co-signer to the note. See Paragraph 4.24 for a detailed discussion of other considerations related to maximum loan amounts.

**3. *Candidates for Financing with Private Credit***

If the credit history, income, and assets of potential applicants indicate that they should be able to qualify for a GRH loan or private financing, the Loan Originator should ask whether an attempt to obtain such financing has been made. If not, potential applicants should be informed that they should attempt to obtain other credit.

**4. *Unacceptable Credit and/or Lack Repayment Ability***

If a potential applicant's credit appears unacceptable based on an in-file credit report or from information supplied by the potential applicant; or it appears the potential applicant lacks repayment ability for a loan, the Loan Originator should counsel the potential applicant. If the pre-qualification was not conducted face-to-face or over the telephone, the Loan Originator should use *Handbook Letter 19, Pre-qualification Review*, as a way to prompt the opportunity to counsel the potential applicant in ways to correct these problems. The Loan Originator may encourage the potential applicant to seek credit counseling or a homeownership education course but should **NEVER** discourage the potential applicant from submitting an application.

## SECTION 2: HOMEOWNER EDUCATION

### 3.4 HOMEOWNER EDUCATION REQUIREMENT [7 CFR 3550.53(i)]

The Agency requires that applicants who are first time homebuyers complete homeowner education training prior to closing on their loan. The goal of this requirement is to have first time homeowners financed under the Section 502 Direct program be well prepared for homeownership by assuring that they receive homeownership education.

#### A. State Director Assessment of Homeowner Education [7CFR 3550.11]

The State Director will make an assessment by area of the availability of certified homeownership education providers in their respective states. A list of providers will be maintained by the State Office, including the reasonable costs, if any, to the participant.

The order of preference for homeownership education formats is as follows:

- Classroom, one-on-one counseling, or interactive video conference.
- Interactive home-study or interactive telephone counseling of at least four hours duration.
- On-line counseling.

A lower preference homeownership education format may be used when a higher preference format is not reasonably available in the local area, which is determined by factors such as distance, travel time, geographic obstacles, and cost.

In order to be included on the list, the provider must have a certificate of completion process and homeownership education counselors that are certified by any of the following:

- The Department of Housing and Urban Development (HUD);
- NeighborWorks America (NWA);
- The National Federation of Housing Counselors (NFHC);
- National American Indian Housing Council (NAIHC); or
- The State Housing Finance Agency or other qualified organization approved by the State Director.

In addition, the State Director may include homeowner education provided by USDA Cooperative Extension System staff.

In order to ensure consistency, on-line homeownership education courses offered and accessible on a national, non-state specific basis, will be reviewed and approved by the National Office. This is not intended to endorse a particular on-line course but to have a process by which these types of on-line courses will be evaluated in a uniform manner for usage by the States.

Where there is a fee charged to the applicant for homeownership education, the State will also assess commonly used resources of funding for the applicant to pay for their homeownership education. In addition, organizations that provide free homeownership education will be identified, and applicants will be referred to the free training first in all States.

The provider will issue a letter or certificate of completion to document that the applicant has satisfactory knowledge of these minimum topics:

- Preparing for homeownership (evaluate readiness to go from rental to homeownership)
- Budgeting (pre and post-Purchase)
- Credit counseling
- Shopping for a home
- Lender differences (predatory lending)
- Obtaining a mortgage (mortgage process, different types of mortgages)
- Loan closing (closing process, documentation, closing costs)
- Post-occupancy counseling (delinquency and foreclosure prevention)
- Life as a homeowner (homeowner warranties, maintenance and repairs)

Generally speaking, a valid letter or certificate of completion of homeownership education that is less than 1 year old at date of loan closing will be considered acceptable. When appropriate, the provider may tailor the homeownership education training to the needs of the applicants, while ensuring satisfactory knowledge of the minimum required homeowner education topics. For example, if an applicant has already executed a purchase and sale


Paragraph 3.4 Homeowner Education Requirement

agreement on a house, the provider may decide after conference with the applicant, to condense or omit the homeownership education section on “shopping for a home”.

**B. Providing Homeownership Education Information to the Applicant**

The Loan Originator must ensure that early in the application process the applicant understands that a certificate of completion is a prerequisite to loan closing and must be submitted to the Loan Originator prior to closing on the applicant’s loan. In addition, the Loan Originator must assist the applicant by providing the list of approved local homeowner education providers to the applicant.

The applicant must be informed that should there be a fee for the homeowner education course selected and there are no other sources for payment, the fee may be added to the loan amount at loan closing. (See Paragraph 6.4 Fees and Related Costs). The applicant should be advised that if they do not close on their loan, they will still be responsible for the homeownership education fee.

	<p><b>Consistency Is Key</b></p> <p>Be sure to use consistent procedures when providing information to ALL applicants.</p>
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**C. Exception Provision**

The State Director may grant an exception to the homeownership education requirement for individuals in geographic areas where certified homeownership education is not reasonably available in the local area. However, a conservative approach to the exception provision is recommended, as generally, all efforts are encouraged to have applicants undertake homeownership education early in the homeownership process to gain maximum benefit. Whether such homeownership education is “reasonably available” will be determined based on an assessment of factors including, but not limited to: distance, travel time, geographic obstacles, and cost. On a case-by-case basis, the State Director may grant an exception to the homeownership education requirement, provided the applicant documents a special need such as a disability that would impede completing a homeownership course in the above mentioned formats listed in Paragraph 3.4 A.

## SECTION 3: APPLICATIONS [7 CFR 3550.55]

### 3.5 DISTRIBUTING APPLICATIONS

#### A. Individual Applicants

An interested party can request that the Agency mail them an application or they can obtain one in person at any Field Office or through the Agency’s e-forms website. Whenever someone requests an application, the Loan Originator should determine whether they have gone through the pre-qualification process, and if not, attempt to pre-qualify them, as described in Section 1 of this chapter.

Whenever possible, the Loan Originator should explain the basic application process and the contents of the application package to the interested party. The application package should include:

- An information sheet explaining the application process, time frames, credit check procedure, fees, and other applicant responsibilities similar to Attachment 3-D;
- *Form RD 410-4, Application for Rural Housing Assistance (Nonfarm Tract), Uniform Residential Loan Application* (referred to throughout this document as *Uniform Residential Loan Application*) or an industry standard “Uniform Residential Loan Application” with a revision date of 07/05 or later when accompanied by the Agency’s supplemental pages (6-10) of *Form RD410-4*.
- *Form RD 3550-1, Authorization to Release Information* (copies for each adult household member); and
- Any other documents the Field Office uses to help gather and verify information.

#### B. Loan Application Packagers

An interested party may engage the service of a loan application packager.



Though this service is completely at the discretion of the interested party, the Agency supports partnerships with loan application packagers since packagers can:

- Provide outreach and presence in counties where a Field Office is not located;
- Assist the Agency in reaching very low-income applicants;
- Promote the program in underserved areas;



Paragraph 3.5 Distributing Applications

- Prescreen potential applicants thus saving Agency staff time;
- Counsel potential applicants on how to improve their ability to qualify for a home;
- Ensure that applications are complete and accompanied by the supporting documentation needed for the Agency's decision; and
- Give applicants insight into the Agency's application process and regulations.

Attachment 3-A provides processing guidance for Field Offices and packagers.

### 3.6 APPLICATION REVIEW

Applications must be date stamped immediately upon receipt on page 8 of *Form RD 410-4*. Applications should also be reviewed for the required documents no later than 3 business days after receipt.


#### A. Required Documents

An application will be accepted only if:

- *Form RD 410-4, Uniform Residential Loan Application*, (or an industry standard “Uniform Residential Loan Application” with a revision date of 10/06 or later when accompanied by the Agency’s supplemental pages (6-10) of *Form RD410-4*) is signed and dated with all required pages included;
- All applicable information on the *Uniform Residential Loan Application* has been provided; and
- A signed *Form RD 3550-1, Authorization to Release Information*, is submitted for each adult member of the household.

#### B. Missing Required Documents

Ideally, the Loan Originator will be available at the time the applicant brings the application to the Field Office, and can review it with the applicant to identify and correct any missing information. If the review cannot happen in person, the Loan Originator should contact the applicant by telephone immediately after reviewing the application to obtain any missing information or to make specific arrangements for the applicant to provide it through a return call, fax, or mail. During the telephone call, the Loan Originator must inform the applicant that their application cannot be considered for continued processing until all required documents have been received.

	<b>Consistency Is Key</b>
Be sure to use consistent procedures to obtain missing information from all applicants.	


The Loan Originator can update the application (with the exception of the applicant’s signature) to reflect any information provided by the applicant. If arrangements are made for the applicant to provide information at a later time, the Loan Originator must send a follow up letter as a reminder of the information needed. The letter should clearly state that the application is inactive until the requested information is received, and that the application will be withdrawn if the missing information is not received within 30 days. A copy of this letter should be placed with the application in the inactive file.

## Paragraph 3.6 Application Review

If the missing information is not provided within 30 days, the application must be withdrawn. If the applicant wishes to provide the missing information at a later time, a new application must be submitted.

### C. Processing Applications

For applications that contain all the required documents, the Loan Originator should take the following steps to ensure that the relevant information is properly recorded.

- **Date stamp the application on page 8 of *Form RD 410-4*.** Once the application is accepted, the Loan Originator should date stamp the appropriate line. The date an application is considered accepted is the day all required information is received, regardless of when the application is actually reviewed by the Loan Originator. It is important that this date be correct because it is used to track priority for processing.
- **Enter data.** Information from the application should be entered in UniFi as soon as all the required documents are received. If an applicant went through pre-qualification, much of the information should already be in the system. If the information provided on the application is different from the information provided at pre-qualification, the appropriate UniFi fields should be updated.
- **Establish case file.** The applicant's case file should be established according to RD Instruction 2033-A. For subsequent loans, the new documentation should be added to the existing case file. 
- **Begin the required Single Family Housing Checklist.** Use Attachment 3-G, 502 Single Family Housing Checklist, for Section 502 loan applications and Attachment 12-C, 504 Single Family Housing Loan & Grant Checklist, for Section 504 loan/grant applications. States may add additional page(s) as needed to meet state requirements. The checklists are required and intended as a processing aid for field staff.

The application is a working document. Whenever revised or verified information is received, the appropriate UniFi field should be updated. At loan closing, a revised copy of the application will be generated to reflect the updated information gathered during the course of the loan approval process.

### **3.7 COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS**

#### **A. Real Estate Settlement Procedures Act**

The Real Estate Settlement Procedures Act (RESPA) requires lenders to provide applicants with pertinent and timely disclosures of the nature and costs of the real estate settlement process. Within 3 business days of receiving information that includes: (1) applicant's name, (2) applicant's monthly income, (3) applicant's social security number to obtain a credit report, (4) property address, (5) an estimate of the value of the property, (6) mortgage loan amount sought, and (7) any other information deemed necessary for the loan, the Loan Originator must send the applicant the following documents:

- HUD's standard *Good Faith Estimate* (GFE);
- Attachment 3-I, Settlement Service Providers List and Additional RESPA Related Disclosures;
- The *Shopping for Your Loan- HUD's Settlement Cost Booklet*; and
- *Form RD 1940-41, Truth in Lending Statement*.

RESPA establishes tolerance limitations between the charges disclosed in the GFE and the final charges listed in the HUD-1. Settlement costs are divided into charges that cannot increase (Zero Tolerance), charges that in total cannot increase more than ten percent (10% Tolerance), and charges that can change (Not Subject to Tolerance). The Loan Originator is responsible for issuing accurate and timely RESPA disclosures.

The GFE cannot be revised and reissued unless changed circumstances occur. "Changed Circumstances" is defined by regulation as: (1) Situations that we cannot control; (2) Information particular to the applicant or transaction that was relied on when the GFE was provided and then it changes or is found to be inaccurate; (3) New information particular to the applicant or transaction; or (4) Other circumstances that are particular to the applicant or transaction, including boundary disputes, the need for flood insurance, or environmental problems. In the event changed circumstances occur, the Loan Originator must send the revised GFE within 3 business days of receiving the information that established the change. Only those fees impacted by the changed circumstance may change and supporting documentation must be retained in the case file for no less than three years after settlement.

The terms of the GFE are binding for at least ten (10) business days from when the GFE is issued, subject to tolerances and changed circumstances, unless a revised GFE is issued before settlement or the GFE expires.

## Paragraph 3.7 Compliance With Other Federal Requirements

Any loan, including a Section 504 loan, is subject RESPA if a security interest will be taken on the property.

The GFE, which gives a preliminary indication of the amount of escrow required, does not explain the concept of escrow. During the applicant orientation, the Loan Originator must explain what escrow is and outline the Agency's specific requirements. The Loan Originator should explain that the initial deposit can be financed, even if it raises the total loan amount over the market value or the area loan limit. The applicant's decision about financing the cost of the initial deposit or paying the cost out of pocket must be documented on *Form RD 3550-23, Applicant Orientation Guide*.

**B. Truth in Lending Act**

The Truth in Lending Act (TILA) is intended to assist consumers understand the cost of credit and the difference of such cost among creditors. Lenders are required to issue a truth in lending statement disclosing specific information about the terms and cost of the loan. The annual percentage rate (APR) is one of the key components of the truth in lending statement and it represents the cost of the credit expressed as a percentage. On loans subject to RESPA, TILA requires lenders to issue the truth in lending statement, *Form RD 1940-41, Truth in Lending Statement*, within 3 business days of receiving a loan application with a specific property to be financed. If the APR varies by more than one-eighth of one percent at loan closing, the Truth in Lending Statement must be re-issued using the actual terms of the transaction. Any loan, including a Section 504 loan, is subject TILA if a security interest will be taken on the property.

**C. Fair and Accurate Credit Transaction Act**

In accordance with the Fair and Accurate Credit Transactions Act of 2003, the Agency is required to disclose to the applicant, upon request, the score that a credit bureau distributed and was used in connection with their loan. In addition, the Agency is required to disclose the key factors affecting the applicant's credit scores. Therefore, Attachment 3-H, Credit Score Disclosure, must be provided to the applicant when the credit report fee is collected. It must be explained to the applicant that the credit score will not be used to determine loan approval but only to presume acceptable credit in lieu of other credit underwriting practices.

### **3.8 OBTAINING ADDITIONAL INFORMATION**

*Form RD 410-4, Uniform Residential Loan Application*, is a tool for gathering the basic information needed for loan-making purposes. However, some follow up may be necessary to ensure that the Loan Originator has enough detail to assess loan-making factors, such as processing priority and deductions for calculating adjusted income. Attachment 3-B provides guidance about the types of follow up questions the Loan Originator may need to ask in order to have a complete picture of the household's circumstances.

### 3.9 WITHDRAWING AND REJECTING APPLICATIONS



An applicant can withdraw an application at any time by writing or calling the Field Office. The Agency may withdraw the application if the applicant fails to respond to the Agency's written request for information in a timely fashion. All letters to applicants requesting information must clearly indicate that the application will be withdrawn if the appropriate information is not provided within the specified time frame.

When an applicant is rejected, they must be informed, in writing, of the adverse decision and their review and appeal rights. All reasons for the rejection must be clearly documented. Applicants who are over-income and must seek credit from other sources should be provided with information about the GRH program and other area lenders.

Once an application has been withdrawn or rejected, an applicant who wishes to reapply must complete a new application form, and priority for processing will be based on the new application date. The Loan Originator should record in UniFi that the application has been withdrawn or rejected. The case file should be placed in the inactive file. Only in the following situations can an application be reopened:

- If the National Appeals Division has overturned the rejection of an application; or
- The Loan Approval Official has reviewed and reconsidered the rejection of an application.

In these situations, Attachment 3-E must be completed and forwarded to the Centralized Servicing Center, Field Assistance Desk, for processing.

### 3.10 PRELIMINARY DETERMINATION OF ELIGIBILITY

Once all of the required documents as outlined in Paragraph 3.6 A. are received, the Loan Originator must review the documents in a timely manner but no later than 30 days to determine if the applicant and the property (if identified) appear to be program eligible based strictly on applicant provided information.

The Loan Originator should contact the applicant to confirm the accuracy of any information the applicant provided on the required documents that could, without any subjective assessment by the Agency, disqualify them for the program. For example, if the applicant

3.10 Preliminary Determination of Eligibility

reported household income that is well over the low-income limit after allowable deductions, the Loan Originator should contact the applicant to confirm the accuracy of the projected adjusted household income and ensure that no possible deductions were missed. If the applicant confirms that their adjusted household income is indeed over the low-income limit, the applicant should be sent *Handbook Letter 1 (3550), Moderate Income Options*, along with Attachment 1-C.

If the preliminary determination may result in an adverse decision, the Loan Approval Official must review the Loan Originator's findings and make the decision to proceed with processing or deny the application for assistance.

If the program requirements appear to be met, the Loan Originator should process the application, as described in Section 4 of this chapter.



## **SECTION 4: SELECTION FOR PROCESSING**

### **3.11 OVERVIEW**

In general, applications are selected for processing on a first-come, first-served basis. If available funding is not sufficient for all applications received, the Loan Originator selects applications for processing using the priorities described in Paragraph 3.14. This section discusses the appropriate actions to take to notify applicants of their status and select applications for processing in the proper order.

### **3.12 DETERMINING WHETHER FUNDS ARE AVAILABLE**

The Loan Originator must determine whether funds are available before proceeding with further processing. Loan Originators will review the number of applications on hand in UniFi at least quarterly. A sufficient number of applications will be reviewed for eligibility and Certificates of Eligibility will be issued, as appropriate, based on expected funding availability by income category over the next 90 days. The Loan Approval Official may use historical data, but generally the number of outstanding Certificates of Eligibility will not exceed 150 percent of the expected funding. State Directors will issue State Supplements to provide guidance about how many applications should be processed based on available funding levels.




#### **A. Regular Funding**

Nationwide, at least 40 percent of Section 502 loan funds must be allocated to very low-income households. Since each State meets this goal in different ways, Loan Originators also may have to consider the guidance provided through State Supplements in determining whether funds are available for the applicant’s income category.

In rare situations, the funds available may be less than the amount for which the applicant is eligible. If this occurs, it is important to follow consistent procedures. An example of a possible procedure is provided in Exhibit 3-1.

**Exhibit 3-1**

 **Procedures if Funds are Inadequate  
for the Next Applicant on the Waiting List**

Applicant A is next on the waiting list and qualifies for a \$175,000 loan. Applicant B is eligible for a \$140,000 loan. The funds available are \$145,000.

- Call State Office to ask for more funds.
- Document the results of this conversation.
- If no more money is available, offer Applicant A \$145,000.
- If Applicant A accepts, proceed.
- If Applicant A does not accept, go to Applicant B and keep Applicant A at the top of the waiting list for the next available funds.

## **B. Special Funding**

Each year the National Office may designate funds to address special high-priority needs identified by the Agency. If an applicant falls into one of those high-priority needs areas and funds are available, the application can be processed immediately. For example, in a year in which funds have been set aside to target a particular geographic area, an application from a household willing to seek a property in that area could be processed ahead of other applications.

Information about funds available for high-priority needs are distributed to Field Offices through State Supplements, based on guidance from the National Office through RD Instruction 1940-L.



### **3.13 IF FUNDING IS NOT AVAILABLE**

If funds are insufficient to proceed processing an application from an applicant that was determined preliminary eligible as described in Paragraph 3.10, the applicant should be notified using *Handbook Letter 2 (3550), Pre-eligible*, that they appear to be eligible but that funding is not currently available. The letter should indicate the expected waiting time before funding will become available to the applicant, given the applicant's priority status.

3.13 If Funding is not Available




The letter should also indicate any funding that is currently available should the applicant modify their request. For example, the applicant could agree to seek a property in a targeted geographic area where set aside funds are available (refer to RD Instruction 1940-L).

**3.14 SELECTING APPLICATIONS FOR PROCESSING**

If funding is available, applicants must be selected for processing in the proper order, and notified of the actions they must take.

**A. Selection Procedures**

If a Field Office has a backlog of unprocessed applications, when funding becomes available, a list of unprocessed applications should be generated from UniFi. The Loan Originator must select applications for processing based on each applicant’s priority and the date all of the required documents as outlined in Paragraph 3.6 A. were received. The number of applications selected will be determined based on guidance from the State Director.

	<p><b>Documenting Proper Selection Procedures</b></p> <p>Always retain a hard copy of the waiting list when applicants are selected for processing.</p>
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Whenever applicants are selected for processing, a hard copy of the waiting list should be printed and placed in an operational file to document that the applications were processed in the correct order. This is important because the electronic files will be overwritten, leaving no documentation to verify that proper procedures were followed.

**B. Processing Priorities**

When funding is not sufficient to fund all applications, a priority system is used to ensure that applicants who meet the priorities established for the program are selected for processing first. The priority system is used only to determine the order in which applications will be processed. Once applicants are selected for processing, the order in which they actually receive funding will depend on how long it takes to conduct all required verifications and how long it takes the household to locate a property. Attachment 3-C provides a case study that illustrates the use of priorities in selecting applicants for processing.

The Agency 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 should be processed in the order they were received. The types of priorities are described below.

**1. First Priority: Subsequent Loans to Correct Health and Safety Hazards**

Current Agency borrowers who request subsequent loans to correct health and safety hazards will be selected for processing first.

**2. Second Priority: REO Property or Transfer of Agency-Financed Property**

Applicants interested in obtaining loans for purposes that are in the Agency's interest, but that do not directly involve removing hazards in a security property, will receive second priority for processing. These are loans related to the sale of Real Estate Owned (REO) property and loans related to the transfer and assumption of property owned by a program borrower.

**3. Third Priority: Hardships**

Applicants facing housing-related hardships will receive third priority for processing. Hardship circumstances include living in deficient housing for more than 6 months. Deficient housing is defined as a dwelling that lacks complete plumbing, lacks adequate heating, is dilapidated or structurally unsound, has an overcrowding situation that will be corrected with loan funds, or is otherwise uninhabitable, unsafe, or poses a health or environmental threat to the occupant or others. Other hardship circumstances include current homeowners in danger of losing a property through foreclosure due to circumstances beyond their control, and other circumstances determined appropriate by the State Director on a case-by-case basis.



**4. Fourth Priority: Loans that Bring in Additional Resources**

In order to use the Agency's limited resources most effectively, applicants who will obtain part of their funding elsewhere through a leveraging agreement, or who will contribute sweat equity through an Agency-approved Mutual Self-Help project, will receive fourth priority.

Paragraph 3.14 Selecting Applications for Processing

**C. Veteran’s Preference**

If applicants with equivalent priority status apply for assistance on the same day, applicants qualifying for a veteran’s preference will receive priority processing. Applicants are eligible for a veteran’s preference if they were discharged or released (except for a dishonorable discharge) from the active forces of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard **and** served in active duty during one of the periods listed in Exhibit 3-2, or are the family of a service person who died in service during any of those periods.

<p><b>Exhibit 3-2</b></p> <p><b>Service Dates for Veteran’s Preference</b></p> <ul style="list-style-type: none"> <li>• April 6, 1917 through March 31, 1921</li> <li>• December 7, 1941 through December 31, 1946</li> <li>• June 27, 1950 through January 31, 1955</li> <li>• A period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975</li> <li>• August 2, 1990 through January 2, 1992</li> <li>• Any other prescribed by Presidential proclamation or law</li> </ul>
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**D. Notifying Applicants Who Are Selected for Processing**

When funds are available, applicants selected for processing will be sent *Handbook Letter 11 (3550), Selected for Processing/Request Information*. The letter will indicate that the applicant has 30 days to submit the credit report fee (\$32 for each individual credit report if the applicants are not currently residing with each other or \$32 for a joint credit report) and other needed information based on a review of *Form RD 410-4, Uniform Residential Loan Application*, as well as on discussions with the applicant. The Loan Originator is responsible for notifying the applicant of our paper check processing through electronic funds transfer (EFT) as required by Check 21. This will be accomplished through (1) a sign on the office wall, (2) use of *Handbook Letter 11 (3550)*, and (3) *Form RD 3550-23, Applicant Orientation Guide*.



Common information to be requested at this point includes documentation of income from sources such as social security or child support payments, and verification of expenses such as medical costs or childcare payments.

Paragraph 4.3 E. describes the required verifications in detail. If an applicant fails to provide the credit report fee or needed information within 30 days, the application will be withdrawn.

Applicants who provide the required information and credit report fee, but cannot be funded that quarter, should be notified that they will be selected again when the next quarterly allotment becomes available. When funds become available in the subsequent quarter, the Loan Originator should contact the applicant to determine whether the household has experienced any changes in circumstances that might require new verifications before processing.

### 3.15 PURGING THE WAITING LIST

The waiting list should be purged periodically to ensure that the Agency's records are not burdened with applications from households that are no longer interested in the program. Once every 6 months, the Loan Originator must determine how soon funding will be available to process applications, and generate *Handbook Letter 3 (3550), Waiting Period*, for each unprocessed application on file. This letter notifies applicants that in order to keep their application active, they must return the response form attached to the letter or the application will be withdrawn. If an applicant does not respond within 30 days of the date of the letter, the application should be withdrawn.

### 3.16 VERIFICATIONS

Once the applicant has been notified of this selection, the Loan Originator should begin the verification process. Generally, the Loan Originator should consider copies of pay stubs, landlord information on the RMCR, and other available documentation before using 3<sup>rd</sup> party verification forms that must be initiated by the Agency. When verification forms are sent to a respondent to verify an applicant's information, they should be accompanied by *Form RD 3550-1, Authorization to Release Information*, and a pre-addressed, pre-stamped envelope. If the respondent does not return the verification form within 14 days, the Loan Originator must place a reminder telephone call. If a respondent returns an incomplete verification form or if additional information is needed, the Loan Originator should contact the respondent.

An applicant should not be penalized if a respondent refuses to provide the requested information. Instead, the Loan Originator should use alternative methods of verifying the information. All conversations and follow up actions for obtaining verifications should be documented carefully. Detailed procedures for assessing the results of these verifications are provided in Paragraph 4.3 E.



## **A. Types of Verifications**

### ***1. Third-Party Generated Documents***

The preferred form of verification are those documents generated by a third-party to officially record their financial dealings or involvement with the applicant. Examples of third-party generated documents include paycheck stubs, bank statements, and benefit award letters.

### ***2. Written Third-Party Verifications***

Written third-party verifications tend to be used as an alternative form of verification. Correspondence should take place directly between the third party and the Agency (or loan application packager) using Agency forms. Transmission of the completed verification via fax or secured email is acceptable.

### ***3. Oral Third-Party Verifications***

In general, oral verifications should only be used to complement the other types of verifications and should be carefully documented in the running record. Only in rare incidences where a preferred or alternative form of verification is not available, can an oral verification be cautiously considered as the sole method of verification.



## **B. Evaluating Verified Information**

All verifications should be checked for completeness and for discrepancies from information provided by the applicant. Any discrepancies should be discussed with the applicant and clarifications should be documented carefully. Verification sources may be contacted directly, if necessary, to clarify information.

## ATTACHMENT 3-A

### LOAN APPLICATION PACKAGERS

A loan application packager, who has real estate and/or mortgage experience, may submit a complete loan application package on behalf of an applicant. A packager may be a nonprofit or for-profit individual or organization. **However, only a packaging fee charged by a public agency or private nonprofit organization that is tax exempt under the Internal Revenue Code is an eligible loan purpose.**

The loan application packaging fee cannot exceed \$750 for a Section 502 direct loan application package and \$500 for Section 504 direct loan **only** application package. The fee can only be charged for closed loans that do not involve the purchase of an Agency Real Estate Owned property or a Section 502 loan under the Mutual Self-Help Housing program. In no event will the Agency be responsible for paying any part of the fee not covered by the allowable loan amount, seller concessions, and/or a soft, silent or forgivable subordinate affordable housing product.

This attachment provides processing guidance to loan application packagers.

First and foremost, as a loan application packager you need to be familiar with the regulations and procedures that govern the program. You should be well acclimated with 7 CFR Part 3550 and Handbook-1-3550, both of which can be found at: <http://www.rurdev.usda.gov/Handbooks.html>. You should also establish a relationship with your local Rural Development offices.

As a loan application packager, you are required to:

- Comply with the Equal Credit Opportunity Act and the civil rights requirements contained in RD Instruction 1901-E.
- Prepare an Affirmative Fair Housing Marketing plan, if you intend on submitting five or more loan application packages to purchase and/or construct dwellings in the same subdivision.



- Understand and (if applicable) comply with the SAFE Act. The SAFE Act, which is a Federal regulation with state-level enforcement and possible requirements over and above the federal minimum standards, addresses those engaged in loan originator activities. Rural Development does not enforce or monitor SAFE Act compliance.
- Be in good standing with the Government. Specifically, you are not suspended or debarred from participating in Federal programs.

You will sequentially assemble loan application packages in three separate stages. These stages, which are outlined below, are part of *Form RD 1944-12, Rural Housing Application Package*. This form serves as a checklist and must be completed, signed, and dated by the packager.

### **Stage 1: Preliminary Eligibility Processing**

Prior to collecting the items in this stage, you need to conduct a pre-qualification review on the potential applicant using unverified information to evaluate the likelihood that they will be eligible for the program. For the Section 502 program, this review should be completed using the payment assistance and maximum loan amount spreadsheets as provided by the Agency. For the Section 504 program, this review should be completed using *Form RD 1944-3, Budget and/or Financial Statement*. If the potential applicant appears to be ineligible for the program (now or later on in the packaging process), counsel them on ways to improve their situation. In addition, advise the potential applicant that they may make application directly with the Agency; though the Agency may confirm the packager's preliminary determination (especially if changes are not made). If the potential applicant appears to be eligible for the program, begin collecting all applicable items under Stage 1.

Loan application packagers must provide the potential applicant with a disclosure letter. The disclosure letter, which requires acknowledgement of receipt, must follow the format below. Other than making the necessary insertions where indicated, this disclosure letter cannot be modified in any way.

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*[This letter must be on your letterhead.]*

Page 1 of 2

Dear Potential Applicant:

After talking with you, we think that a direct Section *[Insert 502 or 504, whichever is applicable]* single family housing loan through the Rural Housing Service (known as the “Agency”) is a good loan for you. The Rural Housing Service is an Agency of the United States Department of Agriculture.

We **do not** work for the Agency; we are an outside loan application packager. *[Insert name of organization]* will assist you in applying for a loan through the Agency. We do not guarantee that your loan application will be approved or funded by the Agency.

For our services, you will pay a loan application packaging fee of *[Insert fee of no more than \$750 for a Section 502 direct loan application package or a fee of no more than \$500 for a Section 504 direct loan only package]*. The fee is due only if the Agency approves you for a loan and the loan goes to closing. We will assist you in finding means to cover the fee from various sources. To the extent other sources are unavailable, we may waive the fee. *[If the organization is a public agency or private nonprofit that is tax exempt under the Internal Revenue Code insert, “Under certain circumstances, part or all of this fee may be included in your loan.”]*

You are not required to work with a loan application packager to receive assistance from the Agency. You may work directly with the Agency and avoid the loan application packaging fee. Working with our organization provides you with the following benefits: (1) we will act as a go-between for you and the Agency and (2) we will make sure that your paperwork is in order, which should shorten the time it takes for the Agency to make a loan decision.

To begin the process, each adult who will reside in the home must sign an Authorization to Release Information (RD Form 3550-1). This will allow us to obtain credit histories, verification of income received by all household members, and other documents needed for the Agency to make a loan decision. All information collected will be maintained with the highest degree of confidentiality.

We look forward to working with you in preparing an application for an Agency direct loan.

\_\_\_\_\_  
Potential Applicant’s Initials

\_\_\_\_\_  
Potential Co-Applicant’s Initials

Respectfully,  
*[Insert name of organization]*

The below is to be completed, signed, and returned by the potential applicant(s).

**WAIVER OF PROVISIONS TO THE PRIVACY ACT OF 1974**

To better serve as your advocate with the Agency, we need to be kept informed of the Agency's processing of your application and we may need access to items directly obtained by the Agency. Do you authorize the Agency to release to and discuss with *[insert name of organization]* any information we may seek or request from the Agency's records concerning your application for Agency assistance?

Please check one:

YES (Authorization will terminate upon loan closing or Agency denial of your application.)

NO

By initialing Page 1, completing the Privacy Act waiver, entering the date you received this letter, and signing/dating below on Page 2, you acknowledge these facts and confirm your desire to work with *[insert name of organization]*.

I/we received this letter on the \_\_\_\_\_ of \_\_\_\_\_ 20\_\_

\_\_\_\_\_  
Potential Applicant's Name/Signature/Date (spell out full name and then sign)

\_\_\_\_\_  
Potential Co-Applicant's Name/Signature/Date (spell out full name and then sign)

The disclosure letter will be accepted by the Agency provided the potential applicant(s) initialed Page 1 of 2, checked "YES" or "NO" to the Privacy Act waiver, entered the date they received the disclosure letter, and signed/dated Page 2 of 2.

When gathering verifications, you must use the preferred source (refer to Handbook-1-3550, Chapter 4) unless it cannot be obtained without cost. If the preferred source is to be complemented with an oral verification, the Agency will complete the oral verification segment at a later point in time. Preferred sources generally do not involve asking third-parties to complete an Agency form. If a third-party verification must be obtained because the preferred source involves a fee, you may request and receive this form directly. The Agency will complement this third-party verification with an oral verification at a later point in time.

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For the Section 502 program, rerun the payment assistance and maximum loan amount spreadsheets using the verified information. For the Section 504 program, update *Form RD 1944-3, Budget and/or Financial Statement*, accordingly.

You will not proceed to Stage 2 until Stage 1 is fully complete and the results are positive. If the results are negative, you will stop the packaging process (unless you work with the potential applicant to remedy the issues); nothing will be submitted to the Agency. If the results are positive, contact the applicable local Rural Development office to inquire about the availability of funds. If funds are available, proceed to Stage 2. If funds are not available, counsel with the Rural Development office on how to proceed. In most cases, you will be instructed to proceed directly to Stage 3 when packaging a Section 502 direct loan application and subsequently provide the items in Stage 2 once funding is available.

### **Stage 2: Property**

Once Stage 1 is fully complete and the results are positive, begin collecting all applicable items under Stage 2. Unless instructed otherwise, you will not proceed to Stage 3 until Stage 2 is fully complete and the results are positive.

### **Stage 3: Prior to Submission to Rural Development**

Use the information gathered in Stages 1 and 2 to assist the potential applicant in completing *Form RD 410-4, Uniform Residential Loan Application*. In lieu of *Form RD 410-4*, you may use an industry standard “Uniform Residential Loan Application” with a revision date of 07/05 or later when accompanied by the Agency’s supplemental pages (6-10) of *Form RD 410-4*.

For the Section 502 program, prepare the final payment assistance and maximum loan amount spreadsheets using the verified information. For the Section 504 program, update *Form RD 1944-3, Budget and/or Financial Statement*, using the verified information.

Provided the overall results are positive, submit the complete loan application package to the applicable local Rural Development office. Submitted items must be within the Agency’s validation timeframes (generally 120 days from the date of verification). If an item will expire within 30 days of the date of submission to Rural Development, it should be updated. Though not required, you are asked to submit the package using an eight-position folder; filing the documents in the positions indicated in Attachment 3-G, 502 Single Family Housing Checklist, or Attachment 12-C, 504 Single Family Housing Loan and Grant Checklist.

If the applicant marked “NO” to the Privacy Act waiver on the disclosure letter, the Agency staff will provide you with processing updates. However, the Agency cannot provide you with details or provide you with any documents in the Agency case file. Examples:

- The Agency will inform you about a decision to deny but will not provide you with a copy of Handbook Letter 15 or relay the reasons for denial.
- If the appraisal is insufficient to cover the entire packaging fee, the Agency will inform you of the amount of the deficiency. The Agency will not provide you with a copy of the appraisal or relay appraisal details.
- The Agency will inform you about the date of obligation but not the amount of obligation.
- The Agency will inform you about the date of closing.

If the applicant marked “YES” to the Privacy Act waiver, documents will be shared as requested and Agency staff will provide you with processing updates with details.

Please note that your performance as a loan application packager will be monitored by the Agency. If you submit a significant number of packages that are incomplete and/or ineligible, the State Director may determine your service to be unacceptable.

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## **ATTACHMENT 3-B**

### **FOLLOW UP QUESTIONS FOR FORM RD 410-4, UNIFORM RESIDENTIAL LOAN APPLICATION**

*Form RD 410-4, Uniform Residential Loan Application* is designed to obtain a broad range of applicant information. To accurately process an Agency loan, however, the Loan Originator must review the application carefully and ask follow-up questions to ensure that all relevant information has been obtained. This attachment provides a list of questions that may be useful for each section of the application. Not all questions will be needed for all applicants, and additional information may be needed in some cases.

#### **I. Type of Mortgage and Terms of Loan**

- None.

#### **II. Property Information and Purpose of Loan**

- Determine whether the applicant intends to purchase a Real Estate Owned (REO) property or assume a loan from a program borrower.
- Determine whether the applicant is interested in a leveraged loan.
- If the applicant wishes to refinance, obtain details about why and also inquire about the type and condition of their home. The Agency will refinance loans only in limited circumstances.
- If the applicant will not reside in the property, confirm that the applicant wishes to obtain a nonprogram loan.
- If the applicant is requesting a subsequent loan to improve the property, determine whether the repairs are necessary to maintain the security, or to meet the family's housing needs.

#### **III. Borrower Information (as well as Additional Information Required for RHS Assistance)**

- Name, age, and relationship of all household members.
- Confirm number and ages of dependents.
- Any foster children or foster adults?

- Any full-time students?
- Any household members with disabilities?
- Any elderly household members?
- If the household qualifies as an elderly household, does the household have extensive medical expenses?

**IV. Employment Information (as well as Additional Information Required for RHS Assistance)**

- If there is an adult household member who has recently changed jobs, determine the reason for the job change.
- If there is an adult household member for whom no employer information has been provided, determine whether the person is employed.
- If any adult household member is unemployed, determine for how long.
- Discuss employment gaps in excess of 30 days with the applicant.

**V. Monthly Income and Combined Housing Expense Information (as well as Additional Information Required for RHS Assistance)**

- Verify that income listed is comprised of all sources of income, including income from applicants, spouses of applicants (even if the spouse is a minor), and any other adult household members.
- If the income history reveals significant fluctuations, discuss the income trends with the applicant.

**VI. Assets and Liabilities**

- If the household reports owning real estate, discuss the type of property owned to verify that the reported market value is reasonable.

**VII. Details of Transaction**

- If completed by applicant, review information to confirm accuracy.
-

**VIII. Declarations**

- If the applicant reports any judgments, bankruptcies, lawsuits, foreclosures or deeds in lieu of foreclosure, or delinquencies on a Federal debt or any other obligations, determine the particular circumstances.
- If the applicant reports any alimony, child support, or separate maintenance obligations, verify that it is included as a liability in Section VI of *Form RD 410-4*.
- If the applicant has applied for a nonprogram loan, determine whether any part of a proposed down payment will be borrowed, since other debt will affect repayment ability.
- If the applicant is not a U.S. citizen, verify that he or she is a qualified alien.
- If the applicant does not intend to occupy the property, verify that the applicant intends to obtain a nonprogram loan.
- If the applicant has had ownership interest in a property, determine how that interest was disposed of to ensure that it was not disposed of at below market value.

**IX. Acknowledgment and Agreement**

- None.

**X. Information For Government Monitoring Purposes**

- None.



### **Additional Information Required for Agency Assistance**

- If the applicant has received prior assistance, determine whether there were any repayment problems, and in the case of a Section 504 loan or grant, whether the assistance limit has been reached.
- If the applicant is a veteran, or family of a deceased service person, determine the dates of service, the type of discharge received, and the date of death, if deceased.
- If the applicant lists a household member as disabled, determine whether the household may be entitled to a deduction for the costs of dependent care to allow a household member to further their education or to work, and whether any reasonable accommodations may be required.
- If the applicant lists child care costs, determine whether child care is needed to allow a household member to further their education or to work (if it is to allow the applicant to work, determine whether the salary the applicant receives is equal to or greater than the cost of child care and the age of the child for which care is being provided).
- If the applicant indicates that the present dwelling has physical problems or is overcrowded, obtain details about the nature and duration of the problem.

If the applicant did not include alimony, child support, or separate maintenance information in Section V of *Form RD 410-4*, make sure the information is provided.

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**ATTACHMENT 3-C**

**CASE STUDY - PROCESSING PRIORITIES**

The Field Office currently has funds available only for borrowers in Big Gap County which has been designated as a high-priority needs area for which the Agency has a special set-aside. The Loan Originator must review the following applications to process any that can take advantage of the set-aside funds and to select applications for processing in anticipation of additional funding not designated for set-asides that will be available soon. Part I provides information on the applicants, their current situations, and the dates of the applications. Part II illustrates the analysis and ranks the applications in the order of selection.

**Part I. Applicants**

<b>Date of Application</b>	<b>Applicant</b>	<b>Description</b>
9/5	De Moura	Ms. De Moura has owned her home, which was financed by a local lender for 3 years. Last year, she was laid off from her job but has found a new position that pays only half the salary. As a result, she is behind in her loan payments and the lender has accelerated her loan. Ms. De Moura would like to refinance with Agency funds.
9/6	Sapienza	The Sapienzas used a Section 502 loan to purchase an existing home. They are requesting a subsequent 502 loan to install a retaining wall because of erosion in the backyard.
9/7	Yao	The Yaos wish to purchase a newly-built house. They would like to obtain a Section 502 loan and are seeking a leveraged loan.
9/8	Jones	The Joneses moved into the area 4 months ago and would like to purchase an existing house using Section 502 funds because the rental unit the family occupies is too small for the family and has an inadequate heating system.
9/9	Garcia	The Garcias would like to purchase a home from Greenes who have been paying regularly on their Section 502 loan but are now transferring out of State.
9/9	Olsen	The Olsens wish to purchase a Real Estate Owned (REO) property using Section 502 funds. In addition, Mr. Olsen served in active military duty between June 27, 1950 and January 31, 1955.

<b>Date of Application</b>	<b>Applicant</b>	<b>Description</b>
9/14	Brown	The Browns used a Section 502 loan to purchase an existing home. Their septic system no longer works properly and needs significant repairs and they are requesting a subsequent 502 loan to repair it. They are 2 payments behind on their initial loan.
9/15	Johnson	The Johnsons would like to purchase a home from a current Agency borrower but have income well above the low-income limit.
9/16	Smith	The Smiths would like to build a home on a site in Big Gap County.
9/21	Pawlikowski	The Pawlikowskis have been without adequate plumbing for 8 months. They would like to purchase a newly built house using Section 502 funds.
9/21	Deitrich	The Deitrichs would like to build a new house because they feel their current 3 bedroom home is too small to accommodate Mr. and Mrs. Deitrich, their 3 children, and his Aunt Greta, who has recently moved in. They wish to fund the construction through a Section 502 loan.
9/23	Whitfield	The Whitfields wish to purchase a home from an Agency borrower who has an accelerated account.

**Part II. Establishing Priorities**

<b>Selection Order</b>	<b>Applicant</b>	<b>Date of Application</b>	<b>Priority</b>	<b>Priority Status</b>
N/A	Johnson	9/15	N/A	Although the Johnsons are not program-eligible, they may purchase the home under nonprogram terms. No additional funds are required because a nonprogram borrower can only assume the outstanding balance at new rates and terms. Processing need not be delayed until additional funds are available.
N/A	Smith	9/16	N/A	The Smiths receive funding immediately from the set-aside.
1	Brown	9/14	1	The Browns receive first-priority processing for new funds because they are requesting a subsequent loan to remove health and safety hazards. The Loan Originator should counsel the Browns to contact the Centralized Servicing Center (CSC) to resolve the delinquency. The Loan Originator may need to coordinate with CSC about whether a loan or protective advance is most appropriate.

<b>Selection Order</b>	<b>Applicant</b>	<b>Date of Application</b>	<b>Priority</b>	<b>Priority Status</b>
2	Olsen	9/9	2	Since the Olsens are purchasing an REO property, the Agency gives second-priority processing to their request.
3	Garcia	9/9	2	The Garcias receive second-priority processing because they are assuming a home from an Agency borrower. Although their application was received on the same day as the Olsens', the Olsens receive priority because Mr. Olsen qualifies for a veteran's preference.
4	Whitfield	9/23	2	The Whitfields receive second-priority processing because they are assuming a loan from an existing Agency borrower. Purchasing a home from a borrower who has an accelerated account does not give the Whitfields processing priority over the Garcias who also are assuming a loan from a current borrower. Within priority categories applications are selected by application date.
5	De Moura	9/5	3	Ms. De Moura receives third-priority processing because she is in danger of losing her home through foreclosure due to circumstances beyond her control.
6	Pawlikowski	9/21	3	Since the Pawlikowskis have been living in deficient housing for at least 6 months, they receive third-priority processing.
7	Yao	9/7	4	The Yaos receive fourth-priority processing because they are seeking a leveraged loan to fund the purchase of their home.
8	Sapienza	9/6	No Priority	The Sapienzas do not receive priority processing; they are requesting a subsequent loan to make needed repairs for a condition that, at this time, does not constitute a health and safety hazard. The Sapienzas application will be processed after all applicants with priorities have been processed.

<b>Selection Order</b>	<b>Applicant</b>	<b>Date of Application</b>	<b>Priority</b>	<b>Priority Status</b>
9	Jones	9/8	No Priority	The Joneses do not receive priority processing. Although they have been living in deficient housing for 4 months, they are currently 2 months short of receiving second-priority processing. If within 2 months funding is still not available, the Joneses would receive second-priority processing, and would be processed before the Olsens.
10	Deitrich	9/21	No Priority	The Deitrichs do not receive priority processing. The application will be processed after all applicants with priorities have been processed. Although the family believes the house is too small, it is not sufficiently overcrowded to be considered deficient.

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UNITED STATES DEPARTMENT  
OF AGRICULTURE

## **RURAL DEVELOPMENT**

### **RURAL HOUSING SERVICE**

#### **“Applicant Information Sheet” - Single Family Housing**

The Rural Housing Service (RHS) provides loans in rural areas to eligible low- and very low-income applicants. The loan may be to purchase existing housing, purchase and repair existing housing, purchase a building site and construct a dwelling, or purchase new housing. Rural areas include open country and places with population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 25,000 population.

The property must be in good repair or placed in good repair with loan funds and must be energy efficient. Third-party inspections are required for electrical, heating, plumbing, water and wastewater disposal systems, if applicable, and termite inspections. These third-party inspections must be performed by a qualified inspector. The payments for costs associated with the inspections will be agreed upon between the buyer and the seller and should be discussed prior to signing a purchase agreement.

All who apply get equal consideration without regard to race, color, religion, sex, marital status, age, disability, or national origin.

The following documents are attached and may be completed and returned to your local Rural Development office located at the following address:



1. Form RD 410-4, “Uniform Residential Loan Application”  
Please contact the above Rural Development office if you have questions or would like assistance in completing this form.
2. Form RD 3550-1, “Authorization to Release Information”
3. Qualifying income limits
4. Map of eligible rural areas

To determine if you qualify, review these frequently asked questions:

***“DOES IT MATTER HOW MANY OTHER BILLS I HAVE TO PAY?”***

RHS will look at your monthly obligations and how much you currently owe to others. We'll want to know if paying back the proposed loan on top of your other payments will be difficult for you.

***“WHAT IF I THINK MY INCOME IS TOO LOW?”***

Having enough income to repay your loan is an important part of getting a loan; however, the RHS loan may be subsidized. A subsidized loan is based on the applicant repaying a percentage of their income toward the housing payment, taxes, and insurance. The percentage is generally 24 percent of the applicant's household income.

***“WHAT CAN I DO IF MY INCOME IS TOO LOW?”***

The easiest thing you can do is consider a co-applicant to apply with you. RHS will then look at the combined credit histories and income. That can do a lot to improve your chances for approval. If you want a co-borrower, be sure to have the person complete the Co-Applicant section of the application form and sign his or her name next to yours.

***“HOW CAN I DETERMINE IF MY INCOME IS ADEQUATE TO REPAY A LOAN?”***

The amount of your proposed monthly house payment, real estate taxes, insurance, and other credit debts cannot exceed 41 percent of your gross monthly income. If you have questions regarding how this determination is made, you may contact the local Rural Development Office shown on the front cover.

***“CAN I GET A LOAN IF I'M UNEMPLOYED?”***

A steady source of income is very important to getting a loan. An applicant must show sufficient resources to repay the housing loan. Not having a job may have an impact on the Agency's decision. Experience has show that applicants with stable jobs are more likely to repay the loan.

***“WILL YOU FIND OUT ABOUT OTHER CREDIT I'VE HAD?”***

Yes. Your credit bureau report provides information on your payment history including any difficulty you have had repaying other loans or credit cards. That information will be used to see if you can easily repay the loan.

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***“HOW CAN I FIND OUT IF I’M ELIGIBLE FOR A LOAN?”***

A Rural Development employee is available to discuss eligibility requirements with you on an individual basis by phone or in person during regular office hours. Any interested person may make written application at the local Rural Development office.

***“WILL I KNOW RIGHT AWAY IF I QUALIFY FOR A LOAN?”***

Rural Development staff can pre-qualify the applicant with unverified information provided by the applicant by phone or in person. However, a final eligibility determination will not be made until a written application is filed, household income is verified, and a mortgage credit report is obtained.

***“WILL I NEED TO GET PART OF MY FINANCING FROM ANOTHER SOURCE?”***

Applicants who demonstrate the ability to obtain a portion of the needed funds from outside sources (i.e. conventional lenders, housing authorities, etc.) should do so. These loans are referred to as leverage loans. Supplemental funding from outside sources allows applicants to establish relationships with private lenders and helps Rural Development assist more families in buying their own homes. Please note that leveraged loans receive processing priority.

***“HOW LONG WILL IT BE BEFORE I CAN MOVE INTO MY NEW HOME?”***

Typically, applicant eligibility, loan approval, and loan closing may be accomplished within approximately 90 days of filing of the written application. However, depending on the availability of Government funding, this time-frame may be extended. The applicant is periodically advised regarding the status of his or her application when there is lack of funding.

***“HOW MUCH MONEY WILL I NEED FOR A DOWNPAYMENT?”***

A down payment is not required. Loans may be made for up to 100 percent of the market (appraised) value. Simply put, this means if the sales price of the property is equal to or less than the appraised value, no down payment is needed.



***“DOES THIS MEAN I WON’T NEED ANY CASH TO GET A LOAN?”***

Generally, the applicant will need some cash available. There are costs associated with the credit report, appraisal report, escrow, and other related closing costs. The credit report fee is always paid by the applicant. Costs pertaining to the appraisal, escrow, and loan closing may be included in the loan amount. You may also negotiate with the seller to contribute a percentage toward closing costs. Any agreement with the seller should be entered into prior to signing, and documented in the purchase agreement or sales contract.

***“DOES THE APPLICANT HAVE OTHER RESPONSIBILITIES?”***

Yes. Rural Development staff are available to assist the applicant from the application to loan closing. The applicant is responsible for providing requested information timely. The information may be requested by Rural Development staff, a real estate agent, or a closing agent. Failure to provide information timely results in delayed decisions and other actions.

***“ARE THERE OTHER ELIGIBILITY REQUIREMENTS?”***

Yes. The applicant must:

1. Be without decent, safe, and sanitary housing.
2. Be unable to obtain a loan from other resources on terms and conditions that they can reasonably be expected to meet.
3. Possess the legal capacity to incur the loan obligation.

***“WHAT ARE THE TERMS OF THE LOAN?”***

The maximum repayment period is 33 years and, under certain conditions, 38 years. The maximum repayment period for manufactured homes is 30 years.

***“WHERE MAY HOUSES BE LOCATED?”***

Houses must be located on desirable sites with an adequate supply of safe drinking water and suitable arrangements for sewage disposal. Streets must have an all-weather surface and be maintained by a public body.

***“WHAT ABOUT THE SIZE AND DESIGN OF THE HOME?”***

Cost and design vary in different areas of the country. The value of a dwelling may not exceed the Area Loan Limit for the area in which the applicant is requesting financing.

***WHO IS RESPONSIBLE FOR INSPECTING THE HOME?***

The applicant/borrower is responsible for making inspections necessary to protect their interests. Rural Development (RD) also performs its own inspections for the dual purpose of determining that RD has adequate security for its loan and is achieving the statutory goal of providing adequate housing. Rural Development inspections are not conducted to guarantee that the house is built in accordance with the plans and specifications. RD inspections create or imply no duty or obligation to the applicant/borrower.

***“WHERE MAY I APPLY?”***

Applications are made at the local Rural Development office serving the area in which the house will be located. Anyone unable to locate Rural Development in the local telephone directory may write to Rural Development, U.S. Department of Agriculture, Washington, DC 20250.

## Request to Re-open Rejected Applications in MortgageServ

Application Number: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_ Name of Co-Applicant: \_\_\_\_\_

Reason for Request (check only one):

\_\_\_\_\_ National Appeals Division (NAD) overturned the rejection of the application.

\_\_\_\_\_ The Loan Approval Official reviewed and reconsidered the rejection and recommends reinstatement.

Please **PRINT** name of requesting official: \_\_\_\_\_

Signature of requesting official: \_\_\_\_\_ Date: \_\_\_\_\_

Title of requesting official: \_\_\_\_\_

### ***FOR STATE OFFICE USE ONLY:***

\*Request Approved: \_\_\_\_\_ \*\*Request Denied: \_\_\_\_\_

Please **PRINT** name of State Office Official: \_\_\_\_\_

Signature of State Office official: \_\_\_\_\_ Date: \_\_\_\_\_

Title of State Office official: \_\_\_\_\_

\*If approved, the State Office should fax form to Field Assistance Desk (FAD) at 314-457-4441 and notify the Field Office of the approval.

\*\*If denied, fax form back to originating office to place in applicant's case file.

## **HOW TO ADDRESS NEGATIVE PRE-QUALIFICATION RESULTS**

The purpose of this attachment is to instruct the RHS staff on how to handle discussions concerning negative pre-qualification results. Since pre-qualifications are based on unverified information and infile credit reports, the results are not binding. To avoid implying that the results are official, the following scripts are to be used in each given situation:

### **Situation 1: The potential applicant has credit blemishes (be it bankruptcy, collections, etc.) on their infile credit report.**

#### **Proper Response:**

Let the potential applicant know that their credit record does not have to be perfect to be eligible for a loan. Inform the potential applicant that past credit blemishes can be acceptable if their overall credit record demonstrates an ability and willingness to repay obligations or if their credit blemishes occurred as a result of circumstances beyond their control. Counsel the potential applicant on how to correct the credit blemishes and share with the potential applicant the credit standards as outlined in HB-1-3550, Chapter 4. Be sure to explain to the potential applicant that fulfilling suggestions provided by the RHS staff will improve their chances of qualifying for a loan, but not guarantee loan approval.

#### **Unacceptable Response:**

Informing the potential applicant that based on the results of the infile credit report, they do not meet our credit standards and would not qualify for a Section 502 direct loan.

**Situation 2: The potential applicant does not appear to qualify for an amount sufficient to purchase a decent, safe, and sanitary dwelling.**

**Proper Response**

Counsel the potential applicant on ways to improve their financial status (i.e. paying off small debts, debt consolidation, increasing their income, etc.) and inform the potential applicant that a qualifying co-signer may be added to an application to compensate for a lack of adequate repayment ability. Also refer the potential applicant to State and non-profit agencies that might be willing to extend forgivable loans and/or grants.

**Unacceptable Response:**

Telling the potential applicant that they do not qualify for a loan due to a lack of repayment ability.

**Situation 3: The potential applicant presently owns a home.**

**Proper Response:**

Let the potential applicant know that if their dwelling is structurally unsound, functionally inadequate, or too small to accommodate the needs of the household, RHS may be able to provide financing to improve the existing dwelling or to purchase a new one. In addition, let the potential applicant know that RHS may be able to refinance the property under certain circumstances (refer to HB-1-3550, Chapter 6.5).

**Unacceptable Response:**

Informing the potential applicant that the Section 502 direct loan program is designed for first-time homebuyers only.

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**Situation 4: The household's adjusted annual income appears to be over the income limit.**

**Proper Response:**

Inform the potential applicant that to qualify for a Section 502 direct loan, their household's adjusted annual income must be within our established income limit based on household size and location. Also let the potential applicant know that if they should exceed the income limit for the direct loan program other options are available (assumed loan, purchase of a REO property, a Guaranteed Rural Housing loan, and other credit).

**Unacceptable Response:**

Informing the potential applicant that they do not qualify for a Section 502 direct loan because it appears as though they are over income based on the unverified income information.

## 502 SINGLE FAMILY HOUSING CHECKLIST

**“THIS CHECKLIST DOES NOT REPLACE THE RUNNING RECORD!”**  
(This document should be filed in position 1)

Applicant: \_\_\_\_\_ Co-Applicant: \_\_\_\_\_

Processing Priority: 1 \_\_\_ 2 \_\_\_ 3 \_\_\_ 4 \_\_\_ 5 \_\_\_

*The pre-qualification section does not apply if Form RD 410-4, Uniform Residential Loan Application, has been received; proceed to the application processing section.*

### POS DATE

### PRE-QUALIFICATION

- 3 \_\_\_\_\_ Enter information from potential applicant in UniFi  
(Be sure to register the pre-qualification following instructions in the DLOS Training Manual).
- 3 \_\_\_\_\_ Infile Credit Report (OPTIONAL provided that the potential applicant has signed Form RD 3550-1, Authorization to Release Information) (HB-1, 3.3, 4.11)
- 4 \_\_\_\_\_ HB Letter 19 (3550) - if applicable (HB-1, 3.3)
- 3 \_\_\_\_\_ Print out Eligibility Summary from UniFi – sign and date.

### POS DATE

### APPLICATION PROCESSING

*Review application for completeness within 3 business days of receipt. Promptly contact the applicant to request any missing information. Follow up with a letter advising applicant of a 30-day deadline for submission or the application will be withdrawn. Mark the file as inactive until complete. (HB-1, 3.6)*

- 3 \_\_\_\_\_ RD 410-4, Uniform Residential Loan Application, (or industry standard “Uniform Residential Loan Application” with a revision date of 10/06 or later along with pages 6-10 of RD 410-4) and RD 3550-1, Authorization to Release Information (for each adult household member) (HB-1, 3.5)
- 3 \_\_\_\_\_ Infile Credit Report (if the applicant will be placed on the waiting list and an infile wasn’t ordered for a pre-qualification) (HB-1, 3.3, 4.11)  
\_\_\_\_\_ If an application includes the information required by RESPA, forward to the applicant within 3 business days of receipt of the application (HB-1, 3.7):
  - \_\_\_\_\_ Settlement Cost Booklet – (1940-I)
- 2 \_\_\_\_\_ RD 1940-41, Truth in Lending Statement – (printed from UniFi) date returned \_\_\_\_\_
- 5 \_\_\_\_\_ Good Faith Estimate
- 5 \_\_\_\_\_ Attachment 3-I, Settlement Service Providers List
- 3 \_\_\_\_\_ Check on-line HUD CAIVRS, print pages and file in applicant file (if not completed at Pre-qual) (HB-1, 3.3, 4.11)
- 3 \_\_\_\_\_ Check MortgageServ CUS/XRE/SOC screens (if not completed at pre-qual) (HB-1, 3.3, 4.11)
- 4 \_\_\_\_\_ Funds Available; send HB Letter 11 (3550), Selected for Processing/Request Information (HB-1, 3.14)
- 4 \_\_\_\_\_ Funds Not Available; send HB Letter 2 (3550), Pre-eligible (HB-1, 3.13)
- 3 \_\_\_\_\_ Underwriting – enter ‘pre-qual’ and ‘application complete’ dates on Stage Updating Screen - Be sure  
\_\_\_\_\_ to enter actual purchase price, if known

**POS DATE**

**ELIGIBILITY PROCESSING**

**INCOME**

- 3 \_\_\_\_\_ Paycheck stubs (4 most recent & consecutive weeks), tax-returns with W2s (HB-1, 4.3); AND
- 3 \_\_\_\_\_ Oral Verification of Employment- (HB-1, 4.3)
- 3 \_\_\_\_\_ RD 1910-5, Request for Verification of Employment – if paystubs are not available (HB-1, 4.3):  
\_\_\_\_\_ 1) if no response in 14 days, call employer to follow up and document the discussion
- 3 \_\_\_\_\_ Other Income/Asset documentation (HB-1, 4.3, 4.5):
  - \_\_\_\_\_ Public Assistance \_\_\_\_\_ Self-employment income
  - \_\_\_\_\_ Child Support/Alimony \_\_\_\_\_ Social Security/VA Benefits
  - \_\_\_\_\_ Unemployment Benefits \_\_\_\_\_ Pensions/Annuities
  - \_\_\_\_\_ Latest filed & signed Federal Income Taxes \_\_\_\_\_ Other
  - \_\_\_\_\_ RD 3550-4, Employment and Asset Certification– If applicant self certifies that their household’s combined net assets exceed \$5,000, or if applicant must pay closing costs that cannot be financed, verify assets as outlined in HB-1, 4.3.  
\_\_\_\_\_ Two (2) most recent asset statements (bank accounts, retirement funds, etc.)
- 3 \_\_\_\_\_ Attachment 4-A, Sample Worksheet for Computing Income (HB-1, 4.2)

**DEDUCTIONS**

- 3 \_\_\_\_\_ Deduction documentation (HB-1, 4.4):
  - \_\_\_\_\_ Child Care \_\_\_\_\_ Educational Assistance Expenses
  - \_\_\_\_\_ Elderly/Disabled (RD 1944-4, if applicable) \_\_\_\_\_ Full-time Student status
  - \_\_\_\_\_ Medical Expenses \_\_\_\_\_ Minor Dependent \_\_\_\_\_ Other
- 3 \_\_\_\_\_ Separation/Divorce/Paternity/Property Settlement Agreement, if applicable

**CREDIT**

- 3 \_\_\_\_\_ Residential Mortgage Credit Report (RMCR) documentation (HB-1, 4.12):
  - \_\_\_\_\_ Fee: Requested \_\_\_\_\_ Received \_\_\_\_\_
  - \_\_\_\_\_ Credit Score Disclosure (Attachment 3-H)
  - \_\_\_\_\_ Report: Requested \_\_\_\_\_ Received \_\_\_\_\_
  - \_\_\_\_\_ Document in item 19 of RD 410-4
  - \_\_\_\_\_ Participating Lender Ordered
  - \_\_\_\_\_ Credit score: Applicant \_\_\_\_\_ Co-applicant \_\_\_\_\_
- 3 \_\_\_\_\_ Credit score is less than 640 or does not meet reliability standards (HB-1, 4.12 & 4.13):
  - \_\_\_\_\_ Nontraditional credit verifications (HB-1, 4.12.C)
  - \_\_\_\_\_ RD 410-8, Applicant Reference Letter– if applicable
  - \_\_\_\_\_ RD 1944-60, Landlord’s Verification - if not on credit report and must cover 2 years
  - \_\_\_\_\_ RD 1944-61, Credit History Worksheet (1944-61)

**OTHER**

- 3 \_\_\_\_\_ RD-3550-30, Verification of Debt Proposed for Refinancing, for a non-Agency debt (HB-1, 6.5)
  - 3 \_\_\_\_\_ Document Applicant has adequate funds for closing cost/down payment - if applicable
  - 3 \_\_\_\_\_ RD 3550-2, Request for Verification of Gift/Gift Letter, if applicable - (HB-1, 4.3 & 6.15)
  - 3 \_\_\_\_\_ If not a citizen, see Attachment 4-D (S.A.V.E.) (HB-1. 4.20)
  - 3 \_\_\_\_\_ Photographic Identification (HB-1, 4.21)
  - 3 \_\_\_\_\_ Projected Payment Shock: \_\_\_\_\_ (HB-1, 4.25)
  - 3 \_\_\_\_\_ RD 1944-59, Certificate of Eligibility, if property has not been selected. Valid for 45 days without leveraging or 60 days with leveraging. Two (2) 30-day extensions may be granted (HB-1, 4.25)
  - 3 \_\_\_\_\_ Document eligibility on originally submitted RD 410-4, item 17. Update UniFi/Stage Updating, print and sign Eligibility Summary
-



**POS DATE**

**OTHER (CONTINUED)**

- 4 \_\_\_\_\_ **NOTE! Application to be withdrawn at the end of all Certificate of Eligibility extensions**  
5 \_\_\_\_\_ **If changed circumstances occur, issue revised GFE within 3 business days of receiving information leading to the change.**

**POS DATE**

**PROPERTY ELIGIBILITY**

- \_\_\_\_\_ **Within 3 business days of receipt of a ratified sales contract identifying a specific property to be financed, the Loan Originator must send the required documents \_\_\_\_\_ as established under the Application Processing section of this checklist. (HB-1, 3.7)**
- 5 \_\_\_\_\_ **Sales Contract or Form RD 3550-34, Option to Purchase Real Property, (HB-1, 5.1) Review all pages of and attachments to Purchase Agreement: Legal Description \_\_\_\_\_ Location Map \_\_\_\_\_**
- 3 \_\_\_\_\_ **Discuss closing date - with seller, buyer, and realtors if it appears RD is unable to close loan by Purchase Agreement date**
- 6 \_\_\_\_\_ **Verify eligibility of subject property (identified for purchase) (HB-1, 5.1)**  
<http://eligibility.sc.gov.usda.gov/eligibility/welcomeAction.do>  
**Date Verification Completed: \_\_\_\_\_**
- 5 \_\_\_\_\_ **Visit property within 7 days of receipt of contract (HB-1, 5.1)**  
**Maximum loan limit for \_\_\_\_\_ county, \$ \_\_\_\_\_**
- 6 \_\_\_\_\_ **Complete Attachment 5-A and 5-B for existing dwellings and Attachment 5-B only for new construction**
- 2 \_\_\_\_\_ **Recalculate eligibility summary with actual loan amounts, if different from original, print for file**
- 8 \_\_\_\_\_ **Appraisal Report or document Statement of Value if appraisal is not required (HB-1, 5.16)**
- 8 \_\_\_\_\_ **RD 1922-15, Administrative Appraisal Review for Single Family Housing - within 7 days of appraisal (HB-1, 5.21); Reviewed and Accepted \_\_\_\_\_ (initial and date)**
- 4 \_\_\_\_\_ **Notify Applicant of appraisal results and requirements. If making an adverse decision on the appraisal, send either HB Letter 17 or HB Letter 18, as applicable.**
- 6 \_\_\_\_\_ **Lead Based Paint (LBP) Compliance Key and Print Out (houses built prior to 1978)**  
[http://teamrd.usda.gov/rd/rhs/PSS/Lead\\_Paint/lead\\_based\\_paint\\_key.htm](http://teamrd.usda.gov/rd/rhs/PSS/Lead_Paint/lead_based_paint_key.htm)
- 3 \_\_\_\_\_ **RD 1940-22, Environmental Checklist for Categorical Exclusions (must be completed prior Issue of a Conditional Commitment, if applicable) or RD 1940-21, Environmental Assessment for Class I Action, as applicable (1940-G & HB-1, 5.8)**
- 6 \_\_\_\_\_ **FEMA 81-93, Standard Flood Hazard Determination (<https://www.floodcert.com>) (HB-1, 5.1)**
- 3 \_\_\_\_\_ **RD 3550-6, Notice of Special Flood Hazards, Flood Insurance Purchase Requirements, and Availability of Federal Disaster Relief Assistance, as applicable (HB-1, 5.1)**
- 6 \_\_\_\_\_ **Certifications/inspections required for existing housing (7CFR 3550.57 & HB-1, 5.7)**  
\_\_\_\_\_ Septic \_\_\_\_\_ Well  
\_\_\_\_\_ Plumbing \_\_\_\_\_ Electrical  
\_\_\_\_\_ Heating/Cooling \_\_\_\_\_ Termite/Other Wood Destroying Pests  
\_\_\_\_\_ Other – Structural Soundness \_\_\_\_\_
- 5 \_\_\_\_\_ **Survey (if applicable) (HB-1, 5.7)**

**POS DATE**

**NEW CONSTRUCTION**

- 6 \_\_\_\_\_ **RD 1924-2, Description of Materials** (must be approved by RD, Buyer & Builder)
  - 6 \_\_\_\_\_ **RD 1924-25, Plan Certification (HB-1, Appendix. 7, State Supplement)**
  - 6 \_\_\_\_\_ **House Plans/Drawings and Plot Plans** (must be approved by RD, Buyer & Builder)
  - 6 \_\_\_\_\_ **Manufactured Home built to HUD code** - verify dealer/contractor has been approved
  - 6 \_\_\_\_\_ **Existing Newly Constructed Homes - "Spec Homes" (HB-1, 5.23A)** - Proof of Construction Quality (90% - 100% of appraised value if no warranty) **(HB-1, 6.7)**
    - \_\_\_\_\_ Plans & Specs
    - \_\_\_\_\_ 10-yr Warranty **(HB-1, 5.27)**
    - \_\_\_\_\_ Certificate of Occupancy
    - \_\_\_\_\_ RD Final Inspection
  - \_\_\_\_\_ Plans & Specs
  - \_\_\_\_\_ Inspection Reports **(HB-1, 5.26)**
  - \_\_\_\_\_ Builder's Warranty **(1924-19)**
  - \_\_\_\_\_ RD Final Inspection
- 3 \_\_\_\_\_ **RD 1944-36, Application for Conditional Commitment** with fee. Refund fee if Conditional Commitment cannot be issued, order appraisal (now fee cannot be refunded), return fee to Contractor at closing. **(HB-1, 9.2)**

**POS DATE**

**CONSTRUCTION CONTRACT**

- 6 \_\_\_\_\_ **RD 1924-6, Construction Contract** (Send Exhibit C, RD Instruction 1901-E within 10 days) **(HB-1, 5.25)** DOL web site (<http://www.dol.gov/esa/contacts/ofccp/ofccpkeyp.htm>)
  - 6 \_\_\_\_\_ **RD 1924-16, Record of Pre-Construction Conference** or other documentation **(HB-1, 5.25)**
  - 6 \_\_\_\_\_ **"400 Series" (400-1, 400-3, 400-6, posters and Exhibit C of 1901-E,)**, as applicable (<http://www.dol.gov/esa/contacts/ofccp/ofccpkeyp.htm>) **(HB-1, 5.25)**
  - 5 \_\_\_\_\_ **AD 1048, Certification Regarding Debarment ...** - lower tier (signed by builder)
  - 7 \_\_\_\_\_ **Builder's Risk Insurance policy**
  - 6 \_\_\_\_\_ **RD 1924-1, Development Plan**
  - 2 \_\_\_\_\_ **RD 402-1, Deposit Agreement & RD 402-2, Statement of Deposits and Withdrawals**
  - 6 \_\_\_\_\_ **RD 1924-7, Contract Change Order** and updated **RD 1924-25, Plan Certification**, if applicable
  - 6 \_\_\_\_\_ **RD 1924-12, Inspection Report** - Minimum of; (footer) \_\_\_\_\_ (rough-in) \_\_\_\_\_ (final) \_\_\_\_\_
  - 6 \_\_\_\_\_ **RD 1924-9, Certificate of Contractor's Release & RD 1924-10, Release by Claimants**, if applicable
  - 6 \_\_\_\_\_ **RD 1924-19, Builder's Warranty** or 10-year warranty per RD Instruction 1924-A, Exhibit L (NOTE: If 10-year warranty, must have policy or binder before final payment to builder)
- *Loan must be approved/rejected within 30 days after completed docket (HB-1, 8.2)*
  - *Make sure loan does not exceed applicable area loan limits (HB-1, 6.6)*
  - *Verify loan-to-value ratio for existing dwellings does not exceed 100% (HB-1, 6.7)*
  - *Loan terms cannot exceed maximum allowed (HB-1, 6.8) or approval authorities (1901-A)*
  - *Attachment 6-A, Documentation Required Prior to Approving Loan. Chapter 6 of HB-1 gives additional guidelines.*

**POS DATE**

**UNDERWRITING/LOAN APPROVAL**

- 3 \_\_\_\_\_ **Reverify income** - if expected to be over 120 days old by closing date **(HB-1, 4.3)**
  - 3 \_\_\_\_\_ **Update Eligibility Summary with correct information, print, sign and date** – must be in file at rejection/approval **(HB-1, 6.17)**
  - 6 \_\_\_\_\_ **Verify correct address of subject property is listed in UniFi** – address must received a code **1 or 2 to be valid or must research and document discrepancy (HB-1, 5.1)**
  - 2 \_\_\_\_\_ **Verify UniFi Program Type Code** (must match income type)
  - 2 \_\_\_\_\_ **Update MortgageServ screens before uploading file; check Display History Screen for correct loan amount.**
-



**POS   DATE**

**CLOSING (CONTINUED)**

- 5 \_\_\_\_\_ HUD 1 (HB-1, 8.5), review for compliance with tolerance limits.
- 2 \_\_\_\_\_ RD 1940-43, Notice of Right to Cancel - for junior liens if mortgage taken and non-purchase (HB-1, 8.6)
- 2 \_\_\_\_\_ RD 1944-14, Payment Assistance/Deferred Mortgage Assistance Agreement or RD 1944-6, Interest Credit Agreement (as applicable)
- 5 \_\_\_\_\_ RD 1955-49, Quitclaim Deed or Warranty Deed (as applicable)
- 5 \_\_\_\_\_ RD 3550-10, Condominium Rider (if applicable)
- 5 \_\_\_\_\_ RD 3550-11, Planned Unit Development Rider (if applicable)
- 2 \_\_\_\_\_ RD 3550-12, Subsidy Repayment Agreement (original in safe attached to note) (HB-1, Att. 8-A)
- 5 \_\_\_\_\_ RD 3550-14, Real Estate Mortgage or Deed of Trust for (State) - send blank
- 5 \_\_\_\_\_ RD 1927-8, Agreement with Prior Lienholder - if leveraged loan (HB-1, 8.6)
- 2 \_\_\_\_\_ RD 3550-22, Assumption Agreement Single Family Housing - if applicable (original attached to original note in safe) (HB-1, 8.6)
- 2 \_\_\_\_\_ RD 3550-16, Release from Personal Liability - if applicable (HB-1, 8.6)
- 5 \_\_\_\_\_ RD 3550-29, Document Errors and Omissions Agreement (HB-1. Attachment. 8-A)

**POS   DATE**

**POST CLOSING**

- 5 \_\_\_\_\_ Verify closing documents faxed to CSC in required time frame (HB-1, 8.11)
    - \_\_\_\_\_ Verify proper lien position.
    - \_\_\_\_\_ Post 1 month follow-up for recorded Real Estate Mortgage.
    - \_\_\_\_\_ Post follow-up for Title Insurance Policy (**60 days**) or Final Title Opinion (**14 days**). (If not received, contact Closing Agent by mail with a copy of the letter to the insurance company.)
  - 2 \_\_\_\_\_ Activate loan/payment assistance in MortgageServ **WITHIN 1 DAY OF CLOSING**.
  - 5 \_\_\_\_\_ Review final GFE & HUD-1 for tolerance violations. Cure violation within 30 days of closing.
  - 6 \_\_\_\_\_ Send Compensation for Construction Defects letter, if new construction (Guide Letter 1924-1)
  - 5 \_\_\_\_\_ RD 3550-25 – Loan Approval Official approves after all forms are returned, reviewed, and correct (HB-1, 8.11)
  - 2 \_\_\_\_\_ Delinquent/Lienholder Screen – complete MortgageServ screen for each leveraged partner
  - 6 \_\_\_\_\_ Verify correct address of subject property is listed in MortgageServ for new construction – address must received a code 1 or 2 to be valid or must research and document discrepancy (HB-1, 5.1) (<http://eligibility.sc.egov.usda.gov/eligibility/addressVerification>)
  - 2 \_\_\_\_\_ Post Conversion of new loan closing in MortgageServ (print screen) and Warranty Follow-ups
  - 2 \_\_\_\_\_ Collect Escrow Funds
  - 2 \_\_\_\_\_ Modify Promissory Note and have borrower(s) initial changes
  - \_\_\_\_\_ Submit copies to CSC
-

## **CREDIT SCORE DISCLOSURE**

**In accordance with the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) and in connection with your application for a Rural Development Single Family Housing (hereafter referred to as “the Agency”) home loan, the Agency, upon request, must disclose to you the score that a credit bureau distributes to users and will be used by the Agency in connection with your home loan as well as the key factors affecting your credit scores.**

**While the Agency does not consider credit scores in determining adverse credit decisions, we may use them to presume acceptable credit in lieu of other credit underwriting practices. Credit scores assist lenders in evaluating your credit history in a more expedient and objective manner. Your credit scores are found on your residential mortgage credit report, a copy of which will be provided to you upon request. The range of possible scores is from 0 to 850. The Agency may also obtain and consider other credit scores in making its decision on your application from the credit bureaus listed below.**

**In addition to the credit scores, your credit report lists the key factors related to why your scores were less than the maximum possible score. Please keep in mind that the factors are only indicators of why you received less than the maximum score possible. The listing of these factors does not by itself indicate that you would not be approved for the loan you have requested. Rural Development considers many factors in addition to your credit scores in making a decision on your application. If your application is not approved, you will receive a separate notice stating the specific reason(s) for that action which may or may not relate to your credit scores.**

**The Agency did not calculate your credit scores or develop the scoring models. If you have any questions about your credit scores or the information in the residential mortgage credit report from which the scores were computed, you can contact the credit bureau at the address listed below.**

**CBCInnovis, Inc.  
8 Parkway Center  
Pittsburgh, Pennsylvania 15220  
(877) 237-8317**

## NOTICE TO HOME LOAN APPLICANT

Pursuant to FACT Act, Section 212.

**In connection with your application for a home loan, Rural Development must disclose to you the score that a credit bureau distributed to the Agency and was used in connection with your home loan, as well as key factors affecting your residential mortgage credit score.**

**The credit score is a computer-generated summary calculated at the time of the request and based on the information a credit bureau has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the Agency in determining whether you will obtain a loan. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change.**

**Because the score is based on information in your residential mortgage credit history, it is very important that you review the credit-related information to make sure it is accurate. Credit records may vary from one company to another.**

**If you have any questions, about your score or the credit information that is furnished to you, contact the credit bureau at the address and telephone number provided with this notice. The credit bureaus play no part in the decision to take any action on the loan application and are unable to provide you with specific reasons for the decision on the loan application.**

*If you have any questions concerning the terms of the loan, contact Rural Development.*

**THIS DISCLOSURE HAS BEEN PROVIDED TO THE ELIGIBLE APPLICANT(S) PURSUANT TO SECTION 212 OF THE FAIR AND ACCURATE CREDIT TRANSACTIONS ACT OF 2003. I UNDERSTAND THAT I MAY RECEIVE A COPY OF MY RESIDENTIAL MORTGAGE CREDIT REPORT BY MAKING A WRITTEN REQUEST TO THE RURAL DEVELOPMENT OFFICE HANDLING MY LOAN APPLICATION.**

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**SETTLEMENT SERVICE PROVIDERS AND  
RESPA RELATED DISCLOSURES**

Applicant (s) Name: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

Account Number: \_\_\_\_\_

Date: \_\_\_\_\_

**List of Settlement Service Providers**

The Real Estate Settlement Procedures Act (RESPA) of 1974, as amended, requires that if a lender permits an applicant to shop for third party settlement services, the lender must provide to the applicant with a written list of settlement services providers at the time the Good Faith Estimate (GFE) is issued. Settlement service provider (also referred to as “service provider”) means any individual or business providing services in connection with a prospective or actual settlement of a mortgage loan. The lender’s list of settlement service providers is only required for settlement services covered in the following blocks of the GFE:

Block 4: “*Title Services and Lender’s Title Insurance*”. Examples of title services include, but are not limited to: title searches, examinations and endorsements.

Block 5: “*Owner’s Title Insurance*”.

Block 6: “*Other Required Services You Can Shop For*”. These types of services include, but are not limited to: survey, pest inspection and other types of inspections required by the lender.

In accordance with RESPA, Rural Development (also referred to as “the Agency”) hereby provides you with a list of settlement service providers that have recently provided services to Agency’s customers. This list should assist you in identifying settlement service providers for services covered under blocks 4, 5, and 6 of the Good Faith Estimate. Rural Development does not require that you select the settlement service providers from this list; furthermore, you may choose a qualified provider that is not listed on this document. Please note that the settlement service providers on this list are not endorsed by or affiliated with Rural Development, and selecting a settlement service provider from this list does not affect the final credit decision on your loan application. Settlement services may take days or weeks to complete, therefore we strongly recommend that you select your settlement services providers as soon as possible or your settlement may be delayed. Once you have selected your service providers, you must contact your local Rural Development office to inform them about

you selections. If you select a service provider that is not on the Agency's list, you must provide our staff with the service provider's name, address and phone number. Settlement service providers and Rural Development staff work closely together to ensure that loan requirements are met in a timely manner before the closing date.

### **New Construction Homes / Construction Loans Disclosure**

If you are buying a new construction home and settlement of your loan is expected to occur more than 60 calendar days from the time the initial Good Faith Estimate is issued, the Agency has the right to issue a revised GFE at any time up until 60 calendar days prior to closing.

*If you have any questions concerning the terms of the loan, contact Rural Development.*

**THIS DISCLOSURE HAS BEEN PROVIDED TO THE ELIGIBLE APPLICANT(S) ALONG WITH THE GOOD FAITH ESTIMATE AND PURSUANT TO THE REAL ESTATE SETTLEMENT AND PROCEDURES ACT OF 1974, AS AMENDED. THE AGENCY MAY ISSUE A REVISED GOOD FAITH ESTIMATE IF APPLICABLE CHANGED CIRCUMSTANCES OCCUR. THIS IS NOT A LOAN / FUNDING COMMITMENT.**

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