



Self-Help 502 Loan Guidebook

PROVIDED BY REGIONAL T&MA CONTRACTORS

SECTION 523 MUTUAL SELF-HELP PROGRAM

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Disclaimer

A handbook for grantees of the USDA Section 523 Self-Help Housing Program

Developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

- *Florida Non-Profit Housing, Inc. (FNPH)*
- *Little Dixie Community Action Agency, Inc. (LDCAA)*
- *National Council of Agricultural Life and Labor Research Fund, Inc. (NCALL)*
- *Rural Community Assistance Corporation (RCAC)*

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Refer to the Introduction chapter of this handbook to identify the appropriate T&MA Contractor to contact for your area. After receipt of consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T&MA Contractors.

CHAPTER 1

INTRODUCTION

The Self-Help Program

Self-help housing is just as it sounds, participants working together to build their own homes. This cooperative effort is a direct application of the church and barn raising traditions of pioneering rural Americans. Self-help participants, working in groups, supply the necessary labor to build their homes, having qualified for mortgage financing to purchase land, building materials, and some subcontracted work on the more technical items. A private nonprofit corporation, public body, a federally recognized Tribe, or rural town can obtain a grant from U.S. Department of Agriculture (USDA) Rural Development to hire skilled staff, rent office facilities, pay for mileage, and purchase tools. This staff then works with the participants by providing the assistance and training necessary to fulfill the goals of the self-help housing program. The program is described in more detail below.

With the assistance of the skilled staff, a group of generally four to ten households is formed. Once the grant is completed, at least 40 percent of the total participants served should be in the very low-income category and the remaining 60 percent of the participants would likely fall into the low-income category (see income map for details:

<https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>)

The participants select lots, house plans, (or in the case of purchase/repair programs, locate a suitable home) and apply for individual mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management. This time is known as the pre-construction stage.

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

household employment. Rural Development loans feature fixed interest rates ranging from 1 percent to the current market rate, depending on the household's adjusted annual income. The repayment period is 33 or 38 years and no down payment is required.

Rural Development

Rural Development is an agency of USDA. The Rural Development mission is to help rural Americans improve the quality of their lives. Rural Development helps rural communities meet their basic needs by:

- Building water and wastewater systems.
- Financing decent, safe, sanitary and affordable housing.
- Supporting electric power and rural businesses, including cooperatives.
- Supporting economic and community development with information, technical assistance and funding.

Rural Development has been providing the funds for the self-help housing program since the late 1960s. They provide Section 523 self-help grants to eligible entities to start and implement the program and they thoroughly review the self-help application before a grant is awarded. When a grant is awarded, Rural Development is agreeing that there is a need for self-help housing in the area; the approved applicant is suited to administer a self-help housing program; the proposed plan, budget and schedule are feasible; the house plans meet local, state and Rural Development building codes; adequate building sites are available; the necessary project elements are in place; and Rural Development is ready to provide the requested financial resources necessary to make the project work. Technical assistance grant funds provided to self-help grantees by Rural Development do not have to be repaid. It is an investment Rural Development is willing to make in order to see self-help housing work.

Rural Development will continue to monitor and provide oversight in the areas of construction and administration, through quarterly meetings, construction inspections, and participant accounts throughout the term of the grant.

In most cases Rural Development provides another important ingredient to the self-help program; construction/permanent financing in the form of a Single Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions; the

financing is directly between Rural Development and the borrower. While labor and construction are group efforts, each applicant must qualify and obtain a loan individually from Rural Development. Rural Development's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms which can be a barrier to homeownership.

Rural Development Offices

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

Rural Development National Office

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

Rural Development State Office

The State Office has the approval authority over smaller Section 523 Self-Help grant applications up to \$300,000. Section 502 home loan funds are allocated on a state-by-state basis and the State Office allocates the 502 money based on a state Rural Development formula. There are additional staff members who are key to the operation of a self-help program located in many State Offices:

- Rural Development State Director
- Rural Housing Program Director
- Rural Development Architect
- Rural Development Appraiser
- Rural Development Housing Specialist

Rural Development Area Office

The Rural Development Area Director is typically responsible for the Section 523 grant. In some states however, the grant monitoring has been retained at the State Office level with the Single Family Housing Program Director or it has been assigned to the Local Office. In any case, the Rural Development grant manager is responsible to ensure that the grant is operated effectively and in accordance to regulations. Rural Development will evaluate the Section 523 self-help agencies on a quarterly basis and review grant applications for new and on-going programs.

Rural Development Local Office

Within this office, the Area Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. He or she will be responsible for monitoring the 502 loans, custodial accounts and will also be the co-signer on the participant's Supervised Bank Accounts and will process the draws.

They are the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

The Rural Development Section 502 Single Family Direct Home Loan

Many applicants that participate in the self-help housing program use Rural Development's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA (www.rd.usda.gov).

In order to qualify for a Section 502 direct loan, prospective self-help applicants must meet Rural Development income eligibility requirements as low-income or very low-income. (see the income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>) They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources.. These income standards, established by the U.S. Department of Housing and Urban Development and adopted by Rural Development, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at Rural Development local offices or online at www.rd.usda.gov.

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is between 1 percent and the current market rate. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called “payment assistance.” The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. A portion of this subsidy must be repaid at time of sale or loan payoff based on equity, time, etc.

During home construction, Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices to the self-help grantee. Grantees prepare the drawdowns and checks for each participant’s account as needed to purchase materials for different phases of construction. Note that the participant’s loan payments are deferred during construction.

When construction is complete and all the necessary funds have been withdrawn from a participant’s account, Rural Development's finance office sends payment books/payment coupons to the participant. The participant’s first loan payment is due within 30 days of conversion (termination of deferred payments). Payments then go directly to Rural Development’s National Financial and Accounting Operations Center (NFAOC) in St. Louis.

The 523 Mutual Self-Help Housing Technical Assistance Grant

In order to enable organizations to operate a mutual self-help housing program, Rural Development provides grant funds to operate and oversee the program. Each technical assistance (TA) grant is usually for a period of up to two years, and is available to public and private nonprofit organizations, federally-recognized Tribes and units of state or local government. The amount of grant funds an organization can receive is based primarily upon how many houses they build in a grant period. An organization can generally receive up to 15 percent (based on a formula) of the average cost of a new home financed under the 502 program in its area, for every home they are planning to build.

Activities that are allowable uses of Section 523 technical assistance grant funds include:

- Recruit eligible households to participate in the self-help program.

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

Disallowed activities using Section 523 Technical Assistance grant funds are:

- The use of any TA funds to pay staff to provide labor on the houses
- Purchasing any real estate or building materials for participating families
- Paying any debts, expenses or costs that should be the responsibility of the participating families
- Any lobbying activities as prohibited in OMB Circular 2 CFR 200 subpart f.

The T&MA Contractors

In 1979, appropriations language was changed to authorize the use of Section 523 grant funds to contract for technical assistance to self-help grantees. Currently there are four Technical and Management Assistance (T&MA) Contractors.

Rural Development contracts with these groups to assist operating and potential self-help housing grantees across the country. This assistance comes in the form of staff and board training, grant management, development of applications, 502 loan program and processing training, newsletters and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- Florida Non-Profit Housing - covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico and the Virgin Islands.

- Little Dixie Community Action Agency, Inc. – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NCALL Research, Inc. – covering Region III, the Northeast and Midwest, including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, WV.
- Rural Community Assistance Corporation (RCAC) – covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA, and the Western Pacific.

Self-Help Training Guides and Handbooks

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

Boards of Directors Training Guide

Boards of Directors play a critical role in the success of any non-profit organization. With this in mind, the Board of Directors Training Guide was designed for use by board members of any housing agency. It is an informational resource that may be used as a training tool and can provide new insights and a clearer understanding of nonprofit organizations, board meetings and operations, agency planning, administration of agency personnel, teamwork, orientation for new board members, federal accounting requirements, and agency activities.

Program Director Handbook

It is the responsibility of the Program Director or Executive Director to administer a successful self-help housing program. This handbook takes a general look at the process of managing a self-help program as well as providing specific information on required reports, program criteria, grant and financial management, personnel, and fair housing.

Construction Supervisor Handbook

The Construction Supervisor Handbook discusses the roles and responsibilities of the construction supervisor as it relates to self-help housing. This handbook covers aspects of the construction supervisor's job; from construction specifications, house plans, schedules, bill

paying procedures, to group motivation. Insight is provided on how the self-help program operates and what is expected from the construction supervisor.

Group Coordinator Training Handbook

Group Coordinators are central to the self-help program throughout the self-help participant's involvement from recruitment through construction and move-in to the completed homes. This handbook provides guidance for the group worker in maintaining effective communication and relationships within the group of self-help participants throughout the self-help process.

Financial Management Handbook for Federally Funded Organizations

The purpose of the financial management handbook is to aid new and operating self-help grantees with the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (Rural Development) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated financial systems and policies, others are lacking written, established financial procedures that assure proper internal controls.

Individual Borrower 502 Loan Accounts

The self-help housing grantee is responsible for keeping an accurate account of the disbursements of funds from the individual self-help family's Section 502 loan accounts. Rural Development Instruction 1944-I indicates that the technical assistance provided by the grantee to the families should include "providing financial supervision to individual families with Section 502 loans, which will minimize the time and effort required by Rural Development in processing borrower expenditures for materials and contract services." This handbook provides guidelines for self-help grantees to use in designing the procedures necessary for a reasonable standard of control and a system of checks and balances to protect the participants and the grantee.

Self-Help 502 Loan Guidebook

While the labor and construction are a group effort, each participant must qualify and obtain a loan individually from Rural Development. In order to qualify, a household must fall within the income guidelines set by Rural Development, must have demonstrated repayment ability, must have a good credit rating, and should have a low debt load. Because the 502 self-help loan process can be complicated for the individual, the technical assistance staff will pre-

screen participants for program eligibility and prepare the application packages for Rural Development. The Self-Help 502 Loan Guidebook will help to train the Group Coordinator or appropriate staff person in packaging these loans.

Preconstruction Meeting Guide

Each self-help grantee is responsible for organizing participants into self-help groups, which remain together from loan processing through construction. The organization of participants into groups reinforces the "mutual" aspect of the self-help program because participants within a group are expected to work on each other's house until all houses in the group are completed. In addition to organizing participants into groups, self-help grantees are responsible for explaining the self-help concept and methodology to participants, and for educating participants about their responsibilities as self-help participants, 502 loan borrowers, and homeowners. This is achieved through a series of "pre-construction meetings" which are covered in this handbook.

CHAPTER 2

OVERVIEW

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

Advantages of the Section 502 Loan

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

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

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

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

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

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

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

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

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

What regulates 502?

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

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

1924-C “Planning and Performing Site Development Work”

1901-E “Civil Rights Compliance Requirements”

1970 series “Environmental”

ListServ

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

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

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

USDA prohibits discrimination on the bases of race, color, religion, sex, age, national origin, marital status, familial status, disability, limited English proficiency, or because all or a part of an individual's income is derived from a public assistance program. You need to be familiar with all of the Civil Rights and Fair Housing Laws and more information is available in the Self-Help Group Coordinator Handbook.

RD Handbook 1-3550

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

Funding Availability and Allocations

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

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

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

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

Priority Processing

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

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

Area Loan Limit and Maximum Loan Amount

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

The total Rural Development loan cannot exceed the area loan limit and is made up by the combined indebtedness, all liens on the property, except for Agency authorized purposes. There are four expenses that can exceed the area loan limit, they are Rural Development tax service fee, initial escrow deposit, appraisal fee and the homebuyer education fee. For self-help

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

Packaging Process

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

Step 1: Prequalification/Intake

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

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

Step 2: Verifying Information

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

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

Step 3: Assembling the Application Package

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

Step 4: Application Submission

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

4-A Calculator

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

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

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

Loan Narrative and 4-A Calculator

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

4-A Calculator

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

Loan Narrative

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

Purpose

Outline the loan being requested

Background

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

Terms of Loan

Outline the various costs that will comprise the total loan amount and how long of a term is recommended; 33 or 38 years i.e., the household is below 60 percent AMI and can only afford the needed loan amount for a 523 home with a 38-term loan.

Employment/Income

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

Income Calculations

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

Deductions

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

Assets

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

Credit History

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

Other Funding Sources

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

Debt Ratios

Provide a breakdown and composition of Total Debt and PITI and outline monthly debt amounts.

Payment Shock

Show calculation and/or provide the percentage

Homebuyer Education

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

Summary and Conclusions

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

Packagers Recommendations

Do you recommend them for a loan?

Sign and Date

Use the date you actually submit the package.

CHAPTER 3

CALCULATING INCOME AND ASSETS

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

Steps for the Packager

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

Three Types of Income (Annual, Repayment, Adjusted)

To be eligible for a loan, the applicant must demonstrate that they have a stable, dependable source of income. Income information is used to determine whether the applicant's household is eligible for the loan and the amount

Three Types of Income

1. ANNUAL
2. REPAYMENT
3. ADJUSTED

of payment subsidy the household can obtain. The applicant’s income is used to determine the amount of the loan they can afford to repay based on the programs criteria. There are three income types and it is important to use the correct type and income from the appropriate household members for the correct purpose.

Annual Income

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

Repayment Income

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

INCOME NEVER CONSIDERED IN ANNUAL INCOME
<ol style="list-style-type: none">1. Payments received for the care of foster children, or foster adults (usually individuals with disabilities who are unable to live alone).2. Deferred periodic payments of supplemental security income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.3. Adoption assistance payments in excess of \$480 per adopted child. * See HB-1-3550 Paragraph 4.3 D. for additional excluded income sources and information

Adjusted Income

Adjusted Income is used to determine whether a household meets the income eligibility and the amount of payment assistance, they are eligible for. It is based on annual income and provides deductions for certain household circumstances and expenses. There are five different types of deductions and some applicants will have significant deductions and others none.

Annual Income

Whose Income Is Counted?

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

What Income is Counted?

1. You will need to count the gross amount, before any payroll deductions, of base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, and other compensation for personal services.
2. You also count the net income from the operation of a farm, business, or profession. (See Paragraph 4.3 #2 of HB-1-3550 for further details.)
3. Interest, dividends, and other net income of any kind from real or personal property. (See Asset section for further details.)
 - The full amount of periodic payments received from Social Security, before deductions, (including Social Security received by adults on behalf of minors or by

- minors intended for their own support, or by an applicant who is a representative payee for an adult household member who will reside in the property) is counted.
4. Annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. However, deferred periodic amounts from supplemental income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts are not counted. You will need to review each of these to determine if they are received regularly or if they are one-time events. If they are one-time or irregular payments, they would be counted as part of their assets.
 5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay. Unemployment income requires a two-year documentation of receipt and reasonable assurance of its continuance.
 6. Public assistance (except as indicated in Paragraphs 4.3 C. and D – HB-1-3550)
 7. Periodic allowances, such as:
 - Alimony and child support received by the household; or
 - Recurring monetary gifts or contributions from an organization or person who is not a member of the household.
 8. All regular pay, special pay (except for persons exposed to hostile fire), and allowances of a member of the armed forces who is the applicant or spouse, whether or not that family member lives in the home.

Repayment Income

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

Repayment income will then be used to complete ratio calculations and repayment ability. Repayment income typically uses the same income documentation as annual income,

which typically includes, but is not limited to, paystubs for their current income and tax returns showing previous income. (See Chapter 6 of this guide for additional verification information.)

Stable and Dependable

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

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

Another example would be seasonal worker (i.e. construction worker) who may work for four or five different employers in a year and is typically employed from February through October but doesn't work from November through January. The last two tax returns indicate \$42,000 per year including their unemployment benefits. Let's say that this applicant applies for the loan in December when they are receiving unemployment benefits. They wouldn't

necessarily be denied the loan for lack of repayment income just because they are receiving unemployment at the time. They have a history of that so you could determine that for the last two years they have shown a stable income of \$42,000 so it's likely to continue. The applicant wouldn't be denied simply because the applicant is on unemployment due to the seasonal nature of their job.

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

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

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

Income Counted in Repayment Income Only

Repayment income includes all annual income received by the note signers/borrowers with the following differences listed below, which are counted as repayment income only.

(Please refer to HB-1-3550 Paragraph 4.3 B. for a complete list.)

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

SNAP BENEFITS

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

- Only the SNAP benefits attributable to the note signers can be considered for repayment income.
- Only the lesser of the “not to exceed” amount or the actual SNAP benefits can be included in the applicant’s repayment income.

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

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

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

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

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

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

- The imminent danger duty pay to a service person applicant or spouse away from home and exposed to hostile fire.
- Payments to volunteers under the Domestic Volunteer Service Act of 1973, including, but not limited to National Volunteer Antipoverty Programs which include Volunteers In Service To America (VISTA), Peace Corps, Service

Learning Programs, and Special Volunteer Programs, National Older American Volunteer Programs for persons age 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Programs to Assist Small Business and Promote Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE).

Income That is Never Counted

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



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

Grossing Up

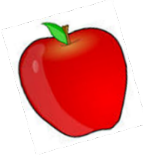
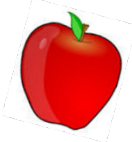
For Repayment Income only, non-taxable income that is considered stable and dependable and expected to continue for at least two years is required to be grossed up by 120 percent. The standard PITI/TD ratio limitations are based on the assumption that the income is taxable. Grossing up income allows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

two years, they are considered repayment income and grossed up by 120 percent. However, if it was determined that the child support is not consistent or will end within two years it is not considered stable and dependable and not considered as repayment income. Social Security income is another typical source that is counted for both annual and repayment but is grossed up for repayment income only.

Grossing up Example

	Applicant A: Takes home \$20,000 per year (makes \$24,000)		Applicant B: Takes home \$20,000 per year in disability income (not taxed)
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Applicant B grossed up: $\$20,000 \times 1.2 = \$24,000$

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Adjusted Income

Adjusted income is used to:

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

Deductions for Adjusted Income

There are five deductions used to calculate adjusted income and not all households are eligible for all five deductions and some may not have any. This is why advertising an income

limit in marketing materials for self-help can be so challenging, eligibility is actually based on the adjusted income, which could be significantly different than annual income. Because of this, you'll want to figure out adjusted income early in the application process to determine if the applicant is income eligible.

The Five Deductions from Annual Income Equals Adjusted Income

Adjusted income is annual income with the following deductions:

1. Dependent Deduction - \$480 per qualified dependent

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

NOTE: Foster children are not considered dependents

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

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

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

4. Deduction for Disability Assistance Expenses

- a) Identify the disabled person on the application and verify with physician the needed assistance expenses
 - b) Reasonable expenses in excess of 3 percent of annual income are deducted if:
 - i) The disabled person or another family member is enabled to work
 - ii) Expenses are not reimbursed from insurance or other sources
 - iii) Expenses do not exceed income of the person who is enabled to work
- (1) Typical expenses:
- (a) Attendant care to assist with daily living
 - (b) Special apparatus such as wheelchair, ramps, vehicle adaptation

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

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

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

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

Assets

Assets that Generate Income

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

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

Non-Retirement Assets Include:

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

Retirement Assets

For the purpose of computing annual income, the current assets (retirement and non- retirement) of all

Assets Never Considered

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

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

applicants and co-applicants, as well as applicable net family assets, are considered. Reference Exhibit 4-1 for additional information.

Assets for Down Payment

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

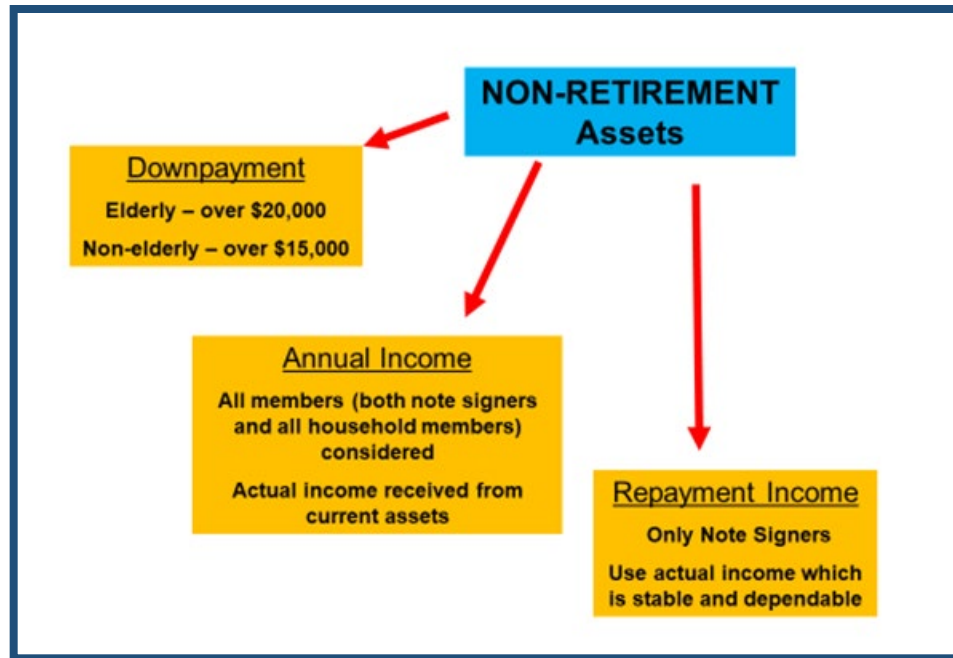
- Nonelderly Households - \$15,000
- Elderly Households - \$20,000

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

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

Assets for Income Calculations

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



Four Methods of Calculating Income

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

The selection of which method must be carefully deliberated and may require additional verification. Different methods may be used or may be more appropriate depending on the type of income. For example: One applicant with two income sources—salary and commission. Each

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

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

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

Four Methods

1. **Straight-based:** The gross benefit or wage is converted to annual equivalent. This is typically calculated by taking the hourly rate and multiplying it by the typical weekly hours, bi-weekly, monthly or annual hours. This income method is typically best used when the applicant has a fixed salary or a fixed wage/number of hours and typically does not have overtime or bonus income.
2. **Average:** The gross benefit or wage for last 30 days is averaged, then converted to annual equivalent. This method is best when there is some variation in hours and overtime from paycheck to paycheck with a 30-day period. However, it doesn't work when there are significant variations during different times of the year.
3. **Year to Date (YTD):** Gross YTD earnings or benefits divided by number of days, then multiplied by 365. This is a particularly good method later in the calendar year as it averages all of the variations in pay for a longer amount of time than just 30 days.
4. **Historical:** Income from previous year's tax return. It is important to use the employment income from Box 3 on the W2, along with other sources, such as

unemployment, which are also included in the return. This method is recommended for seasonal employment. For self-employment, tax returns are a required component in calculating annual income.

RD 4-A Income and Payment Assistance Calculator

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

Income Verifications

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

Determining Household Size

The income limits are adjusted by household size; therefore, one of the first steps in determining eligibility is to determine and verify the size of the household. Households can include unrelated individuals and/or be multigenerational households which include grandparents, children and grandchildren or two adult sisters and their children living or proposing to live together may be determined to be a household. The applicant(s) will list all household members on their RD Form 410-4 Loan Application (loan application), which will be the basis for determining income calculations and eligibility. There are no requirements that the household members be related or that they have lived together in the past, however, you need to

explain how the subsidy is calculated based on the household as described on the application. The goal is for successful homeowners, so although it is not a requirement that the household members remain consistent the subsidy will be impacted based on changes in the household size and income at the time of annual re-certification.

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

Determining Household Income as Percentage of AMI and Income Eligibility

Once household size and income information has been established and verified, the packager will determine eligibility by using the most recent Rural Development income limits, adjusted for family size and by geographic area (county or metropolitan area). Rural Development uses an income banding method for incomes by household size. Households of one to four members all have the income limit of a four-person household and those of five to eight members all have the income limit of an eight person household. For households with more than eight people, you will add 8 percent of the four-person limit for each person starting with the ninth person. For example, to calculate the 80 percent AMI for a 10-person household in Madison County you would:

- Start with 80 percent AMI for 8 people, which is \$69,552
- Then calculate 8 percent of the 4-person 80 percent AMI $\rightarrow \$52,700 \times .08 = \$4,216$
- Add \$4,216 for the 9th and 10th person, which equals \$77,984

Partially due to income banding, Rural Development's income levels differ from HUD's, so be aware if you are using HUD funding (i.e. SHOP) with any part of the project. Rural Development's income limits are included in the 4-A and will populate automatically once you insert the county and state. The income limits are updated annually and are available on Rural

Development's website. Three different income limits are used in discussing Rural Development 502 Direct Loans: very low-income, low-income, and moderate-income. See the income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>.

CHAPTER 4

BORROWER CREDIT

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

Steps for the Packager:

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

Key Concepts

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

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

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

You'll need to evaluate the credit history for the last three years for each person that will be on the note, the applicant plus any co-applicants. This includes a separate credit evaluation for each person, even if they're married applying jointly. In each case, you evaluate the individual's

credit separately. For some debt obligations (such as a significant delinquency), a scope greater than three years may be considered.

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

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

Getting Credit Reports

Some grantees sign up to run their own credit reports, this can be a daunting process because they are basically approving your organization, as they would a bank, to handle the credit reports. If you are Housing Counseling Agency, you may find it easier to get authorization to obtain credit reports and these are ideal for your purposes because they are usually soft hits to their score. If you contract to run your own credit reports, look carefully at the contract, this is where agreements are made on things like, can you give the applicant a copy of their credit report? Is it a soft pull that won't affect their credit score? (Not usually.) And how much will it cost? You'll also need to decide who's going to pay for this credit report, your organization or the applicant? Usually these reports cost between \$15 and \$25 per report. The applicant will need to pay for the Rural Development Tri-Merge credit report when you submit their packaged application, which will also cost the applicant a nonrefundable fee of \$25 per application.

If you have the applicant run their free credit report, they can obtain a free credit report by calling 1-877-322-8228 or logging into <http://www.annualcreditreport.com>. By law,

individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. Sometimes the reporting companies require the inquirer to pay an upcharge to get the credit score, which is helpful for your analysis but not required. If you don't have a credit score, it may just mean a few more steps as you're packaging. By requesting one free credit report every four months from different consumer reporting companies (Trans Union, Equifax and Experian); consumers can get free credit file every three months. Because different credit reporting companies report different credit files, this will give consumers the opportunity to check for errors or omissions in their credit file. This one report every four months check on credit is especially useful from initial intake to application as it shows improvement made if the applicant is working on improving their credit and also any new negative credit that should immediately be addressed.

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

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

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

Reviewing the Credit Report

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

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

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

Reading Credit Reports

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

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

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

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

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

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

How to correct errors!

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

If the applicant disputes information in their report:

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

To check on the accuracy of a disputed item:

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

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

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

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

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

Reliability and Credit Scores

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

Unreliable Score or No Credit Score

The most common reasons for an applicant to have no score or only one score is that they have limited traditional credit trade lines, they paid off all their debt years ago or they just haven't taken out debt. For applicants who do not use traditional credit, or that have a limited credit history, you must develop a credit history from at least three sources. However, only two sources are required if one of those is a verification of rent or mortgage payments. Developing a credit history in this situation is most often accomplished through nontraditional sources of credit (see Chapter 6 of this guide). A combination of traditional and nontraditional sources may be used to develop the credit history, and the non-traditional payments should have been made for at least 12 months within the past 24 months from the date of the credit report.

Reliable Score Over 640

If the credit score is deemed acceptable, is more than 640, and the applicant has no outstanding judgments from the U.S. in federal court and no significant delinquency, these applicants are automatically classified as having acceptable credit histories regardless of what is

listed on the credit report. No consideration will be given to the number of opened and active trade lines on the credit report. The handbook makes it clear that to avoid potential disparate treatment, additional credit analysis is not appropriate. This means you will not use Exhibit 4-4, *Indicators of Unacceptable Credit* (Appendix 2), you will not need verification of rental history and you will not look at alternative credit. An applicant could even have multiple collection accounts listed in the credit report but because they aren't subject to review using Exhibit 4-4, these are acceptable and nothing needs to be done with them (i.e. pay them off, etc.). You have everything you need, and no further analysis should be conducted.

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

Reliable Score Under 640

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

You'll also be able to use a combination of what's on the credit report and nontraditional credit sources. For example, an applicant has a credit report with one trade line that's been open and active for at least 12 months, you can combine that with the landlord's verification and have enough information. If the landlord verification is not available, you would need to gather two nontraditional sources for this example.

Obtaining Nontraditional or Alternative Credit

Alternative credit or nontraditional credit is used when the credit report is not deemed reliable because there is limited or no established credit on the applicant's credit report. A total

of three credit sources (a combination of traditional (from the credit report) and nontraditional) are needed UNLESS one of the credit sources is a verification of rent or mortgage payments, then only a total of two sources are needed. Verifications from family members do not count.

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

For those needing additional trade lines that are nontraditional, you will send to those nontraditional creditors indicated in the application or by obtaining cancelled checks, money order receipts, billing statements, and/or payment history printouts to establish the payment history. Which one is used is determined by what's available for that creditor. If you are obtaining payments histories from the creditor, the forms should be accompanied by a preaddressed, pre-stamped envelope and Form RD 3550-1, Authorization to Release Information (Appendix 5), which authorizes the respondent to release the information.

The payment history should be in the applicant's name and cover 12 months within the past 24 months from the date of the credit report. Payments that are auto-debited from the applicant's checking account, are the same as if they were paid directly and are acceptable; it still shows a willingness and ability. Payments that are made by someone else or reimbursed by another party, like an employer paying medical insurance or child care reimbursement by the state, are not acceptable. Payment installments (such as quarterly or annually) can be considered when verifying nontraditional credit sources. When other payment installments are used, the length of the payment history should be adjusted accordingly. If the payments are made quarterly, verify that the last four payments were made. If the payments are made annually, verify that at least the last two payments were made.

Sources of Nontraditional Credit

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

Preferred:

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

Alternative:

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

Using Exhibit 4-4, Indicators of Unacceptable Credit

Indicators of Unacceptable Credit are just that, indicators. These are not a list of items that would automatically make someone ineligible, this is a tool for conducting further analysis. And there aren't any magic numbers, for example, if they have two of any of these that wouldn't mean they aren't eligible, it's just a tool. It may be that the cause of bad credit was beyond the applicant's control, for example they were in a car accident and paid as agreed before and after the accident but couldn't pay while they were hospitalized. It is however, important that you be familiar with Exhibit 4-4 and understand what those indicators are. Exhibit 4-4 closely mirrors the Credit History Worksheet (described later in this chapter) where knowing the indicators will be important. For example, you need to look at 24 months rental history, however if there are no other indicators of unacceptable credit, you need to only analyze 12 months. If it's something beyond the applicant's control, ask the applicant to provide a credit explanation letter and

document the relationship between the adverse credit and the circumstance. Blanket statements like they didn't know they owed it are not acceptable documentation. Exhibit 4-4, Indicators of Unacceptable Credit can be found in Appendix 3.

Significant Delinquency

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

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

1. Chapter 7 Bankruptcy

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

2. Chapter 13 Bankruptcy

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

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

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

3. Significant Mortgage Delinquency

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

- **Deed-in-lieu of Foreclosure.** In a “deed-in-lieu of foreclosure” transaction, the borrower voluntarily transfers the property rights back to the creditor in an exchange for a mortgage cancellation. These transactions are most common when the property subject to the potential foreclosure has positive equity or if the homeowner meets the requirements for financial hardship relief.
- **Short Sale.** Short sale is a term used to describe a sale where the debt owing against a property combined with the costs associated with the sale exceeds the

property's market value. Short sales are also known as pre-foreclosure sales because the lender has not completed the foreclosure process but plans to foreclose if the property is not sold by the homeowner under the terms approved by the lien holders. Depending on the short sale agreement, the applicant may still be responsible for the amount that "fell short" as a result of the short sale transaction. The loan deficiency remaining after the sale is, at times forgiven; however, this is not always the case and may result in tax implications.

- **Mortgage Charge-Off.** A mortgage charge-off is a debt classification used by creditors when they believe a mortgage debt is not collectible. This action does not mean that the debt is no longer valid or that it has been forgiven. An applicant with a mortgage charge-off reported on the credit report may still be responsible for the debt. If the significant mortgage delinquency was due to the applicant's failure to meet financial obligations, the applicant is not eligible for a loan for 36 months from the date the obligation was released. However, if the delinquency was due to extenuating circumstances, the applicant may be eligible for a loan if:
 - More than 12 months have elapsed between the date the applicant was released from the mortgage debt and the application date.
 - The applicant has demonstrated an ability and willingness to meet obligations when due for the 12 months prior to the date of application.
 - The circumstances leading to the delinquency are properly documented and justified.

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

Requesting Credit Exceptions

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

An exception may be considered in the following types of situations:

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

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

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

The letter of explanation should cover three areas:

1. What happened, how it was corrected, and the stability of the situation at the present time. The first part of the letter should identify and discuss the cause(s) of the problem. If credit difficulties were due to an illness/medical expenses, over-extension, lay-off, reduction in income, or marital situation, this needs to be outlined in the letter.
2. The second part of the letter should address how these problems were corrected. Include in the letter if the creditors were contacted and alternative payment arrangements were made. This is the applicant's opportunity to let Rural

Development know that they were responsible in handling their obligations to the best of their ability.

3. The third part of the letter should summarize the applicant's present situation and how they have learned from their past experiences. The letter should indicate to Rural Development how they are prepared to handle emergencies that may occur in the future. The conclusion of the letter is an opportunity to let Rural Development know how important becoming a homeowner is to the applicant. Every opportunity should be used to stress the positive – job stability, performance, review, career advancement, education, medical coverage, savings, etc.

Explaining Credit Blemishes

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

Credit History Worksheet

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

Addressing Credit in the Loan Package

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

CHAPTER 5

REPAYMENT ABILITY

This chapter correlates with RD Handbook 1-3550 Chapter 4, Section 5.

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

Steps for the Packager:

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

Income Ratios

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

PITI Ratio

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

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

PITI includes

- ✓ Principal
- ✓ Interest

- ✓ Taxes
- ✓ Insurance on the proposed loan
- ✓ If a participation loan is involved, PITI will also include the principal and interest on the participation loan

The PITI ratios for very low-income (VLI) and low-income (LI) applicants differ. For VLI, 29 percent is used; for LI, 33 percent is used. When the PITI ratio for families who are 60 percent of median income and below exceeds the maximum appropriate ratio, the applicant can be considered for a 38-year loan term assuming this is needed to purchase an eligible home in your area.

Total Debt Ratio

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

Total Debt consists of:

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

- ✓ 4) If the credit report indicates an outstanding balance but the applicant indicates that it will be (or has been) paid in full, a monthly payment will not be used provided the Loan Originator obtains documentation of payment in full. Deferred debt
- ✓ Student loan debt
- ✓ Any recently obtained debt and terms that are not showing on the credit report yet

Ratio Caps	PITI Ratio	Total Debt Ratio
<i>Very Low-Income</i>	29%	41%
<i>Low-Income</i>	33%	41%

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

PITI & TD Ratio Sample Calculations

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

Example #1 - VLI

Monthly repayment income = \$916.00
 Monthly PITI for proposed loan = \$274.00
 Other monthly debt = \$ 50.00

PITI Ratio =

TD Ratio =

Does this family meet the ratio guidelines?

Example #2 - LI

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

PITI Ratio =

TD Ratio =

Does this family meet the ratio guidelines?

Example #3 - VLI

Monthly repayment income = \$1,500.00
Monthly PITI for proposed loan = \$ 425.00
Other monthly debt = \$ 250.00

PITI Ratio =

TD Ratio =

Does this family meet the ratio guidelines?

Answers to PITI & TD Ratio Sample Calculations

Example #1 – VLI

Repayment income (monthly) = \$916.00
Monthly PITI for proposed loan = \$274.00
Other Monthly Debt Obligation = \$ 50.00

PITI Ratio = 29.91% over 29% ratio

TD Ratio = 35.37%

In this example, the applicant's PITI ratio is over the limit and they do not meet the guidelines. Because this is related to their housing costs, you could work with the applicant to choose another house plan that costs less or maybe they could increase their income.

Example #2 – LI

Repayment income (monthly) = \$1956.00
Monthly PITI for proposed loan = \$ 600.00
Other monthly debt obligation = \$ 250.00

PITI Ratio = 30.67%

TD Ratio = 43.45% over 41% ratio

In this example the applicant is over the ratio in their total debt. Working with them to reduce their monthly obligations or wait until they've been paid down may increase their eligibility.

Example #3 – VLI

Repayment income (monthly)	=	\$1500.00
Monthly PITI for proposed loan	=	\$ 425.00
Other monthly debt obligation	=	\$ 250.00
PITI Ratio	=	28.33%
TD Ratio	=	45% over 41% ratio

In this example the applicant is over the ratio in their total debt. Working with them to reduce their monthly obligations or wait until they've been paid down may increase their eligibility.

Student Loan Debt

In Repayment Status

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

- (1) The loan is in repayment status.
- (2) The applicant has a reliable credit score of 640 or higher.

Calculating Student Loans

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

.5% of \$15,000 = \$75

Amount shown in TD is \$75

(3) The applicant has no significant delinquency.

(4) The applicant's payment shock can be measured and is not more than 100%.

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

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

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

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

Payment shown in TD is \$0

Deferment Status

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

Repayment vs. Deferment

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

Non-purchasing Spouses and Community Property States

Generally, in a community property state, money earned by either spouse during marriage or all property bought with those earnings are considered community property that is owned equally by husband and wife. Likewise, debts incurred during marriage are generally debts of the

couple. In community property states, you and Rural Development must consider the non-purchasing spouse's debt in the total debt ratio. Neither you nor Rural Development can order a credit report for a non-purchasing spouse; the spouse of the married applicant who will not be party to the note. The spouse must provide a copy, which can be obtained from a free source, or if they have exhausted their free options, they would need to pay for one. If a non-purchasing spouse in a community property state is unwilling or unable to provide a credit report, the application will not be considered complete.

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

Debt the Applicant Isn't Responsible For

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

Payment Shock

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

But understand, it's up to the Rural Development Loan Officer whether to count it or not, and they may still have payment shock. But this allows Rural Development context and additional information for the overall package review.

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

Calculation:

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

Example:

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

Minus 1 = 1.30

This applicant has 130 percent payment shock

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

Compensating Factors

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

Compensating factors:

- ✓ Cannot ever be used to offset poor or unacceptable credit
- ✓ Must be recommended by the Rural Development Loan Originator

- ✓ Approved by the Rural Development Loan Originators next level supervisor
- ✓ Cannot be used with any other risk factors

Compensating factors must be clearly documented. Packagers may recommend and support a compensating factor, but all compensating factors must be approved by the Rural Development loan approval official's next level supervisor. This means you will have to clearly document the request, provide any supporting documentation and convince the loan officer who reviews your package because they have to convince their supervisor. Compensating factors include:

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

Other Considerations if the Applicant has Insufficient Income

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

Additional Parties to the Note

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

Cosigners

Cosigners do not reside in the dwelling and must have a total debt ratio that does not exceed 41 percent. This ratio will include the FULL NOTE RATE payment for the 502 loan, escrow payment, leveraged loan payment AND all of the cosigner's long-term obligations. This means they need to be able to individually qualify with all of their own debt, plus the full amount they are co-signing for and still ratio qualify. Cosigners cannot be used in the case of poor credit, they are only used when ratios are too high and additional income will lower them.

Putting Repayment Income in the 4-A Calculator

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

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

Addressing Repayment Income in the Loan Narrative

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

CHAPTER 6

VERIFICATION AND SUBMISSION DOCUMENTS

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

Steps for the Packager

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

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

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

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

What do I use to verify?

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

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

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

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

Verification of Wages, Salary and/or Employment

Preferred Source: Four consecutive weeks of Paystubs or payroll earnings. Usually this is two paystubs each covering two weeks, but it could also be one monthly check or four weekly checks. The stub must clearly identify the applicant, show gross earnings including Year-to-Date (YTD) and must be computer generated or typed. You'll want to make sure you are getting these periodically throughout the packaging process to watch for significant changes that could change eligibility. You'll also want to get the newest paystub(s) just prior to submission to ensure the "most recent" documents are being provided.

Acceptable Alternatives

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

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

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

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

Verification of Seasonal Employment

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

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

Verification of Childcare Costs

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

Acceptable Alternative

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

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

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

Acceptable Alternatives

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

Verification of Child Support and Alimony

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

Preferred Source: The applicant or household member must provide a payment history for the last 12 months from the court appointed entity responsible for handling payments. The

average amount received will be used in the income calculations; add all 12 payments together and divide by 12.

Acceptable Alternatives

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

Landlord Verification

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

Preferred Source: When a landlord verification is necessary (see Chapter 5 of this guide, Borrower Credit), send Form RD 1944-60. Landlord's Verification is to verify the applicant's past record of making rental payments for each landlord listed on the application for the past two years. Once received, confirm that the applicant has paid in a timely manner during the last 24 months and if this is in question, call to confirm with the landlord. Exhibit 4-4

specifies that a rent payment that is more than 30 days late is considered an Indicator of Unacceptable Credit, so a little digging can go a long way.

Acceptable Alternatives

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

Nontraditional Credit

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

Preferred Sources:

- Rental housing payments
- Utilities (if not included in the rent payment) such as power, gas, water, sewer, etc.
- Telephone service
- Cable television
- Internet service
- Insurance payments (payroll deductions to pay for insurance premiums are not considered alternative credit) as long as they are not reimbursed by any other source

Acceptable Alternatives

Payments to child care providers (provided the provider is an established child care business and not a relative); school tuition; payments to local retail stores; storage units

companies; payment arrangements for the uninsured portion of any medical bills; a history of saving by regular deposits resulting in a balance equal to three months of the proposed mortgage payments; and similar credit sources. Child support paid is not an acceptable source.

Gathering Documents for Verification

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

- ✓ Bring pay stubs for the past month (four weeks) for all working applicants
- ✓ Provide credit card account numbers, current balances, monthly payments and addresses
- ✓ If you have personal loans, credit union loans, or any other monthly installments, bring account numbers, balances, monthly payments and addresses
- ✓ For hospital bills, doctor bills, and any other medical bills, bring account numbers, balances, monthly payments and addresses
- ✓ If you receive child support and support is ordered through the courts, bring a copy of the actual court document. If support is received and paid voluntarily, bring a statement from the person who pays you
- ✓ If anyone in your household receives social security, bring a copy of the most current award letter
- ✓ Name and address of current and previous landlords to cover the past two years
- ✓ Copy of the last two years complete tax returns with all attachments and w2s
- ✓ If self-employed, copy of the last two tax return schedules (C, K, E, etc.) include YTD Business Expenses for the current year
- ✓ Your Driver's License and a copy of the Social Security Card is only needed if there isn't other evidence of the applicant's full taxpayer ID number. (if not a US Citizen, a Permanent Resident Alien Card front and back)
- ✓ Two most recent monthly bank statements of all accounts: checking, savings, IRA, 401k, etc.

- ✓ If using non-traditional credit verification, the contact information for landlords from the last two years, (Name, number, address, email, etc.)
- ✓ Documentation of student loan(s): monthly payment statement and any grant documentation (see Student Loan section). For full-time students (who are not a party to the note, include a copy of the transcript and the school administration's definition of a full-time student (usually readily available on their website)
- ✓ If you are divorced or separated, you will need to bring a copy of the legal documents
- ✓ Provide an employment history for the past two years of all household members. Included names and addresses that can verify employment
- ✓ Bring a statement from your childcare provider stating what they charge you for this service

Timelines

Timeliness in processing a loan application is critical. You and your organization have a lot at stake. To ensure this, a group coordinator must be well organized, thorough and aware of the age of all the third-party documents on hand in a package you are building for submission. This may mean you are getting multiple copies of documents to ensure you have the most recent at submission (i.e. paystubs). Documentation used to verify employment, income, assets, and deductions must be no more than 120 days old, or 180 days old for new construction (that's self-help) by closing date. The age of some documents isn't important because they remain unchanged, such as a divorce decree or tax returns. These types of documents are exempt from the document age restriction unless there is evidence that the applicant's circumstances have changed thus warranting updated verifications.

Homeownership Education

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

Preference order for Homeownership Education:

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

The education fee may be included in the loan above the appraised value. If it is not possible for an applicant to attend a course in person, applicants can also use an online course, such as the eHomeAmerica online class, which allows for a local contact telephone interview/discussion. The cost is \$75.00 for USDA applicants. To register, login to: eHome America at <https://ehomeamerica.org/usda>. Framework is another nationally approved online course, and it is also \$75.00. Register at <https://www.frameworkhomeownership.org/>. Thirdly, Utah State University also offers online homebuyer education. Visit: <https://extension.learn.usu.edu/> and select Home Buyer Education. The cost is \$60 for the applicant and \$5 for a co-applicant.

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

Construction Budgets and Loan Amounts

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

Applicants for a self-help loan will be issued Handbook Letter 16 (3550), Eligibility of Self- Help Applicants (Appendix 9). The maximum loan amount they qualify for may be a higher loan amount than the actual cost of building a modest home using the self-help method.

The dollar amount to be inserted in the eligibility letter will be based on all closing costs and the following:

A. The average cost of the most recent group of homes built in the area by the self-help method with consideration given to known price increases or decreases in materials, labor, land and/or time of construction (unless the applicant qualifies for less); or

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

Check for Completeness & Consistency

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

Loan Application – Start with a review of the loan application. This is Rural Development’s Uniform Residential Loan Application, Form RD 410-4 (Appendix 10), or a current industry standard application form may be accepted when accompanied by the Agency’s supplemental pages (6-10) of Form RD 410-4. Is there information that you need to process the loan request or are there questions that you have because of incomplete information. An application is considered complete for eligibility determination when the loan application packager submits a fully completed and signed uniform residential loan application and all the applicable items listed in on Attachment 3-J.

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

verification and clarifications should be documented carefully in the loan narrative or where appropriate.

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

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

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

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

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

Application Processing and Eligibility Determination

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

Determination of Eligibility

If the application is determined eligible, you and the applicant should both receive a copy of the Certificate of Eligibility: Handbook Letter 16 (3550), Eligibility of Self- Help Applicants (Appendix 9). It is also helpful to receive a copy of the Rural Development Loan Officer’s 4-A

calculator or Eligibility Summary to compare figures. The more you know about how Rural Development calculates incomes, the closer you will be in the future.

Application Withdrawal

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

Reapplying After Denial

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

CHAPTER 7

SUBSIDY RECAPTURE

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

Steps for the Packager

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

Background

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

How is Subsidy Recapture Calculated?

While subsidy recapture formulas have changed over the years, under the current formula, the maximum amount of subsidy recapture which must be repaid is the lesser of the total dollar amount of subsidy received or 50 percent of the property's value appreciation.

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

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

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

When is subsidy recapture repaid?

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

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

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

Summary

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

National Financial and Accounting Operations Center (NFAOC) to start the process to determine the recapture amount if and when one of the triggering events occurs: loan payoff, no longer occupying the home as their personal residence, or sale/title transfer of the home. They will then work with NFAOC to order an appraisal, the cost of which Rural Development covers, to determine the current value and value of any improvements. Depending on the triggering event, additional documentation may be needed to make the appropriate calculations, which NFAOC will discuss with them at that time. Also, reassure the owner builders that their original equity/sweat equity will be protected and that they will only be required to pay a portion of the appreciated amount, never more than 50 percent and never more than the actual amount of subsidy provided as long as they are not in default on their loan.

CHAPTER 8

PROPERTY SUBMISSION

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

Steps for the Packager

1. Determine if the location is in a rural eligible area
2. Determine estimated value of lots and estimated value of completed homes and compare with lot value and area loan limit requirements
3. Secure land
4. Complete required environmental review requirements
5. Complete site infrastructure development if necessary
6. COE received and then prepare property document submission
 - Certified house plans
 - Site plan and possibly survey
 - Description of materials
 - Budgets
 - Closing Costs
 - Closing agent contact information (Title Company or Closing Attorney)
7. Submit to RD

502 Property Program Requirements

Rural Definition

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

Communities can be considered rural if they were considered rural prior to 1990 or between 2000-2010 with populations between 20,000-35,000, are considered rural in nature, and have a serious lack of available mortgage credit for low- and moderate-income households. (Yes, that was the simplified version.) This definition will be reviewed after the 2020 census and again it is recommended that you use the Rural Development website to determine if a site meets the rural eligibility requirement. It is recommended that you look up each lot you are including in your build group prior to purchase, since a lot on one side of the street can be eligible, while the lot on the other side is not.

Lots Requirements

As a 523 grantee, you will be identifying and likely purchasing and developing the lots prior to 502 application submission. Although you will have all of your lots identified prior to your 523 application, you should not under estimate the amount of time needed to complete your due diligence and Rural Development requirements prior to the submission of property documentation after applicants have received their Certificate of Eligibility (COE).

Rural Development's definition of modest lots includes lots that cannot be subdivided under local subdivision code and the value cannot exceed 30 percent of the total appraised value of the completed home. There are exceptions to the limitation of 30 percent of the value of the completed home, if the value is typical for the area, as evidenced by an appraisal and practices of other local lenders. If you believe your lots will exceed the 30 percent amount, you should discuss this with your Rural Development loan approval official prior to purchase to ensure that this will not be an issue when the loan applications are submitted. Finally, lots cannot include land that is used principally for income producing purposes. For example, vacant land or properties used primarily for agricultural, farming or commercial enterprise are ineligible.

Lots must also include:

- All weather road maintained by public entity or homeowner's association
- Water and wastewater disposal with continuous service and affordable rates that meet the Safe Drinking Water Act and Clean Water Act
- Not in 100-year Flood Plan (see details in Environmental Section)
- Comply with all zoning and restriction requirements

Housing Requirements

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

Square Footage Requirements – Rural Development has a minimum of 400 sq. ft. and a maximum of 2,000. Only habitable floor space that is entirely above grade is considered in these minimum and maximum limits. For example, a house with a first floor of 1,500 sq. ft. and a 1,500 sq. ft. basement with portions above grade, is only considered a 1,500 sq. ft. home. Garages attached or detached are not included in the square foot calculations for Rural Development's minimum and maximum. The 2,000 sq. ft. maximum can be waived by Rural Development but requires the loan approval official's next-level supervisor. These exceptions will be considered based on:

- The subject property is modest.
- The property is typical for the area and/or the applicant has special needs due to an exceptionally large household or a household member with a disability.
- The property's anticipated utilities and maintenance costs are reasonable for the area and will not place a strain on the applicant's budget.

Exceptions on the minimum square foot requirement may be waived by the loan approval official's next-level supervisor when the Field Office determines a smaller dwelling or "tiny home" otherwise meets the same property standards as other Agency financed dwellings.

Area Loan Limit

The area loan limit is the maximum value of the property established by Rural Development for each county. Although this is called the "loan Limit" it is referring to the maximum value, as established by appraisals. For self-help new construction, this means the cost of the land, materials, grants, loans and the value of sweat equity cannot exceed the area loan limit, but also the appraised value cannot exceed the area loan limit. There are four items that can exceed the area loan limit and appraised amount, these are: Rural Development tax service fee, initial escrow deposit and homeowner education fee. The actual loan limit/maximum loan amount for each applicant is based on the lesser of: 1) area loan limit, 2) appraised value, 3) actual amount needed to finance the home, and 4) amount the applicant can afford.

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

Example 2: The Washington family is also building their home through the 523 Mutual Self-Help Program and their area loan limit is \$175,000 and the appraised value is \$150,000. The actual cost is \$140,000 (\$115,000 construction and \$25,000 land). Using the 4-A calculator they qualify for only \$115,000. Since the actual cost is \$140,000, they either need to choose a different, less expensive house plan and/or lot or they need

additional grant resources to be provided. If the Washington family qualified for a \$25,000 down payment assistance grant, they would be able to continue with the program using the same plans and lot. The maximum loan amount in this situation was \$115,000 (4-A qualification amount), which was the lessor of the four variables, because the appraisal, area loan limit and actual cost were all higher. The Washington family will have sweat equity of \$10,000, which is the difference between the appraised value (\$150,000) and the actual cost (\$140,000).

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

1. Exceptions for Counties - States are not authorized to alter their limits throughout the year without prior approval from the Deputy Administrator, Single Family Housing. State Directors who have counties they believe merit loan limits exceeding the standard, may submit a request to the National Office by completing Form RD 2006-3, "Instruction and Form Justification." The request should be accompanied by a narrative and supporting data. The analysis should include local values for both existing homes in program-acceptable condition and the total costs to acquire or construct new dwellings. If you believe your county should receive an exception, this request should be made far in advance of application submission, considering it needs the Deputy Administrator's approval.

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

accommodated within the area's modest housing limit. The Rural Development Loan Originator will review your request and if in agreement, request an exception from the State Director.

Appraisals

The appraisal will be ordered by Rural Development as one of the final steps in the underwriting process. As loan packagers you will need to provide the following to Rural Development, which they will then provide to the appraiser.

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

Environmental Review Requirements

USDA Rural Development requires Environmental Reviews (ER) for housing projects prior to approving financial assistance. The ER must be done in accordance 7 CFR Part 1970 which includes compliance requirements for the National Environmental Policy Act (NEPA), a law that supports efforts to stimulate the health and welfare of humankind while safeguarding their environment. This must be completed prior to obligation of RD funds and is often completed prior to 502 application processing as part of the land development, however you should ensure its completion as the process includes required timeframes and can prevent loans from being obligated and delay closing. The environmental review process is separate from the review for other funding sources, such as HUD, however Rural Development can use their gathered information and approval to expedite their process.

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

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

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

Flood Plain and Flood Insurance Requirements

Property that FEMA has identified as being in a Special Flood Hazard Area (SFHA) must have the availability of flood insurance through FEMA’s National Flood Insurance Program. Flood insurance is required for all property located within the 100-year flood plain unless FEMA has granted an exception and flood insurance is available as part of the community’s flood plain management regulations.

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

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

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

502 and Self-Help Insurance Requirements

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

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

Homeowners insurance - As soon as the home is completed, and as required by the lender, the homeowner (self-help participant) obtains a standard policy that covers two areas: property and liability. Generally, it covers damage from fire, theft, vandalism, and other. Some exclusions include earthquake and flood. It is important to be familiar with its terms, limitations and exclusions and RD's HB-1-3550, Attachment 7-C details Rural Development's property insurance requirements, which can be found as Appendix 8 at the end of this guide.

502 Property Submission Documents

House Plans and Description of Materials

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

Cost Estimates

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

Inspections and Requirements during Construction

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

Homes Constructed Under Specific Energy Efficiency Programs

A new home built to exceed the prevailing International Energy Conservation Code is more energy efficient, which significantly lowers the homeowner's utility costs. The lower utility costs associated with these energy efficient homes indicate that a prospective borrower may be able to make larger loan payments than the ratio analysis suggests. Given their resulting energy efficiency savings of up to 30 percent relative to typical new homes, as well as their progressive and routinely updated building standards, new homes constructed under the approved Rural Development national programs may be considered as a compensating factor (when approved by the next level supervisor). A list of these programs can be found in HB-1-3550 Chapter 4, under Compensating Factors. You should discuss with your Rural Development loan approval official

the appropriate documentation needed to verify that the home will meet this standard, if you are requesting an increase in ratios based on this compensating factor. Since this request is part of the initial eligibility determination, this should already be approved, and the needed initial documentation provided with property submission.

Self-Help Home Rehabilitation

The 523 Self-Help Housing Program includes housing rehabilitation as an eligible program design, which includes acquisition/rehab/resale, acquisition and rehabilitation and owner-occupied rehab. Acquisition/rehab/resale is when the grantee purchases the home and then the construction supervisor provides training and coordination with the Rural Development approved applicant to rehab the home prior to their purchase. Acquisition and rehabilitation is another popular approach, when the applicant purchases the home prior to rehab and then the 502 loan covers the cost of the home and the required repairs. The construction supervisor works with the owner builder to provide training and coordination for the required repairs. With this approach the owner builder does not move in until the Certificate of Occupancy is issued and Rural Development final inspection is completed. The owner-occupied rehabilitation approach is for existing homeowners that need repairs to make their home safe, decent and sanitary. Often these homeowners receive a 504 loan and/or grant to cover the cost of materials and skilled labor. The construction supervisor works with the owner to provide training and coordination for the required repairs. Although owner occupied applicants typically receive 504 loans and/or grants, a 502 loan may be a better option if the applicant needs a larger amount to cover the needed repairs. If they currently have a mortgage and the payment for the 502 repair loan (of more than \$5,000) and their existing loan payment are not affordable, Rural Development could refinance the first mortgage along with the repair amount if this will make it affordable to the applicant and they meet all other eligibility requirements.

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

- Work write up/scope of work
- Cost estimate
- Whole home inspection by a state licensed whole home inspector, which includes at a minimum inspection of: 1) termites and other pests (this may be separate from the

whole house inspection) 2) plumbing, water and sewage 3) heating and cooling 4) electrical systems, and 5) structural soundness.

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

CHAPTER 9

LOAN CLOSING AND CONVERSION

Steps for the Packager

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

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

Loan Closing

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

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

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

Documents you will assist with gathering for loan closing:

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

Section 502 Draws

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

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

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

Conversion

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

- Final inspection by the Agency or qualified third party;

Tracking documents through closing

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

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

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

A (construction) loan is converted to a permanent loan when:

- ✓ The home is completed to the plans and specs and description of materials
- ✓ The Certificate of Occupancy is issued
- ✓ Following the Rural Development final inspection, if the local office chooses to do one
- ✓ All funds are distributed to cover costs incurred
- ✓ The grantee has approved the participants to move in

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

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



Funds Remaining After Conversion

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

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

CHAPTER 10

BRINGING IT ALTOGETHER AND BUILDING A PROGRAM

Steps in Building a SH Group

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

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

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

Outreach & Recruitment

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

Timing Needed for Qualifying a Full Build Group

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

information. So if the applications are taking longer than three months to complete, you will likely need to update these third-party verifications either prior to submission and/or prior to closing (income documents expire after 180 days for construction/permanent loans).

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

Application Submission

The program is designed for all applications in a building group to be submitted, reviewed and closed at the same time, however some Rural Development loan approval officials prefer a staggered submission. Rural Development has 30 days to review your application and determine eligibility, so staggering application submissions can be an advantage for you and Rural Development. However, many Rural Development offices prefer, and some require, all applications to be submitted together before they will start their review. This ensures that you have a full build group and prevents them from doing multiple reviews if the final application submissions were delayed and documents expire. You should discuss this with your local Rural Development office to determine which they prefer, complete or staggered submissions. There are a couple of process steps that ideally should be done together, these include request for appraisals, loan obligation and loan closings. So, even if you do decide on a

staggered submission, it is best if all applications can be submitted within a couple of weeks and generally not longer than a month between the first and last application.

The other submission question is whether you submit the full application, which includes all of the property documents, or just the borrower eligibility. The challenge for Rural Development with a full application submission is that it triggers TRID (TILA RESPA Integrated Disclosures) requirements, which requires the full review of all of the group's applications within the three-day TRID disclosure requirements. Because of these requirements, Rural Development typically prefers to have the borrower eligibility submission be first and then the property submission after they have determined eligibility and issued the Certificate of Eligibility. Although you submitted the loan application (RD Form 410-4) as part of the borrower eligibility submission, it isn't complete until the property section is complete, which then triggers the TRID requirements. Submitting the application in two sections allows Rural Development time to complete the borrower eligibility, which is the most time intensive and then the property section, which has fewer review components to complete the TRID disclosures. A two-step process also allows you more time to complete the property portion and prevents you from completing this information for an applicant who isn't determined eligible. It also allows you the time to review and update your cost estimates to reflect the current market.

Pre-Construction Group Meetings

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

meetings should be discussed internally considering all of the components of the 523 program and the overall goal of a successful group build.

Conversion

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

Ongoing Communication and Documentation

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

CHAPTER 11

eFORMS

Steps for the Packager

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

What is eForms

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

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

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

eAuthentication

Grantees who are planning to submit through eForms, need a Level 2 eAuthentication account. If you have access to SHARES, you already have this. A Level 2 eAuthentication account consists of a User ID, password, and user profile, which allows the user to enter an application with high security requirements through a USDA website portal.

You can register for a Level 2 eAuthentication account online by visiting the following site and providing the requested information to verify your identity. If you have difficulty verifying your identity through the online system, you will need to contact USDA and verify your identity directly with the appropriate staff.

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

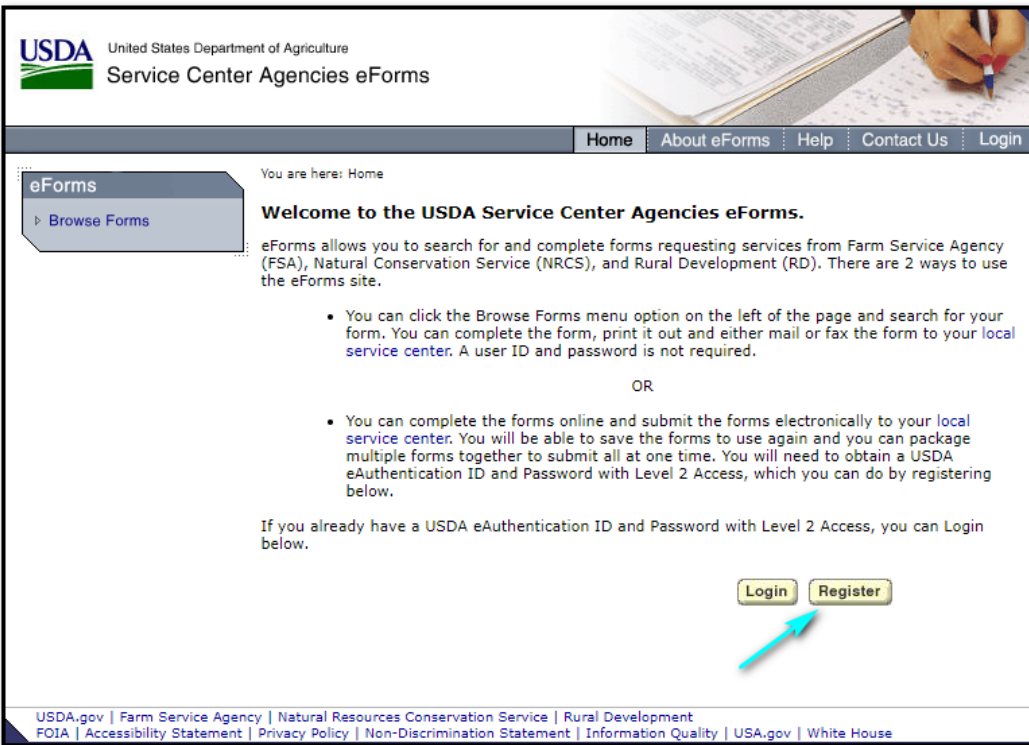
Tip

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

Registering for eAuthentication and accessing eForms

Navigate to forms.sc.egov.usda.gov

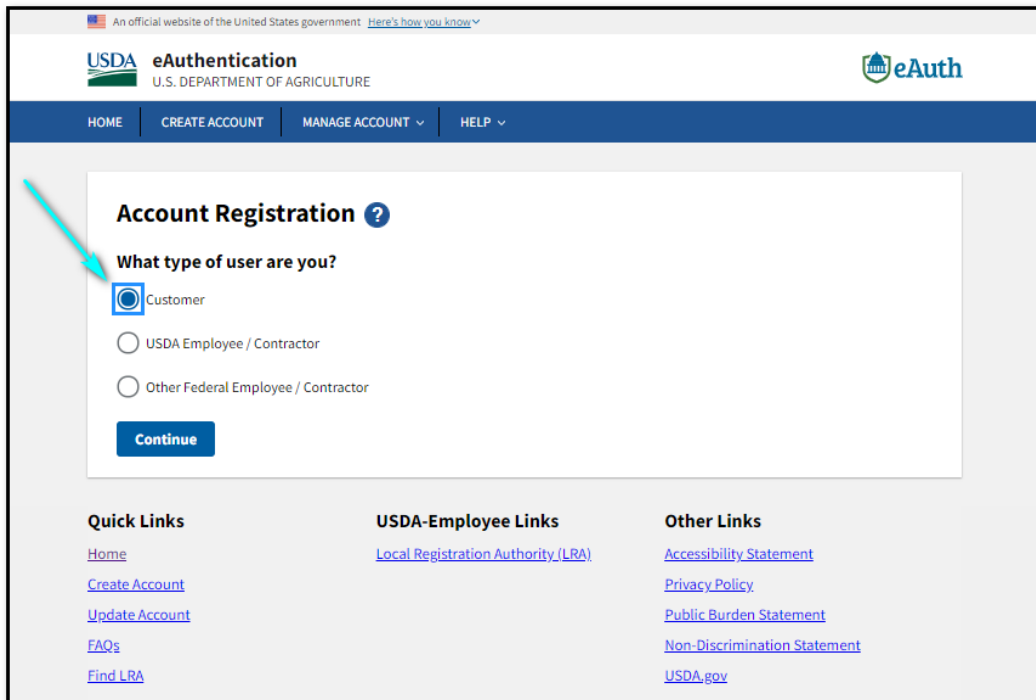
Click Register



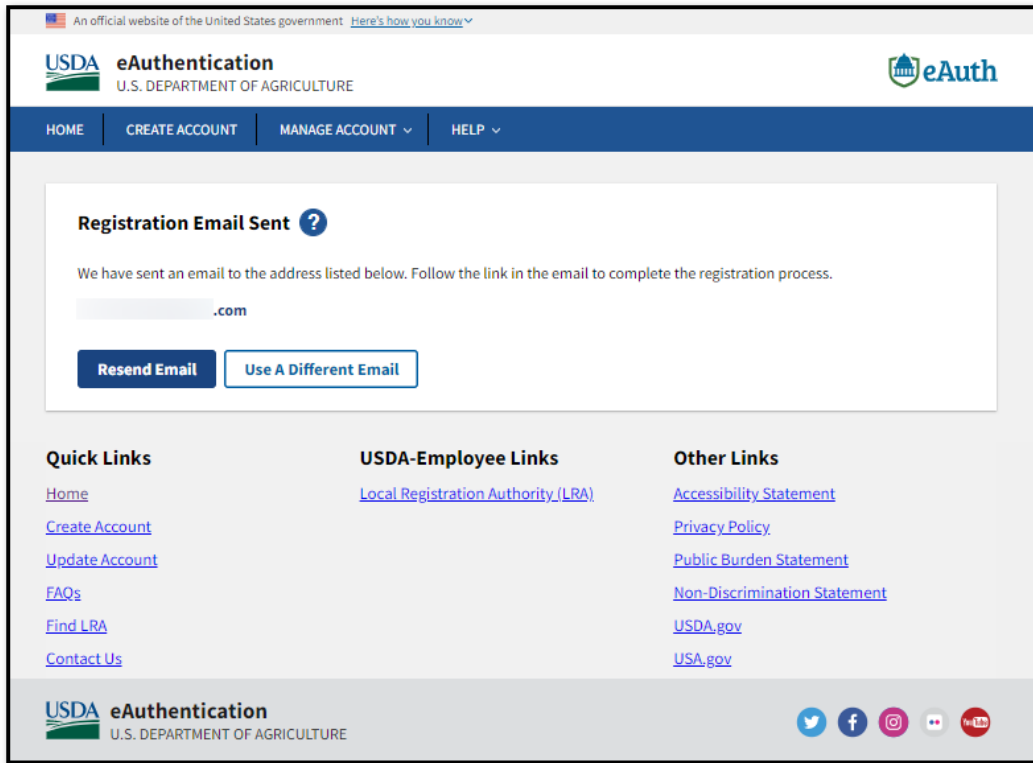
Choose Customer

Click Continue

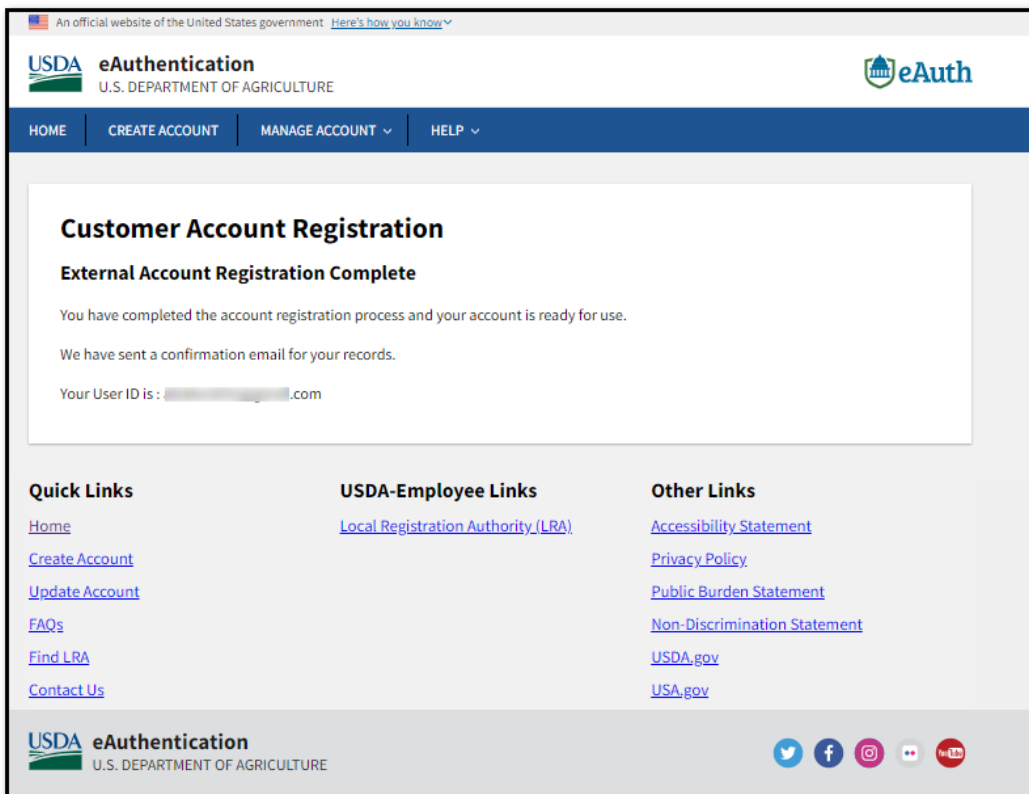
Enter Requested Information on next page



You will be taken to the following page

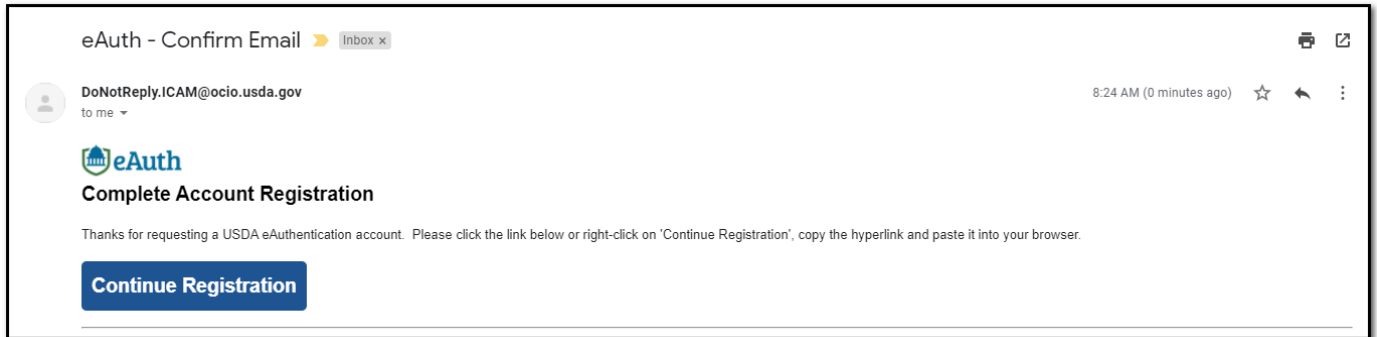


You will receive an External Account Registration Complete Page Confirmation



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

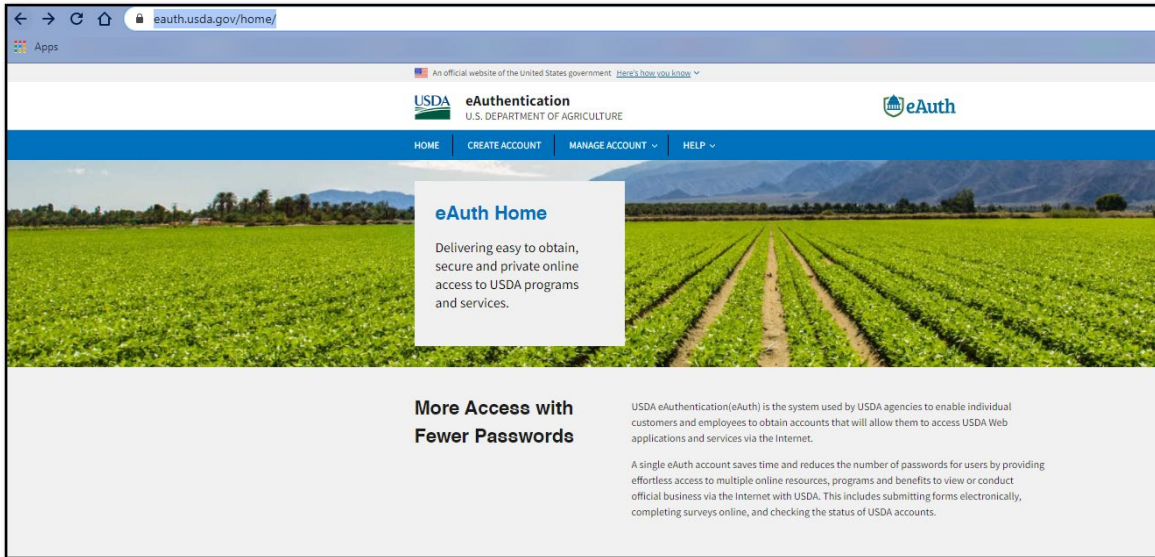
Click on Continue Registration



Fill in Customer Account Registration information, including choosing a Password

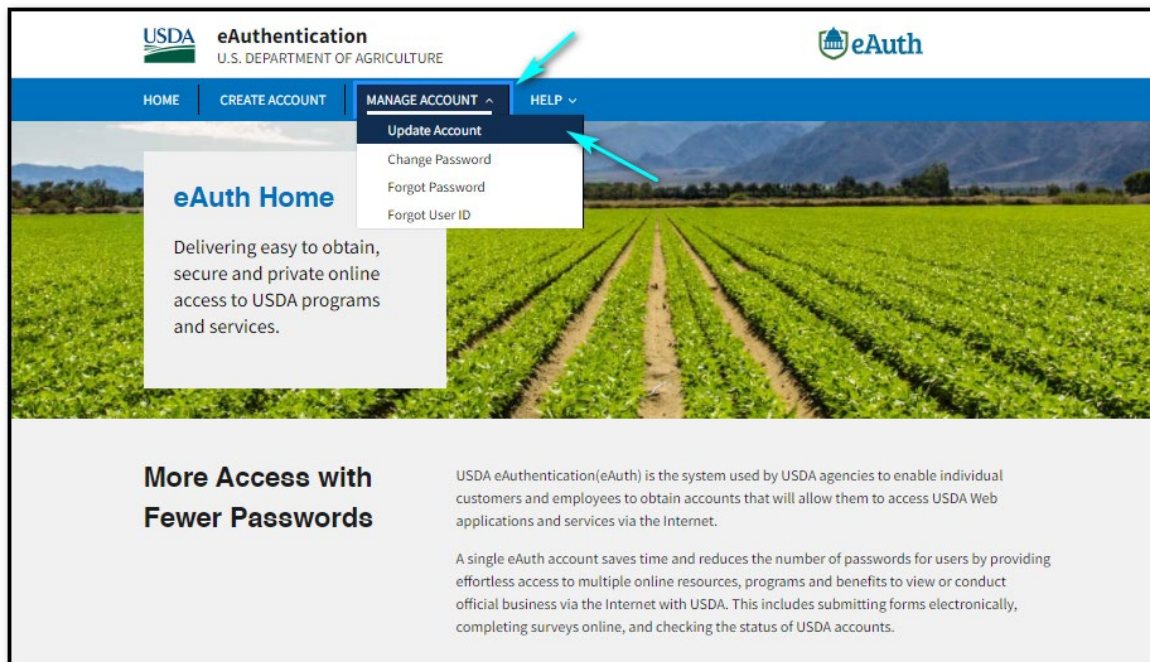
A screenshot of the USDA eAuthentication website's 'Customer Account Registration' page. The page header includes the USDA logo and 'eAuthentication U.S. DEPARTMENT OF AGRICULTURE'. A navigation bar contains 'HOME', 'CREATE ACCOUNT', 'MANAGE ACCOUNT', and 'HELP'. The main content area is titled 'Customer Account Registration' and includes the text: 'Please provide the information requested below to complete the registration of your account. Please enter your complete name as provided on a government issued photo ID (no nicknames)'. There are four input fields: 'First name', 'Middle name (optional)', 'Last name', and 'Suffix (optional)'. Below these is a light blue information box stating 'Your User ID Is Your Email Address' with 'User ID : _____ .com'. The next section is 'Please set your password' with a help icon and the text: 'Password must be at least 12 characters long and cannot be a commonly used password.' It includes a 'Password' input field and a 'Show Password' checkbox. A blue 'Submit' button is at the bottom.

Navigate to eauth.usda.gov/home/



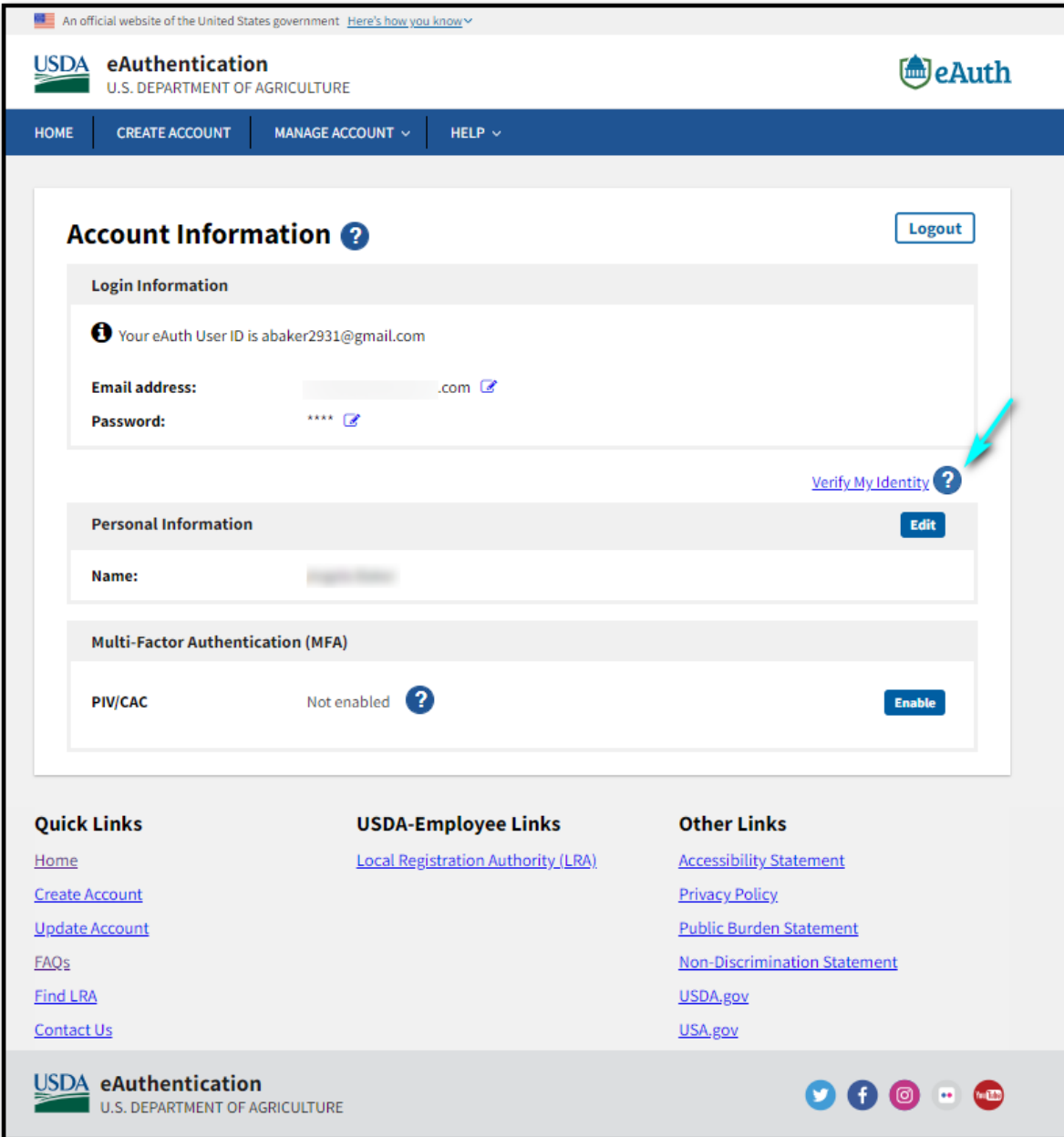
Click Manage Account

Click Update Account



Click on Verify My Identity

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



Submitting the Packaged Application

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

Tip



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

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

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

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

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

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

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

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

Tip

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

Attachment 3-J

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

Stacking Order

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

Tip

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

Paying for the Credit Report when using eForms

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

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

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

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

Submitting the Application

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

Tip

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

Next Steps, Confirmation and Follow-up

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

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

Pending Packages

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

Open package submissions are packages that are:

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

Completed Packages

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

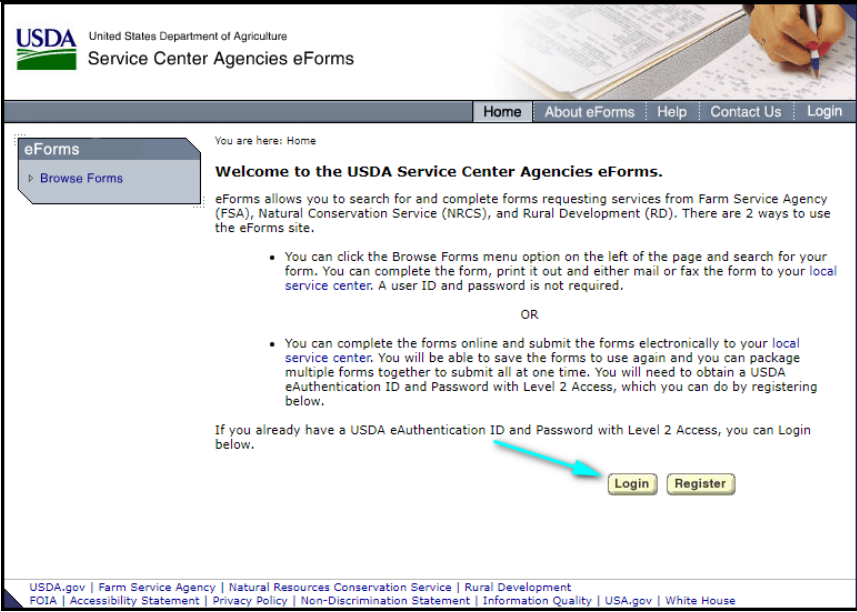
Conclusion

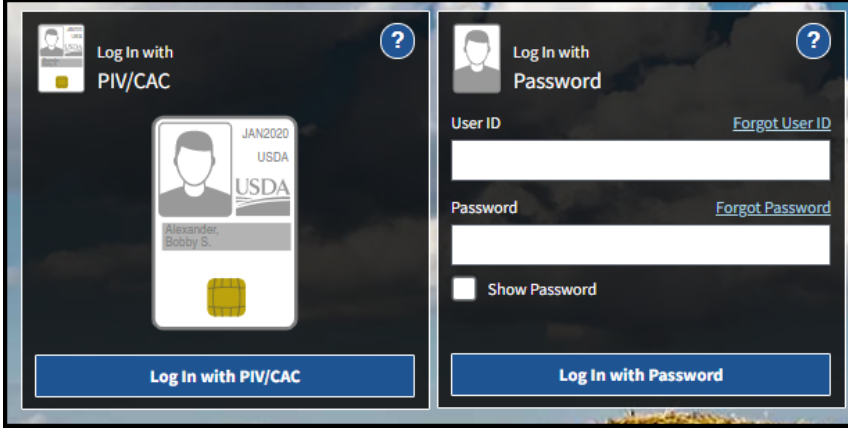
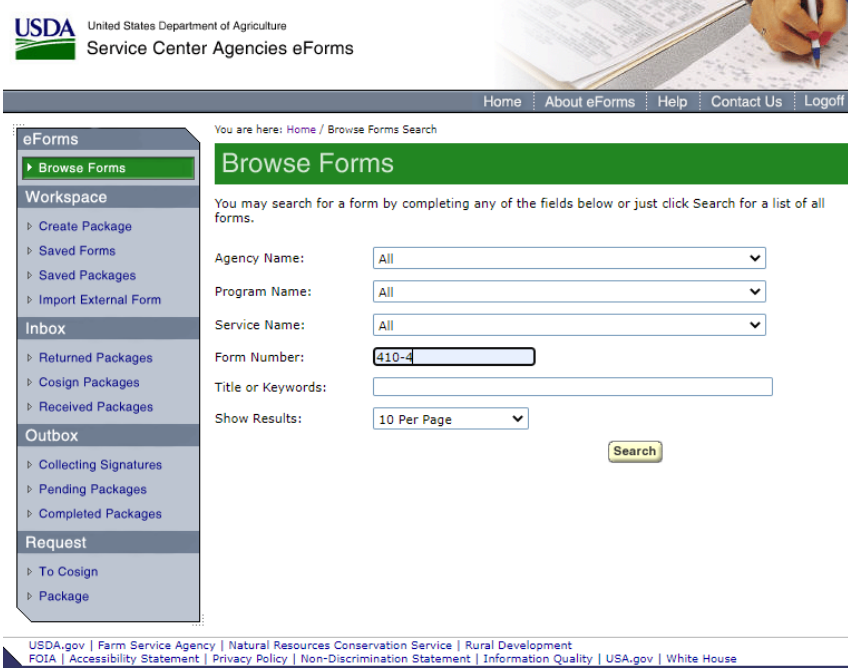
You are only required to use this when packaging a non-self-help application via the certified or non-certified loan application process but are encouraged to use this as a tool when processing a 502 self-help application. As discussed in this chapter, submitting applications via eForms has its benefits;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


Submitting 502 Direct Mortgage Loan to USDA RD

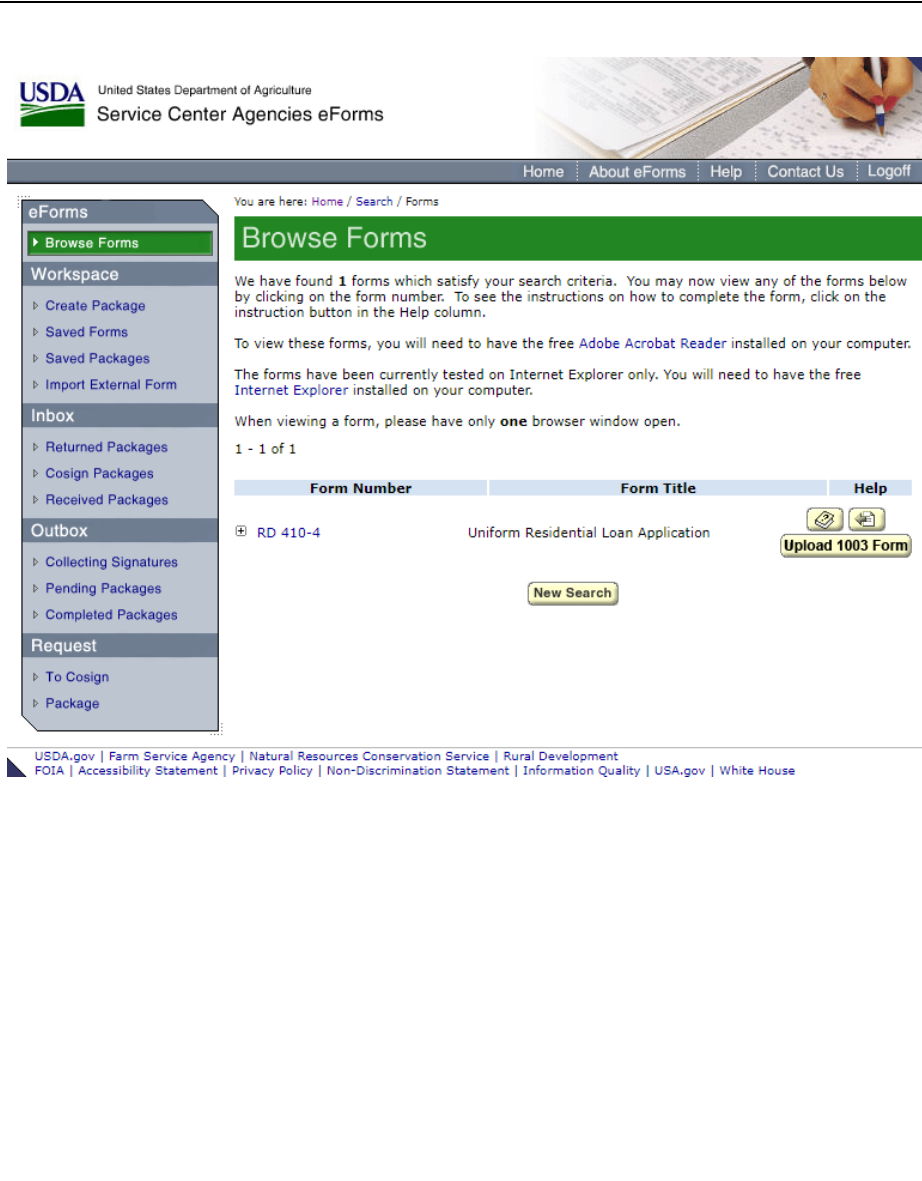
For determination via eForms

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

STEP	TASK DESCRIPTION	OPERATOR	TOOLS/SUPPLIES/ RESOURCES	CYCLE TIME
Login to eForms	https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home	Certified Packager	Computer, Internet Access	30 seconds
Click Login	 <p>The screenshot shows the USDA Service Center Agencies eForms website. At the top, there is a navigation bar with links for Home, About eForms, Help, Contact Us, and Login. Below this, a sidebar on the left contains 'eForms' and 'Browse Forms'. The main content area features a heading 'Welcome to the USDA Service Center Agencies eForms.' followed by a paragraph explaining that eForms allows users to search for and complete forms for services from the Farm Service Agency (FSA), Natural Conservation Service (NRCS), and Rural Development (RD). Two methods are listed: clicking 'Browse Forms' to search and print forms, or completing forms online and submitting them electronically. A red arrow points to the 'Login' button at the bottom of the instructions.</p>	Certified Packager	Computer, Internet Access	5 seconds

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

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

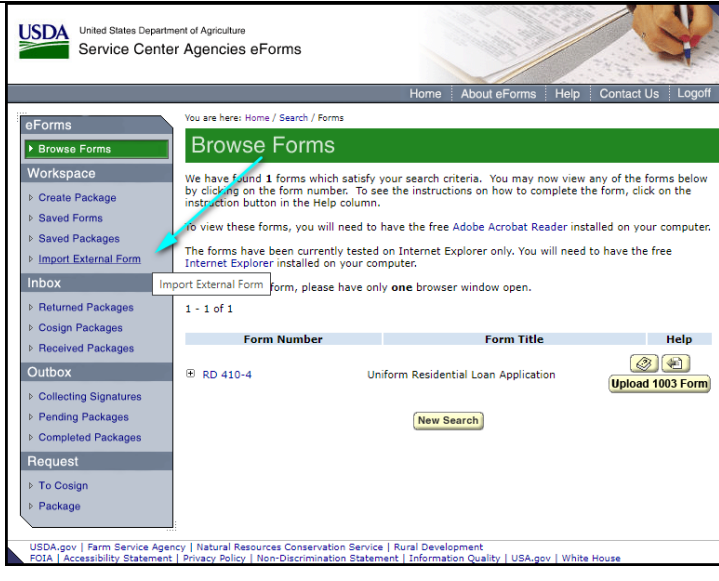
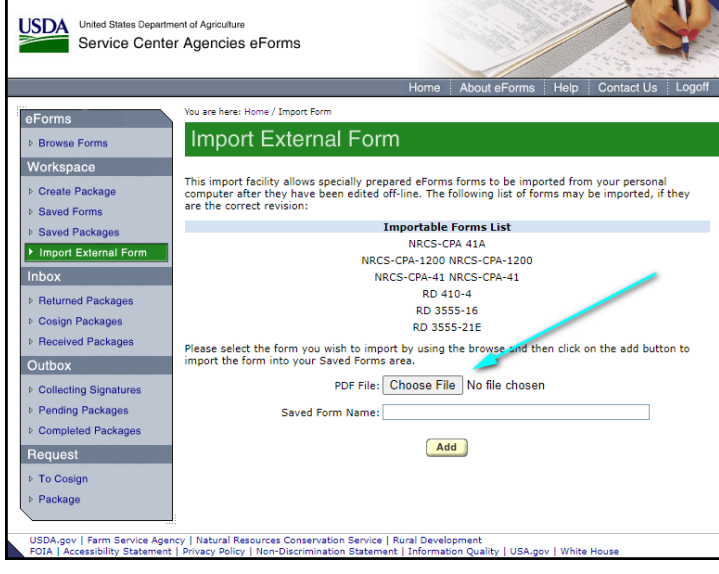


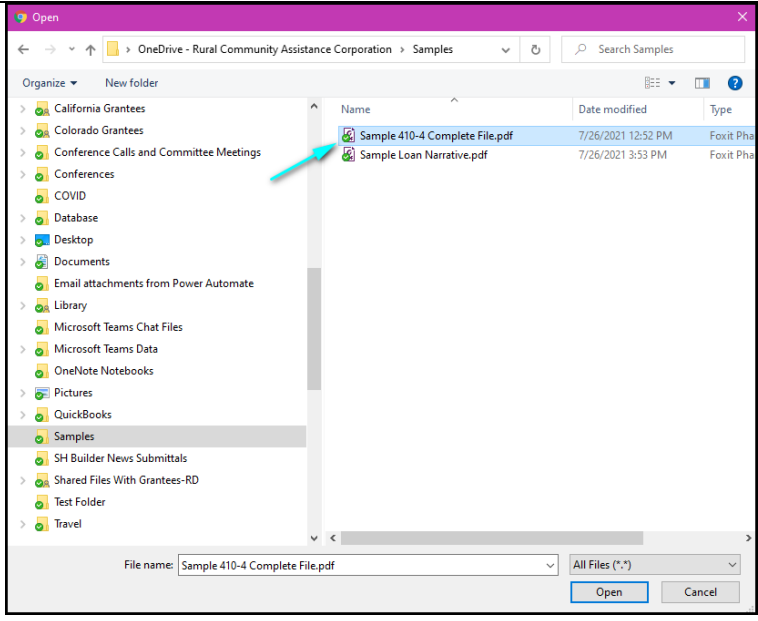
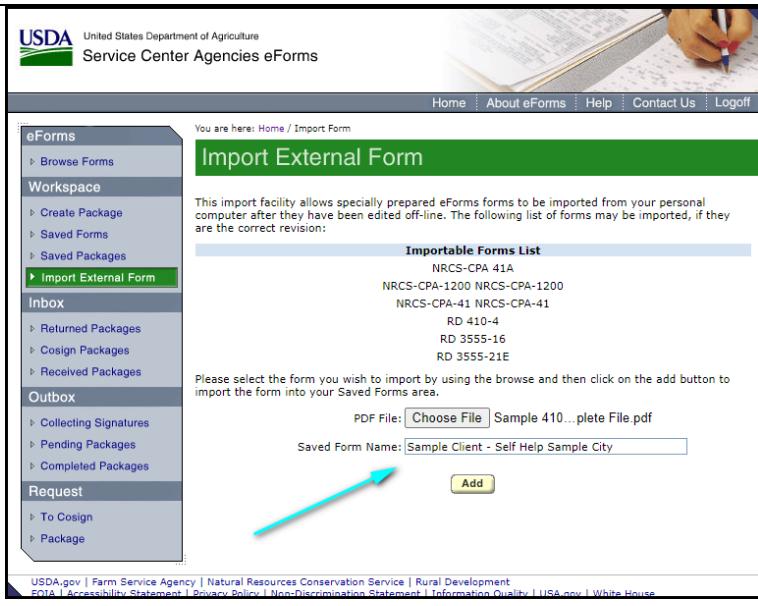
The screenshot shows the USDA Service Center Agencies eForms website. The header includes the USDA logo and navigation links: Home, About eForms, Help, Contact Us, and Logoff. The main content area is titled "Browse Forms" and displays search results for "RD 410-4". The results table has columns for Form Number, Form Title, and Help. The first result is "RD 410-4" with the title "Uniform Residential Loan Application". Below the table is a "New Search" button. The footer contains various links including USDA.gov, Farm Service Agency, and FOIA.

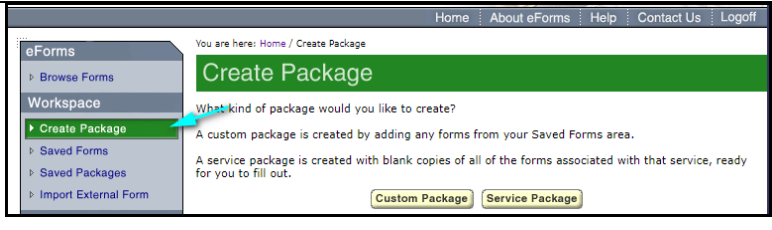
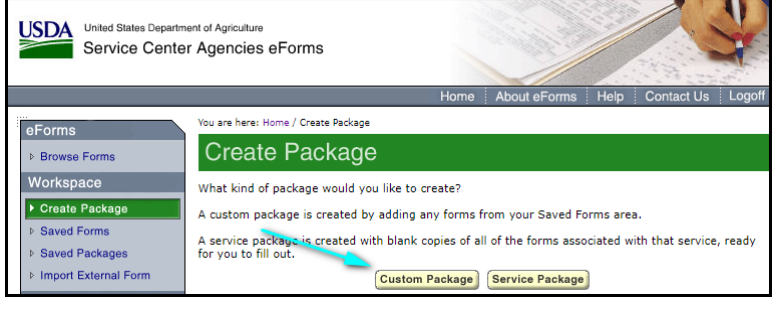
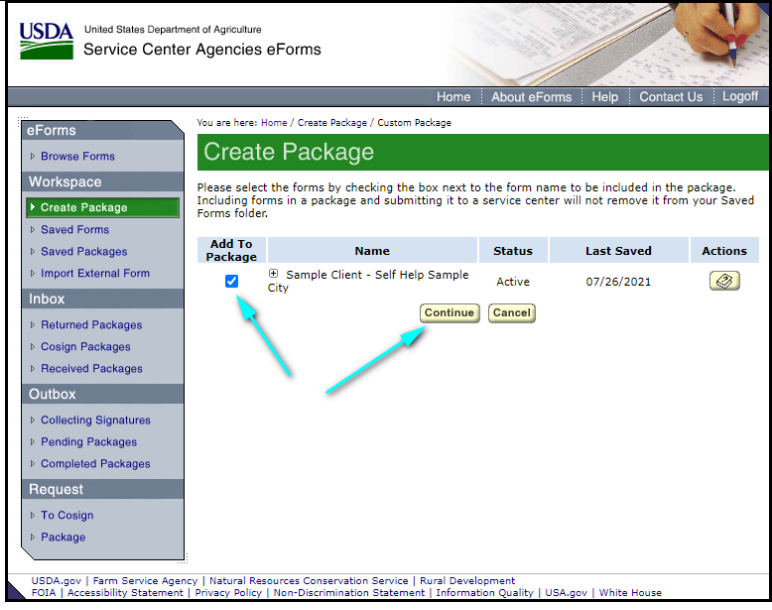
Certified
Packager

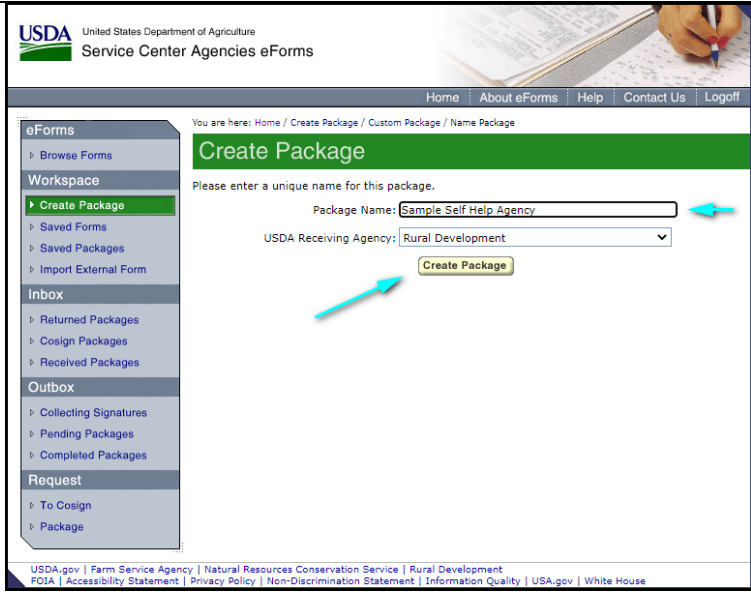

Computer, Internet
Access

5
seconds

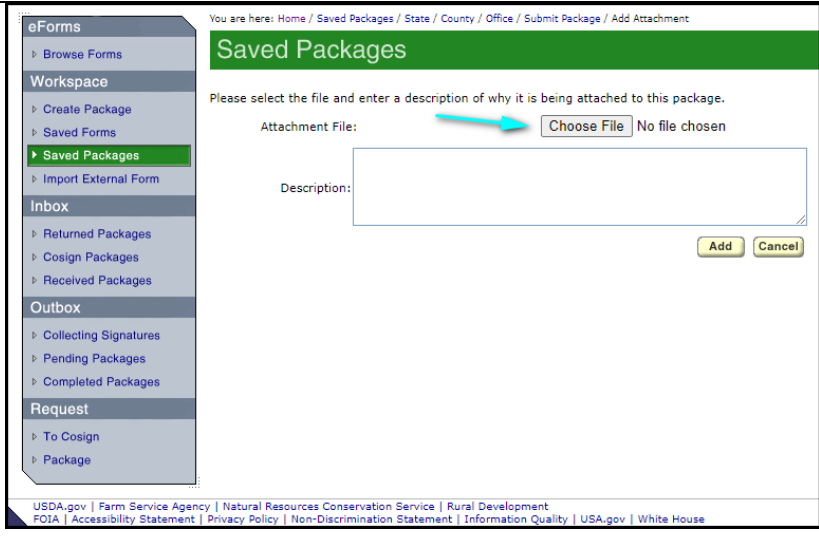
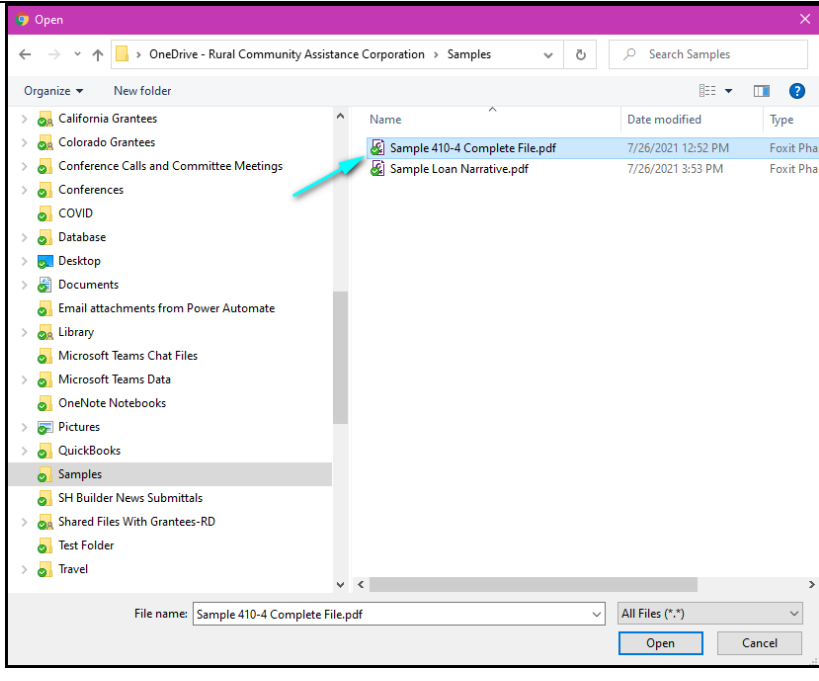
<p>After all forms have been completed Click on Import External Form in the menu on the right.</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>
<p>Click Choose File</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

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

<p>Click "Create Package"</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>										
<p>Click "Custom Package"</p>			<p>Certified Packager</p>	<p>Computer, Internet</p>	<p>5 seconds</p>										
<p>Select file you want. Screen will go blank for a moment, then click "Continue"</p>	 <table border="1" data-bbox="535 974 1092 1055"> <thead> <tr> <th>Add To Package</th> <th>Name</th> <th>Status</th> <th>Last Saved</th> <th>Actions</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td> <td>Sample Client - Self Help Sample City</td> <td>Active</td> <td>07/26/2021</td> <td></td> </tr> </tbody> </table>	Add To Package	Name	Status	Last Saved	Actions	<input checked="" type="checkbox"/>	Sample Client - Self Help Sample City	Active	07/26/2021			<p>Certified Packager</p>	<p>Computer, internet</p>	<p>10 seconds</p>
Add To Package	Name	Status	Last Saved	Actions											
<input checked="" type="checkbox"/>	Sample Client - Self Help Sample City	Active	07/26/2021												

<p>Enter borrower's last name – Self Help Housing [location]. USDA Receiving Agency should be Rural Development. Then Click “Create Package”</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>10 seconds</p>
<p>Click “file Icon” which will say submit when you hover the mouse over it</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

<p>Select the USDA Service Center.</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>
<p>Click "Add" to attach all sections of the application</p>			<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

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

Enter name of form under description. Then click “add”

You will follow this step and the one above to attach all pieces of the application

- *Electronic RHS
- Income
- Calculator
- *Application Processing Stage
- *Income
- *Deductions
- *Assets
- *Credit
- *Other

You are here: Home / Saved Packages / State / County / Office / Submit Package / Add Attachment

Saved Packages

Please select the file and enter a description of why it is being attached to this package.

Attachment File: Sample Cle...plete File.pdf

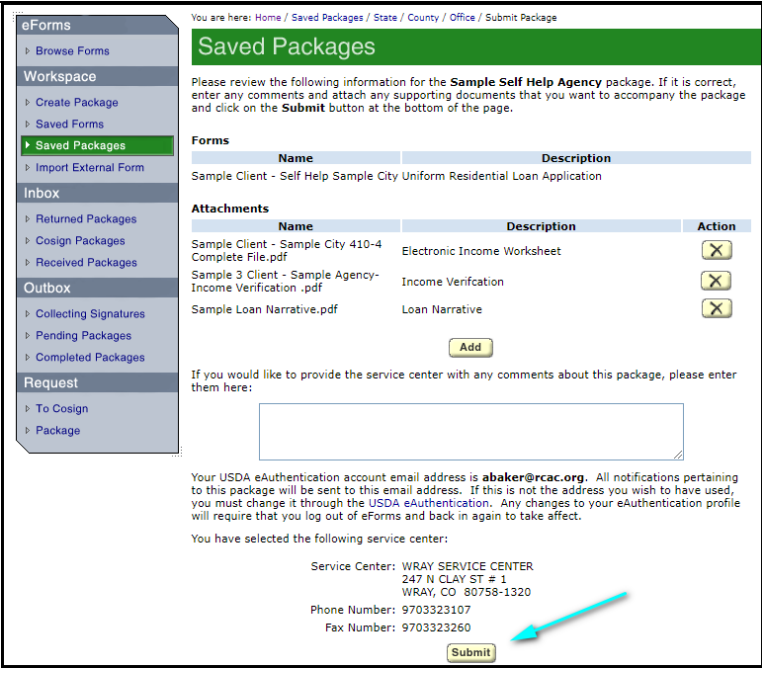
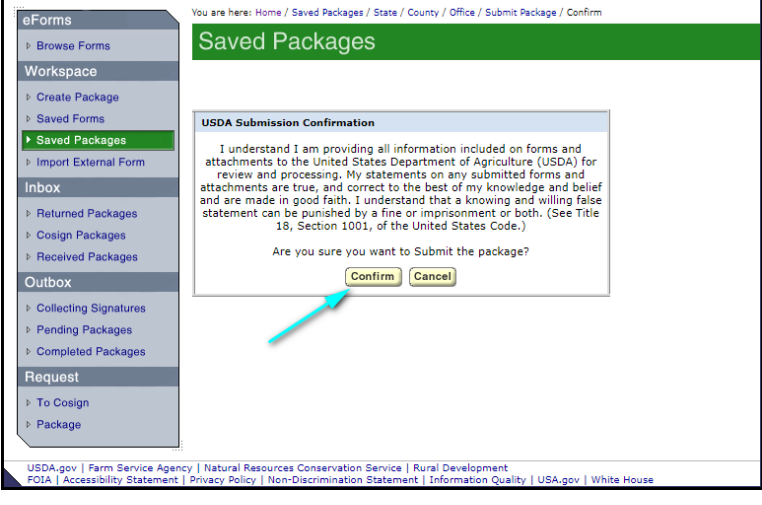
Description:

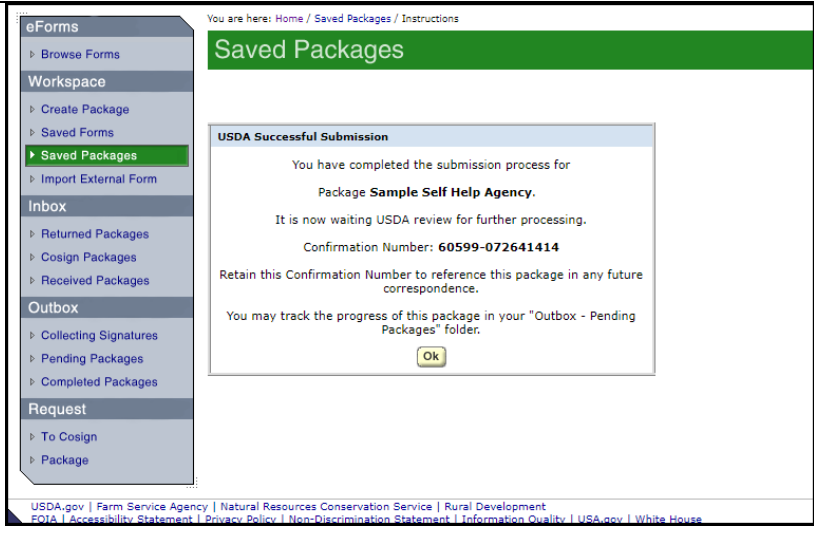
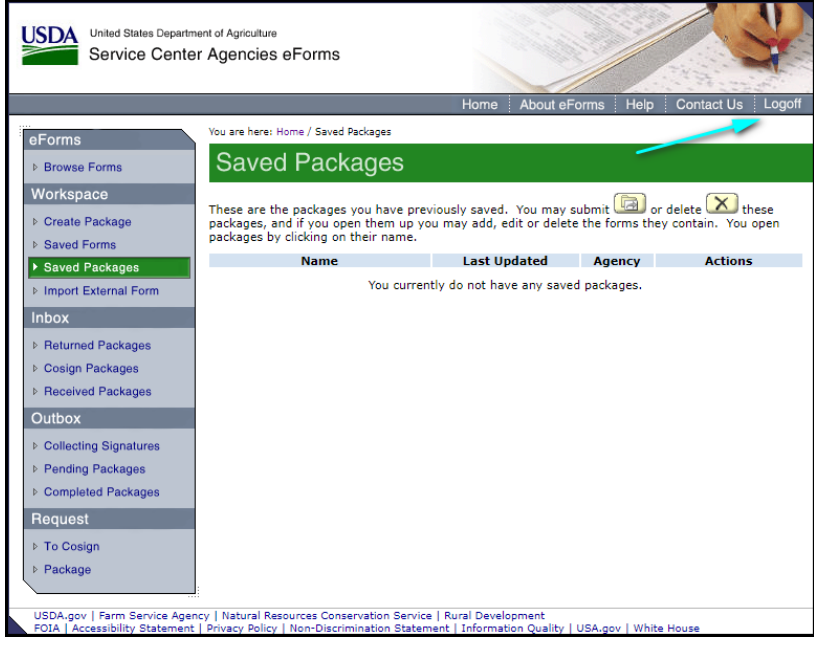
USDA.gov | Farm Service Agency | Natural Resources Conservation Service | Rural Development
FOIA | Accessibility Statement | Privacy Policy | Non-Discrimination Statement | Information Quality | USA.gov | White House


Certified
Packager

Computer, internet
access

15
minutes

<p>After attaching all pieces of the package, type “[location]Self Help” and any notes you want the RD office to know about the file, then hit “submit”</p>	 <p>The screenshot shows the 'Saved Packages' interface. On the left is a navigation menu with categories like 'Workspace', 'Inbox', 'Outbox', and 'Request'. The main content area displays a table of forms and attachments. A red arrow points to the 'Submit' button at the bottom of the page.</p>		<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>10 seconds</p>
<p>Click “confirm” to submit</p>	 <p>The screenshot shows a 'USDA Submission Confirmation' dialog box. It contains a paragraph of text stating that the user understands the information provided is true and correct. Below the text, it asks 'Are you sure you want to Submit the package?' and provides 'Confirm' and 'Cancel' buttons. A red arrow points to the 'Confirm' button.</p>		<p>Certified Packager</p>	<p>Computer, internet access</p>	<p>5 seconds</p>

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

<p>Print email confirmation with date and time stamp of the submission. Place copy in the loan file.</p>	<p>  Tue 11/17/2020 5:15 PM eFormsManager@one.usda.gov eForms Package 102464-111736859 Submittal </p> <p> To Mishell French Retention Policy RurAL CAP USER RETENTION POLICY (7 years) Expires 11/16/2027 </p> <hr/> <p>EXTERNAL EMAIL</p> <p>Mishell Reid</p> <p>Package 102464-111736859 was successfully submitted on Tuesday, November 17th, 2020 at 8:15pm to:</p> <p style="margin-left: 40px;"> KENAI SERVICE CENTER 110 TRADING BAY DR STE 160 KENAI, AK 99611-7787 </p> <p>It is now pending a review for completeness. You will be notified further once this has been done.</p> <p>Please do not respond to this email, as it was automatically generated by the eForms system.</p> <p>eForms Automation</p>	<p>Certified Packager</p>	<p>Computer, internet access, printer</p>	<p>2 minutes</p>
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Appendices

Appendix 1: Application Processing Checklist

Appendix 2: Exhibit 4-3, Types of Assets

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

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

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

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

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

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

Appendix 9: Handbook Letter 16 (3550), Eligibility of Self- Help Applicants

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

Appendix 11: Form RD 1-35502 Subsidy Repayment Agreement

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

Appendix 13: USDA-RD eForms User Guide March 2020

Appendix 14: USDA-RD Stacking Order Checklist

Appendix 1: Application Processing Checklist

SAMPLE 502 Processing Checklist

Date File Received:		Name of Packager:	
Applicant Name:		Contact Name:	
Amount of Loan:		Phone:	
RD Contact Name:		Phone:	
Address:		Email:	
City, State, Zip:		Fax:	
Email:			
County Name:		Eligible County:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Term:	33 Years = 396 months	Term:	38 Years = 456 months
Low Income Ratio: 33% PITI/41%TDR		Very Low Income Ratio: 29% PITI/41%TDR	
Ratios within Guidelines:	<input type="checkbox"/> Yes <input type="checkbox"/> No	TDR:	<input type="checkbox"/> PITI: <input type="checkbox"/>
Max. Loan Amount:	\$	Max. Income:	\$
Date Loan Submitted to RD:		Date COE Issued:	
Amount of Loan Approved:		USDA Loan Number:	
Stage 1 — Application Submission via eForms			HB 3550
√	Application Processing Stage.		
	Form RD 410-4, Uniform Residential Loan Application (URLA) (pages 1-5) & Additional Information Required for RHS Assistance (pages 6-10). Signed and dated by all parties. Electronic Uniform Residential Loan Application (pages 1-5) & Additional Information Required for RHS Assistance (pages 6-10) Unsigned		
	Form RD 3550-1, Authorization to Release Information, for each adult member of the household.		
	Loan application narrative recommendation, which includes an eligibility and preliminary credit analysis		
	Homebuyer education certificate of completion		
√	Eligibility — Income.		
	Copies of the last four week's consecutive pay stubs.		
	Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).		
	Last 12-month payment history of alimony and/or child support received as provided by the court appointed entity responsible for handling payments. If this is not available, a copy of the of the applicable pages of a separation agreement or divorce decree if available		
	For each applicant, a complete copy of their last two Federal Income Tax Returns. IRS Form W-2, Wage and Tax Statement, and/or IRS Form 1099-MISC, Miscellaneous Income, must be attached. Include current/YTD Profit and Loss Statement if self-employed and Business License if applicable.		

√	Eligibility — Income (Continued).	
	Evidence of income from assets such as interest, dividends, capital gains, etc.	
	The Agency will ask the applicant to directly request, obtain, and provide a copy of their tax return transcript for the previous two tax years (using IRS Form 4506-T, Request for Transcript of Tax Return) if additional income validation is needed . If there are inconsistencies between the income verifications (e.g. pay stubs, tax returns, etc.), or if the applicant was unable to furnish complete copies of their last two filed returns (e.g. a W-2 was missing), then the transcript should be requested.	
	For each applicant, a written explanation of employment history of less than two years or employment gaps in excess of 30 days within the last two years.	
	A completed and signed Form RD 3550-4, Employment and Asset Certification.	
	Fully completed Income Calculation Worksheet with Payment Assistance and Max Loan Calculator. Please use most recent version which can be found at https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans (Under Forms and Resources Tab)	
	Area Loan Limits Checked	
	Area Income Limits Checked	
	Borrower's adjustable household income does not exceed maximum allowable income limit	
	Household income for all occupants 18 years and older has been verified and included on worksheet, if not employed verification/statement to that affect is in file.	
	Eligibility — Deductions.	
	Written evidence of child care expenses for dependents 12 years of age or younger.	
	For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript and applicable pages of the schools administration policy of a "full-time" student.	
	Evidence of out of pocket annual medical expenses (only applicable for applicants 62 years of age and older, or individuals with a disability) who wish to be considered for a deduction to household income.	
√	Eligibility — Assets.	
	For each applicant and adult household member, a copy of their two most recent Asset, bank, stocks and retirement account statements.	
	Verification of the market value of other assets such as land, real estate, etc.	
	Explanation of Large Deposits and/or payments not disclosed on application	
	Proof of Sale of other Property	
	Gift Letter: \$_____ Donor:_____ Donor Ability:_____	
	Other	
	Other	
	Other	
√	Eligibility — Credit.	
	<p>\$25 credit report fee (non-refundable): If the applicant and co-applicant currently reside at separate addresses, the fee is \$25 each. Remove any credit freeze at the time of application submission and keep it lifted until such time as the Agency pulls a credit report. Indicate an option for payment of the credit report fee:</p> <p><input type="checkbox"/> Option 1: Provide a copy of a voided check or savings account deposit slip from an American Bankers Association (ABA) bank (we cannot process withdrawals from a foreign bank). The Agency will use the ABA routing number and account number to collect payment through the Automated Clearing Housing System (ACH). By providing a copy of a voided check or deposit slip, you are authorizing the deduction from the account by electronic means. Option one is the preferred method as it provides faster processing.</p> <p><input type="checkbox"/> Option 2: Mail a check, cashier's check or money order that is signed, dated, and made payable to USDA Rural Development.</p>	

	Credit Score Disclosure (HB-1-3550 Attachment 3-H Page 1 & 2) Signed & Dated	
	For each applicant, a written explanation for late payments, collections, judgments, or other derogatory items in their credit history of which they may be aware if the applicant is not eligible for Streamlined Credit analysis.	
	Copy of preliminary credit report used by the packager for preliminary credit analysis.	
	Proof of Paid Collections and/or Payment Arrangements	
	Debts paid by others: Example: Per Divorce Decree husband liable for certain debt. Twelve months cancelled check's required and verification payer is a co-obligor on debt.	
	Verification of Rent (VOR if property manager): 12 months cancelled checks if renting from family member or private party if score is below 640	
	24 month housing history: History shown on Form RD 410-4, Uniform Residential Loan Application, matches history reported on credit report:	
	Court Papers Regarding minor child including child support payment schedule.	
	Applicable pages of a Final Divorce Decree; If applicable, Spousal Support Documentation	
	Student Debt Repayment Schedule or Grant Schedule	
	Continued Education Plan	
	Bankruptcy Documents and Discharge Papers	
	Short Sale/Foreclosure date: _____ (verify meets Investor guides for time lapsed)	
	Social Security number validation for [] B and [] CB	
	Credit Scores: Borrower: _____ Co-Borrower: _____	
	Credit History Worksheet Form RD 1944-61 completed for <640 credit score	
	For applicants with no outstanding judgments obtained by the United States in a Federal court, with no significant delinquency, and who have more than one credit score listed on their TMCR that result in a credit score of 640 or higher on their TMCR, Exhibit 4-4 need not be used to identify indicators of unacceptable credit handling. In addition, a verification of rent and Form RD 1944-61, Credit History Worksheet, need not be completed. These applicants are automatically classified as having acceptable credit histories regardless of what is listed on the TMCR. To avoid potential disparate treatment, additional credit analysis is not appropriate.	
	Applicant	
	Trade Line #1 -	
	Trade Line #2 -	
	Trade Line #3 -	
	Co-Applicant	
	Trade Line #1 -	
	Trade Line #2 -	
	Trade Line #3 -	
	Other:	
	Other:	
	Other:	
√	Eligibility – Other.	
	For each applicant, verification of their identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on photo identification), and a copy of their Social Security card is only needed if there isn't other evidence of the applicant's full taxpayer ID number.	
	Evidence that a non-citizen applicant is a qualified alien.	
	Signed copy of disclosure letter found in HB-1-3550 Attachment 3-A . (A Formal Letter stating packaging services are optional, packager's role and fees signed and dated by all applicants *Include Waiver of Provisions to the Privacy Act of 1974)	

Stage 2— Property Submission via Email		
√	Property Eligibility Stage.	
	Fully executed sales contract.	
	Flood elevation certificate (if property is in a flood zone). (Note: Rural Development must order the flood hazard determination.)	
	Whole house inspection report (existing property).	
	Amended sales contract to identify any repairs negotiated between buyer/seller.	
	Potential repair list, estimated cost for repairs, and proposal for how repairs will be funded/completed.	
	Legal description	
	Property eligibility map (screen print from eligibility website).	
	Certified plans, specifications, and cost estimates for new construction.	

Appendix 2: Exhibit 4-3, Types of Assets

Exhibit 4-3 Types of Assets

The following types of assets must be considered.

Non-retirement assets including:

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

Retirement assets including:

- Amounts in voluntary retirement plans that can be withdrawn, such as individual retirement accounts (IRAs), 401(K) plans, and Keogh accounts; and
- Amounts in other retirement and pension plans that can be withdrawn without retiring or terminating employment.

The following types of assets are not considered.

- The value of necessary items of personal property, such as furniture, clothing, cars, wedding rings and other jewelry not held as an investment, and vehicles specially equipped for persons with disabilities;
- Assets that are part of any business, trade, or farming operation in which any member of the household is actively engaged;
- The value of an irrevocable trust fund, or the value of any trust over which no member of the household has control;
- Term life insurance policies where there is no cash value;
- Assets that are not effectively owned by, accessible to, and provide no income to the applicant;
- Interests in American Indian trust land; and
- For income calculations, any assets on hand that will be used to reduce the amount of loan.

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

Exhibit 4-4
Indicators of Unacceptable Credit

Little or no credit history. The lack of credit history on the credit report may be mitigated if the applicant can document a willingness to pay recurring debts through other acceptable means such as third party verifications or canceled checks. Due to impartiality issues, third party verifications from relatives of household members are not permissible.

Payments on any installment account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.

Payments on any revolving account which was delinquent for more than 30 days on two or more occasions within the last 12 months.

A foreclosure that has been completed within the last 36 months.

An outstanding Internal Revenue Service (IRS) tax lien or any other outstanding tax liens with no satisfactory arrangement for payment.

Two or more rent or mortgage payments paid 30 or more days late within the last 2 years. If the applicant has experienced no other credit problems in the past 2 years, only 1 year of rent history will be evaluated. This requirement may be waived if the program loan will reduce shelter costs significantly and contribute to improved repayment ability.

Outstanding collection accounts with a record of irregular payments with no satisfactory arrangements for repayment, or collection accounts that were paid in full within the last 6 months, unless the applicant had been making regular payments previously.

Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago.

Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement.

Delinquency on a federal debt.

A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months, *except*:

- ◇ A bankruptcy in which:
 - ◆ Debts were discharged more than 36 months prior to the date of application; or
 - ◆ Where an applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the 12 months prior to the date of application.
- ◇ A judgment satisfied more than 12 months before the date of application.

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

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

LANDLORD'S VERIFICATION

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

Applicant's Name and Address:

USDA, Rural Development
Rural Housing Service

Telephone: _____

LANDLORD - Please complete all of the following information:

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

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

RENTAL HISTORY DURING THE LAST 24 MONTHS:

(please check one)

Always pays by the due date
 Pays over 30 days late: (Dates of Occurrences: _____)
 Generally stays behind schedule

CURRENT STATUS OF RENT:

Current? Behind?
Amount behind: \$ _____
Date last paid: _____
Next due date: _____

Landlord's signature

Date completed

SEE ATTACHED PRIVACY ACT NOTICE

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

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

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

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

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

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

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

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

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

AUTHORIZATION TO RELEASE INFORMATION

TO: _____

RE: _____
Account or Other Identifying Number

Name of Customer

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

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

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

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

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

This authorization is valid for the life of the loan.

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

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

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

Your prompt reply is appreciated.

Signature (Applicant or Adult Household Member)

Date

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

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

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

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

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

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION- CONTINUED

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

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

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

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

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

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

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

CREDIT HISTORY WORKSHEET

Applicant:

Credit Score(s): High Middle Low

Co-Applicant:

Credit Score(s): High Middle Low

Section A – Reliability of Credit Score

1. Does the applicant have at least 2 credit scores, and a minimum of 2 traditional trade lines on the Tri-Merge Credit Report (TMCR), which have been open and active for at least 12 months, within the last 24 months from the date of the credit report? (If Yes, the score is considered reliable, and you must list at least 2 of the trade lines for each applicant. If No, the score is considered unreliable and the Loan Originator must obtain nontraditional credit verifications.)

Applicant **Co-Applicant**

Applicant (A) /

Co-Applicant (Co-A)

Account Name

Date Opened

Last Active

Applicant (A) / Co-Applicant (Co-A)	Account Name	Date Opened	Last Active
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Section B – Housing Payment History

2. If the applicant’s credit score is unreliable and/or is less than the acceptable score identified in Handbook-1-3550:

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

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

Section C – Nontraditional / Alternative Credit

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

Applicant (A) /

Co-Applicant (Co-A)

Account Name

**Number of
Yrs/Mo Open**

Last Active

Applicant (A) / Co-Applicant (Co-A)	Account Name	Number of Yrs/Mo Open	Last Active
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Section D – Additional Credit Checks

Applicant

Co-Applicant

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

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

- 8. Does the applicant have a significant delinquency?
 - a. Foreclosure completed within the last 36 months.

Date:

- b. Deed-in-lieu of foreclosure completed within the last 36 months. Date:

- c. Short sale completed within the last 36 months. Date:

- d. Mortgage charge-off completed within the last 36 months. Date:

- e. Chapter 7 bankruptcy discharged less than 36 months prior to the Discharge date:

- f. Chapter 13 bankruptcy where the applicant has not successfully completed the debt restructuring plan or has not demonstrated a willingness to meet obligations when considering the last 12-month payments made under the restructuring plan. Date:

- g. Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement.

Date:

Section F – Other Indicators of Unacceptable Credit

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

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

Section G – Credit History Evaluation

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

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

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

Please provide an explanation below:

Select exception type:

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

Acceptable credit history

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

Unacceptable credit history

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

Provide a brief narrative to summarize your decision

Name of Loan Approval Official

Date

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

ATTACHMENT 3-J

CHECKLIST OF ITEMS TO ACCOMPANY THE UNIFORM RESIDENTIAL LOAN APPLICATION

When submitting a Uniform Residential Loan Application, Form RD 410-4, an applicant should simultaneously submit the following items in order for the application to be considered complete. The first two items are standard and apply to all applicants. For all other items, submit the requested items as applicable.

Prior to submitting an application and accompanying documentation, verify that the application has been fully completed and signed where applicable; and that all pages of the accompanying documentation has been provided. If signatures or documents are missing, the application will be considered incomplete and cannot be processed.

- Nonrefundable credit report fee of \$25 for individual or joint applicants. Payment may be accepted via check or money order made payable to USDA Rural Development; cash payments will not be accepted. **Notice to Customers Making Payment by Check:** If applicants send the Agency a check, it will be converted into an electronic funds transfer (EFT). This means the Agency will copy the check and use the account information on it to electronically debit the applicant's account for the amount of the check. The debit from the applicant's account will usually occur within 24 hours, and will be shown on the applicant's regular account statement. Applicants will not receive their original check back. The Agency will destroy the original check, but will keep an image of it. If the EFT cannot be processed for technical reasons, applicants authorize the Agency to process a paper copy of the image in place of the original check. If the EFT cannot be completed because of insufficient funds, the Agency may try to make the transfer up to two additional times [and the Agency will charge a one-time fee of \$15, which will also be collected by EFT].
- A signed Form RD 3550-1, Authorization to Release Information, for each adult member of the household. <http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-1.PDF>
- A completed and signed Form RD 3550-4, "Employment and Asset Certification". <http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-4.PDF>
- Verification of **all household income**. To qualify for the program, a household's adjusted annual income must be within the established income limit based on size and location. Below are some examples of income that may be applicable to all household members and what should be provided to the Agency.
 - Copies of the last four week's consecutive pay stubs.
 - Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).

- Last 12 month payment history of alimony and/or child support received as provided by the court appointed entity responsible for handling payments. If this is not available, a copy of the separation agreement or divorce decree. Please note that while you can choose to have this income excluded from your repayment income, this income must be reported to determine if your household's adjusted income is within the program's income limit.
 - For each applicant, a complete copy of their last two signed and filed Federal Income Tax Returns. IRS Form W-2, "Wage and Tax Statement," and/or IRS Form 1099-MISC, "Miscellaneous Income", must be attached. For returns mailed to the IRS, provide a copy of the signed document. For returns filed electronically, include a copy of the signature page with the Self-Select PIN, confirmation that the return was accepted, or evidence that it was filed by an authorized E-File provider.
 - For each applicant, a signed IRS Form 4506-T, Request for Transcript of Tax Return <https://www.irs.gov/pub/irs-pdf/f4506t.pdf>
 - For each applicant, a written explanation of employment history of less than two years or employment gaps in excess of 30 days within the last two years.
 - For each household member, a copy of their two most recent brokerage or bank statements (excluding tax advantaged plans for education, health/medical, and retirement). If you are obtaining this information online, provide the statements as opposed to providing the online transaction histories.
 - For each applicant, a written explanation for late payments, collections, judgments, or other derogatory items in their credit history of which they may be aware. If applicants are unsure what their credit history looks like, they can obtain a free credit report by calling 1-877-322-8228 or logging into <http://www.annualcreditreport.com>. By law, individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.
 - For each applicant, verification of their identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on the photo identification), and evidence of a valid taxpayer identification number. A copy of your actual social security card is not required. Examples of evidence of your valid taxpayer identification number include pay stubs, and tax returns. The evidence must list the full number (i.e. no numbers are hidden or suppressed).
 - For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript.
 - If applicable, provide written evidence of child care expenses for dependents 12 years of age or younger.
-

- If applicable, evidence of out of pocket annual medical expenses (for applicants 62 years of age and older, or individuals with a disability) who wish to be considered for a deduction to household income.

If all relevant information is not provided along with a fully completed and signed Uniform Residential Loan Application, the application will be considered incomplete.

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

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

ATTACHMENT 7-C
INSURANCE POLICY REQUIREMENTS

A. Loss or Damage Covered

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

B. Amount

The Loan Originator should encourage borrowers with a total indebtedness of more than \$15,000 to obtain hazard insurance to cover the dwelling and any other essential buildings (such as a garage) in an amount that is equal to the insurable value (i.e. the cost to restore the property back to its state prior to a loss) of the dwelling and other essential buildings or the unpaid principal balance. Flood insurance must cover the *lesser of* the outstanding principal balance of the loan or the maximum amount of coverage allowed under FEMA's National Flood Insurance Program (NFIP).



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

C. Borrower's Deductible

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

D. Term

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

E. Effective Date

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

F. Construction Specifications and Use Conditions

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

G. Names and Location

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

H. Mortgagee Clause

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

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

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

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

Appendix 9: Handbook Letter 16 (3550), Eligibility of Self- Help Applicants

REFERENCE: Field Office Handbook Chapter 4

SUBJECT: Eligibility of Self-Help Applicants

Date: [insert today's date]

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

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

[insert city, state, and zip code]

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

You have been determined eligible for Rural Development financing for construction of a modest single family home under the Self-Help program. Eligibility is based on income and financial information that is verified within 120 days of loan approval and closing. Loan approval and closing are subject to the continued eligibility of the applicant and the availability of loan funds. Changes in your financial status (income and expenses) must be reported to Rural Development, and may affect your eligibility and the amount of loan for which you qualify. Rural Development has determined that you qualify for a Self-Help loan up to the amount of \$ _____ in _____ County.

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

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

Sincerely,

[insert name of Rural Development Official]

[insert title of Rural Development Official]

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

APPLICATION FOR RURAL ASSISTANCE (NONFARM TRACT) Uniform Residential Loan Application

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

I. TYPE OF MORTGAGE AND TERMS OF LOAN

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

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

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

III. APPLICANT INFORMATION

Applicant #1				Applicant #2			
Name (include Jr. or Sr. if applicable)				Name (include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (Incl. Area Code)	DOB mm/dd/yy	Yrs. School	Social Security Number	Home Phone (Incl. Area Code)	DOB mm/dd/yy	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (Include single divorced, widowed)	Dependents (Not listed by Applicant #2) No. Ages			<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (Include single divorced, widowed)	Dependents (Not listed by Applicant #1) No. Ages		
Present Address (Street, City State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			
Mailing Address if different from Present Address				Mailing Address if different from Present Address			
<i>If residing at present address for less than two years, complete the following:</i>							
Former Address (Street, City State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			

IV. EMPLOYMENT INFORMATION

Applicant #1			Applicant #2		
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Yrs./Mos. on the job	Name & Address of Employer	<input type="checkbox"/> Self-Employed	Yrs./Mos. on the job
		Yrs./Mos. employed in this line of work/profession			Yrs./Mos. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (Incl. Area Code)		Position/Title/Type of Business	Business Phone (Incl. Area Code)	

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)	Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)
		Monthly Income			Monthly Income
		\$			\$

Position/Title/Type of Business	Business Phone (Incl. Area Code)		Position/Title/Type of Business	Business Phone (Incl. Area Code)	
---------------------------------	----------------------------------	--	---------------------------------	----------------------------------	--

Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)	Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From > To)
		Monthly Income			Monthly Income
		\$			\$

Position/Title/Type of Business	Business Phone (Incl. Area Code)		Position/Title/Type of Business	Business Phone (Incl. Area Code)	
---------------------------------	----------------------------------	--	---------------------------------	----------------------------------	--

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

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

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

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

A1/A2	Describe Other Income	Monthly Amount

VI. ASSETS AND LIABILITIES

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

Completed Jointly Not Jointly

ASSETS		Cash or Market Value	Liabilities and Pledged Assets. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
Description			LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Cash deposit toward purchase held by:	\$		Name and Address of Company	\$ Payment/Months	\$
List checking and saving accounts below			Acct. No.		
Name and Address of Bank, S&L, or Credit Union			Name and Address of Company	\$ Payment/Months	\$
Acct. No.	\$		Acct. No.		
Name and Address of Bank, S&L, or Credit Union			Name and Address of Company	\$ Payment/Months	\$
Acct. No.	\$		Acct. No.		
Name and Address of Bank, S&L, or Credit Union			Name and Address of Company	\$ Payment/Months	\$
Acct. No.	\$		Acct. No.		
Name and Address of Bank, S&L, or Credit Union			Name and Address of Company	\$ Payment/Months	\$
Acct. No.	\$		Acct. No.		
Name and Address of Bank, S&L, or Credit Union			Name and Address of Company	\$ Payment/Months	\$
Acct. No.	\$		Acct. No.		
Stocks & Bonds (Company name/number & description)	\$		Name and Address of Company	\$ Payment/Months	\$
	\$		Acct. No.		
	\$		Name and Address of Company	\$ Payment/Months	\$
	\$		Acct. No.		
Life insurance net cash value	\$		Name and Address of Company	\$ Payment/Months	\$
Face amount: \$			Acct. No.		
Subtotal Liquid Assets	\$		Name and Address of Company	\$ Payment/Months	\$
Real estate owned (Enter market value from schedule of real estate owned)	\$		Acct. No.		
Vested interest in retirement fund	\$		Name and Address of Company	\$ Payment/Months	\$
Net worth of business(es) owned (Attach financial statement)	\$		Acct. No.		
Automobiles owned (Make and year)	\$		Name and Address of Company	\$ Payment/Months	\$
	\$		Acct. No.		
	\$		Alimony/Child Support/Separate Maintenance Payments Owed to:	\$	
	\$		Job Related Expense (Child care, union dues, etc.)	\$	
	\$		Total Monthly Payments	\$	
Other Assets (Itemize)	\$				
	\$				
	\$				
	\$				
Total Assets a.	\$		Net Worth (a minus b)		
				Total Liabilities b.	\$

VI. ASSETS AND LIABILITIES (cont.)

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

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

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

Alternative Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS										
a. Purchase price	\$	If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.		Applicant #1 Applicant #2								
b. Alterations, improvements, repairs				<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No			Yes	No							
<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>							
c. Land (If acquired separately)				<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No			Yes	No							
<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>							
d. Refinance (incl. debts to be paid off)				<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No			Yes	No							
<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>							
e. Estimated prepaid items				<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Yes	No			Yes	No							
<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>							
f. Estimated closing costs		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
g. PMI, MIP, Funding Fee		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
h. Discount (If Borrower will pay)		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
i. Total Costs (Add items a through h)		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
j. Subordinate financing		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
k. Borrower's closing costs paid by Seller		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
l. Other Credits (Explain)		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
m. Loan amount (Exclude PMI, MIP Funding Fee financed)		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
n. PMI, MIP, Funding Fee financed		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
o. Loan amount (Add m & n)		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									
p. Cash from/to Borrower (Subtract j, k, l, & o from i)		<table border="1"> <tr><td>Yes</td><td>No</td><td>Yes</td><td>No</td></tr> <tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table>	Yes	No	Yes	No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Yes	No	Yes	No									
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>									

IX. ACKNOWLEDGMENT AND AGREEMENT

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

Applicant's Signature	Date	Applicant's Signature	Date
X		X	

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

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

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

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

Continuation For/Residential Loan Application

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

Additional Information Required for RHS Assistance

1. Loan Type: Section 502 Section 504 Loan Grant

APPLICANT #1

2. Have you ever obtained a loan/grant from RHS?

Yes No

4. Are you a relative to an RHS Employee or Closing agent/attorney?

Yes No

If yes, who? _____

Relationship _____

6. Are you a Veteran? Yes No

APPLICANT #2

3. Have you ever obtained a loan/grant from RHS?

Yes No

5. Are you a relative to an RHS Employee or Closing agent/attorney?

Yes No

If yes, who? _____

Relationship _____

7. Are you a Veteran? Yes No

8. Complete for all household members.

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

Name	Age	Are you a full time student? y/n	Do you want to be considered for an adjustment from household income because of a disabling condition? y/n	Annual Wage Income	Source of Wage Income (employer)	Annual Non-Wage Income	Source of Non-Wage Income (social security, alimony, child support, separate maintenance, etc.)

9. Child Care (*Minors who are 12 years of age or under for whom you have to hire a babysitter or leave at a child care center*)

Cost per week \$ _____ Cost per month \$ _____

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

11. Characteristics of Present Housing

Does the Dwelling:

Lack complete plumbing

Yes

No

Physically deteriorated or structurally unsound

Yes

No

Lack adequate heating

Yes

No

Overcrowded (More than 2 persons per room)

Yes

No

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

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

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

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

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

15. Notices to Applicant

Privacy Act. See attached sheet.

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

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

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

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

Unlawful Discrimination. "The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer."

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

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

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

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

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

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

Date _____ Signature of Applicant _____
X
Date _____ Signature of Applicant _____
X

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

18. Application received on _____
Application completed on _____

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

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION

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

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

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

NOTICE TO APPLICANT REGARDING PRIVACY ACT INFORMATION- CONTINUED

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

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

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

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

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

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

Appendix 11: Form RD 1-35502 Subsidy Repayment Agreement

SUBSIDY REPAYMENT AGREEMENT

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

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

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

3. Amount of Recapture Due

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

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

Current market value (see paragraph 3(c))

LESS

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

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

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

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

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

Capital improvements (see paragraph 3(i)).

EQUALS

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

TIMES

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

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

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

EQUALS

Portion of value Appreciation subject to recapture.

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

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

_____ \$ _____

LESS prior liens \$ _____ Held by _____

\$ _____ Held by _____

LESS subordinate affordable housing products \$ _____ Held by _____

\$ _____ Held by _____

LESS Rural Development Single Family Housing Loans \$ _____

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

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

i. Capital improvements are additions made to the property after the original RHS loan was made that add value above and beyond repairs necessary to maintain the property and keep it in good condition. The value of a capital improvement is determined by an appraisal, either obtained by the Agency or provided by the borrower upon Agency request, based on the change in the property's value attributable to the improvement. The cost of making the improvement will not be considered when making assessment.

j. Percentage of outstanding balance of open loans applies if all loans are not subject to recapture, or if all loans subject to recapture are not being paid in full. To calculate the percentage of outstanding balance of open loans subject to recapture, divided the balance of RHS loans subject to recapture that are being paid by the balance of all open loans. Multiply the result by 100 to determine the percentage of the outstanding balance of open loans being paid.

k. Recapture percentage is determined by the number of months the oldest loan subject to recapture has been outstanding and the average subsidized interest rate paid over the years. For example, in the chart below, if the oldest loan subject to recapture has been outstanding for 70 months and the average interest rate paid is 2.5%, the recapture percentage is .50.

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

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

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

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

Borrower agrees to pay recapture in accordance with this agreement.

Borrower	Date
Borrower	Date

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

Proposed Construction

DESCRIPTION OF MATERIALS

No. _____
(To be inserted by Agency)

Under Construction

Property address _____ City _____ State _____

Mortgagor or Sponsor _____
(Name) (Address)

Contractor or Builder _____
(Name) (Address)

INSTRUCTIONS

1. For additional information on how this form is to be submitted, number of copies, etc., see the instructions applicable to the FHA Application for Mortgage Insurance, VA Request for Determination of Reasonable Value or other, as the case may be.

2. Describe all materials and equipment to be used, whether or not shown on the drawings, by marking an X in each appropriate check-box and entering the information called for in each space. If space is inadequate enter "See misc," and describe under item 27 or on an attached sheet. THE USE OF PAINT CONTAINING MORE THAN THE PERCENT OF LEAD BY WEIGHT PERMITTED BYLAW IS PROHIBITED.

3. Work not specifically described or shown will not be considered unless

required, then the minimum acceptable will be assumed. Work exceeding minimum requirements cannot be considered unless specifically described.

4. Include no alternates, "or equal" phrases, or contradictory items. (Consideration of a request for acceptance of substitute materials or equipment is not thereby precluded.)

5. Include signatures required at the end of this form.

6. The construction shall be completed in compliance with the related drawings and specifications, as amended during processing. The specifications include this Description of Materials and the applicable building code.

1. EXCAVATION:

Bearing soil, type _____

2. FOUNDATIONS:

Footings: concrete mix _____ ; strength psi _____ Reinforcing _____

Foundation wall: material _____ Reinforcing _____

Interior foundation wall: material _____ Party foundation wall _____

Columns: material and sizes _____ Piers: material and reinforcing _____

Girders: material and sizes _____ Sills: material _____

Basement entrance areaway _____ Window areaways _____

Waterproofing _____ Footing drains _____

Termite protection _____

Basementless space: ground cover _____ ; insulation _____ ; foundation vents _____

Special foundations _____

Additional information _____

3. CHIMNEYS:

Material _____ Prefabricated (make and size) _____

Flue lining: material _____ Heater flue size _____ Fireplace flue size _____

Vents (material and size): gas or oil heater _____ ; water heater _____

Additional information: _____

4. FIREPLACES:

Type: solid fuel; gas-burning; circulator (make and size) _____ Ash dump and clean-out _____

Fireplace: Facing _____ ; lining _____ ; hearth _____ ; mantel _____

Additional information: _____

5. EXTERIOR WALLS:

Wood frame: wood grade, and species _____ Corner bracing. Building paper or felt _____

sheathing _____ ; thickness _____ ; width _____ solid; space _____ o.c.; diagonal; _____

Siding _____ ; grade _____ ; type _____ ; size _____ ; exposure _____ ; fastening _____

Shingles _____ ; grade _____ ; type _____ ; size _____ ; exposure _____ ; fastening _____

Stucco _____ ; thickness _____ ; Lath _____ , weight _____ lb.

Masonry veneer _____ Sills _____ Lintels _____ Base flashing _____

Masonry: solid faced stuccoed; total wall thickness _____ ; facing thickness _____ ; facing material _____

Backup material _____ ; thickness _____ ; bonding _____

Door sills _____ Window sills _____ Lintels _____ Base flashing _____

Interior surfaces: dampproofing, _____ coats of _____ ; furring _____

Additional information: _____

Exterior painting: material _____ ; number of coats _____

Gable wall construction: same as main walls; other construction _____

6. FLOOR FRAMING:

Joists; wood, grade, and species _____ ; other _____ ; bridging _____ ; anchors _____

Concrete slab: basement floor; first floor; ground supported; self-supporting; mix _____ ; thickness _____

reinforcing _____ ; insulation _____ ; membrane _____

Fill under slab; material _____ ; thickness _____ ; Additional information: _____

7. SUBFLOORING: (Describe underflooring for special floors under item 21.)

Material: grade and species _____ , size _____ , type _____

Laid: first floor; second floor attic _____ sq. ft.; diagonal; right angles. Additional information: _____

8. FINISH FLOORING: (Wood only. Describe other finish flooring under item 21.)

LOCATION	ROOMS	GRADE	SPECIES	THICKNESS	WIDTH	BLDG.PAPER	FINISH
First floor							
Second floor							
Attic floor							

Additional information: _____

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

9. PARTITION FRAMING:

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

Additional information: _____

10. CEILING FRAMING:

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

Additional information: _____

11. ROOF FRAMING:

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

Additional information: _____

12. ROOFING:

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

Roofing _____ ; grade _____ ; size _____ ; type _____

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

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

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

Additional information: _____

13. GUTTERS AND DOWNSPOUTS:

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

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

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

Additional information: _____

14. LATH AND PLASTER:

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

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

Joint treatment _____

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

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

Additional information: _____

16. INTERIOR DOORS AND TRIM:

Doors: type _____ ; material _____ ; thickness _____

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

Finish: doors _____ ; trim _____

Other trim (*item, Type and location*) _____

Additional information: _____

17. WINDOWS:

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

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

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

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

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

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

Special windows _____

Additional information: _____

18. ENTRANCES AND EXTERIOR DETAIL:

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

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

Head flashing _____ Weatherstripping: type _____ ; saddles _____

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

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

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

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

Additional information: _____

19. CABINETS AND INTERIOR DETAIL:

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

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

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

Medicine cabinets: make _____ ; model _____

Other cabinets and built-in furniture _____

Additional information: _____

20. STAIRS:

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

Disappearing: make and model number _____

Additional information: _____

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

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

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

Additional information: _____

22. PLUMBING

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

A Curtain rod A Door Shower pan: material _____

Water supply: public; community system: individual (private) system.*

Sewage disposal public; community system: individual (private) system.*

* Show and describe individual system in complete detail in separate drawings and specifications according to requirements.

House drain (inside): cast iron; tile; other _____ House sewer (outside): cast iron; tile; other _____

Water piping: galvanized steel; copper tubing; other _____ Still cocks, number _____

Domestic water heater: type _____; make and model _____; heating capacity _____
_____ gph. 100' rise. Storage tank: material _____; capacity _____ gallons.

Gas service: utility company; liq. pet. gas; other _____ Gas piping: cooking; house heating.

Footing drains connected to storm sewer; sanitary sewer; dry well. Sump pump; make and model _____
_____; capacity _____; discharges into _____

23. HEATING

Hot water. Steam. Vapor. One-pipe system. Two-pipe system.

Radiators. Convectors. Baseboard radiation. Make and model _____

Radiant panel: floor; wall; ceiling. Panel coil: material _____

Circulator. Return pump. Make and model _____; capacity _____ gpm.

Boiler: make and model _____ Output _____ Btuh.; net rating _____ Btuh.

Additional information: _____

Warm air: Gravity. Forced. Type of system _____

Duct material: supply _____ return _____ Insulation _____; thickness _____ Outside air intake.

Fumance: make and model _____ Input _____ Btuh.; output _____ Btuh.

Additional information: _____

Space heater; floor furnace; wall heater. Input _____ Btuh.; output _____ Btuh.; number units _____

Make, model _____ Additional information: _____

Controls: make and types _____

Additional information: _____

Fuel: Coal; oil; gas; liq. pet. gas; electric; other _____; storage capacity _____

Additional information: _____

Firing equipment furnished separately: Gas burner, conversion type. Stoker: hopper feed bin feed

Oil burner: pressure atomizing; vaporizing _____

Make and model _____ Control _____

Additional information: _____

Electric heating system: type _____ Input _____ watts; @ _____ volts; output _____ Btuh.

Additional information: _____

Ventilating equipment: attic fan, make and model _____, capacity _____ cfm.

Kitchen exhaust fan, make and model _____

Other heating, ventilating, or cooling equipment _____

24. ELECTRIC WIRING:

Service: overhead; underground. Panel: fuse box; circuit-breaker; make _____ AMP's _____ No. circuits _____

Wiring: conduit: armored cable; nonmetallic cable; knob and tube; other _____

Special outlets: range; water heater; other _____

Doorbell. Chimes. Push-button locations. _____ Additional information: _____

25. LIGHTING FIXTURES:

Total number of fixtures _____ Total allowance for fixtures, typical installations, \$ _____

Nontypical installation _____

Additional information: _____

Appendix 13: USDA-RD eForms User Guide March 2020

eForms User Guide

March 2020

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Chapter 1: Introduction

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



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

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

Thank you,
The National Headquarters Direct Program Staff

Link to the eForms site:

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

The eForms site to UniFi Interface

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

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

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

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

Help Resources



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

<https://www.rd.usda.gov/contact-us/state-offices>

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



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

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

Overview– Submitting the Electronic Loan Application

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



Users working for an approved intermediary who are submitting applications on behalf of an applicant or certified packager **MUST** submit the loan application in the eForms site using one of the two methods above.

Intermediary should confirm the processing structure with the State and Field Offices prior to submitting, in order to determine the correct location to submit the package. Some states have a central office to submit all packages regardless of the county in which the applicant is wanting to purchase, as mention below.

When a user with an eAuthentication account completes the RD 410-4 loan application, they have the option to submit it electronically. Upon clicking “submit”, they will be prompted to name their loan application package, select the ‘servicing center’ (a.k.a. Field Office) that will receive

the package based on the county in which the applicant is wanting to purchase, and attach the documents as required by [HB-1-3550 Attachment 3-J for 502 Direct](#) or [HB-1-3550 Attachment 12-E for 504 Direct](#) to complete the loan application package.



In addition to the documents listed in [HB-1-3550 Attachment 3-J for 502 Direct](#) or [HB-1-3550 Attachment 12-E for 504 Direct](#), packaged loan applications should include the cover letter and **disclosure letter** from [HB 1-3550 Attachment 3-A](#) with the package as well as a **completed spreadsheet showing income calculations/payment assistance**. Packaged loan applications should also **include a typed narrative in the comments section** (or attached as a supporting document) which discusses the applicant's eligibility criteria. This narrative should include income, credit and any other information that RD staff should consider for the packager's recommendation.

When "submit" is selected the second time, the loan application package is sent! If the transmission is successful, the user will receive a confirmation and the package will be moved to the users outbox on the eForms site (described later).



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

Quick Guide

Step 1. Navigate to the eForms site:

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

Step 2. Login to the eForms site

Step 3. Select Browse Forms from the menu options

Step 4. At the Form Number search option, enter "410-4"

Step 5. Open (double click) the "RD 410-4 "OR

Select "Upload 1003 Form"

Step 6. Complete the RD 410-4 (if not uploaded) and click "Submit"

Step 7. Name your package and select the county/RD Office combination that will receive the application (as directed by your RD contact)

Step 8. Attach documents required to compete application

Applicants: HB-1-3550 Attachment 3-J for Section 502 or HB 1-3550 Attachment 12-E for Section 504

Packagers: HB-1-3550 Attachment 3-A, Attachment 3-J or Attachment 12-E, and documentation showing income calculations/payment assistance. Attach documents as described in the “**Stacking Order Checklist**” available on the [Single Family Housing Direct Loans Application Packagers page](#).

Step 9: Provide additional comments

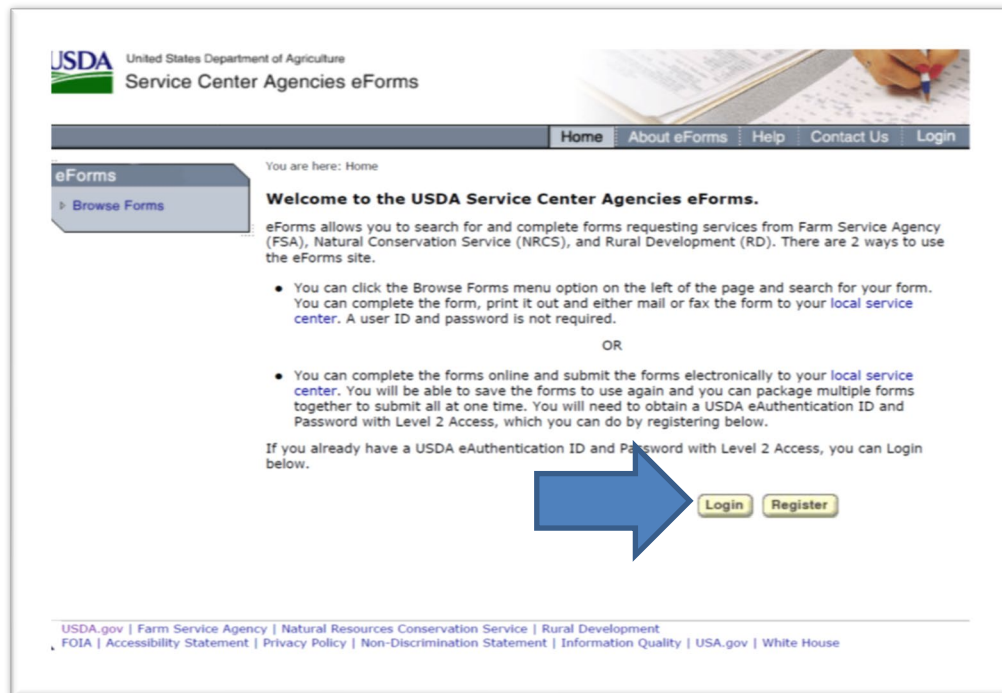
Applicants: Optional

Packagers: Typed Narrative

Step 10: Click “Submit”...and that’s it!

Step-by-Step Screenshots

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



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

USDA United States Department of Agriculture
Service Center eForms Administration

Home About eForms Help Contact Us Logout

You are here: Home

eForms

- ▶ Browse Forms
- Workspace
 - ▶ Create Package
 - ▶ Saved Forms
 - ▶ Saved Packages
- Processing
 - ▶ Inbox
 - ▶ Outbox
 - ▶ Completed
 - ▶ Returned
 - ▶ Package Requests
 - ▶ Reports

Welcome to the USDA Service Center eForms.

You may simply browse the forms or you may complete the forms online.

Forms available on eForms are provided in Adobe Portable Document Format (PDF). To view these forms you need to download the free Adobe Reader, from Adobe Systems Inc.

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FOIA | Accessibility Statement | Privacy Policy | Non-Discrimination Statement | Information Quality | USA.gov | White House

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

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Service Center Agencies eForms

Home About eForms Help

You are here: Home / Browse Forms Search

Browse Forms

You may search for a form by completing any of the fields below or just click Search for all forms.

Agency Name: All

Program Name: All

Service Name: All

Form Number: 410-4

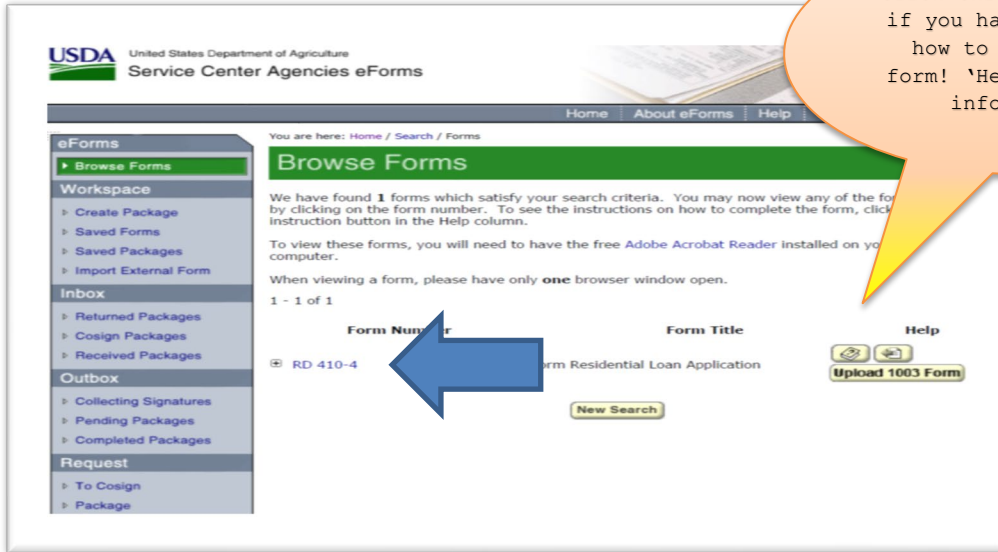
Title or Keywords:

Show Results: 10 Per Page

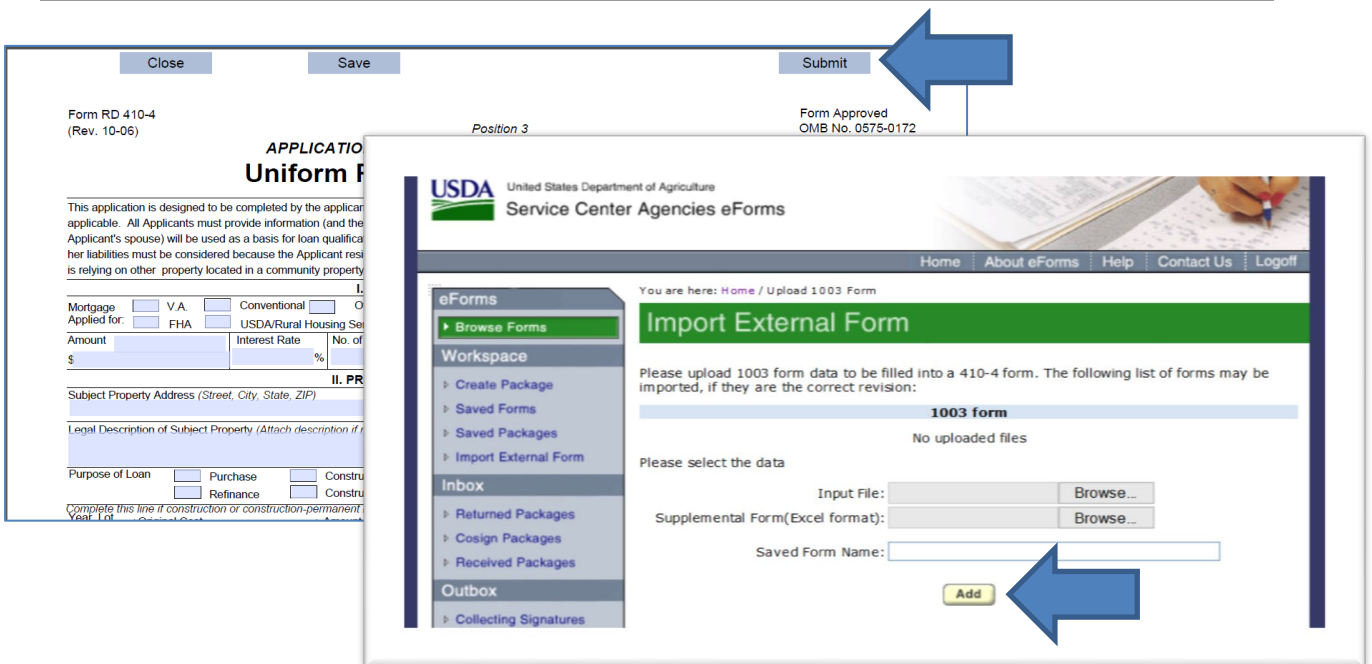
Search

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

Step 5: Open (double click) on the “RD 410-4” **OR** select “Upload 1003 Form”.



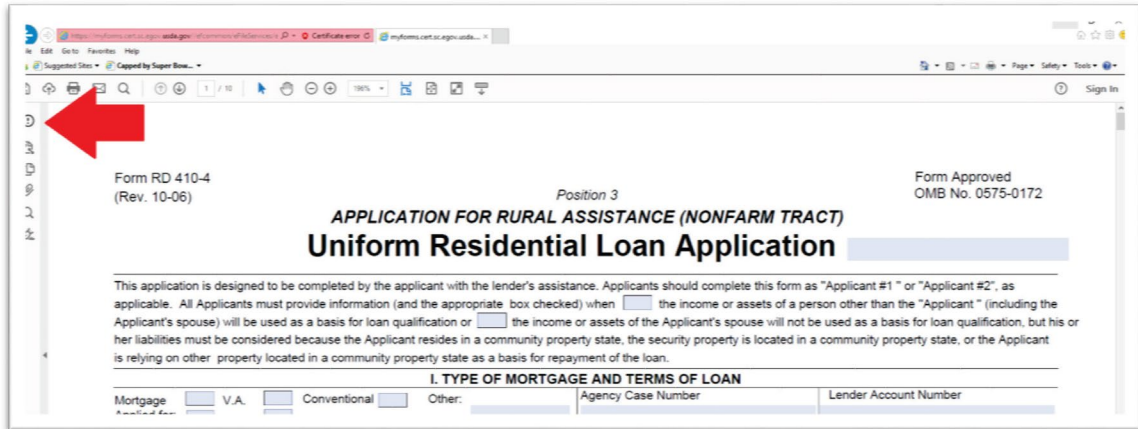
Step 6: Complete the 410-4 form and click “Submit”. If the “Upload 1003 form” button was selected earlier, the user would first browse their local input files (.prn), select the file to upload, and click “Add”.



Step 6 Acrobat Reader DC Troubleshoot:

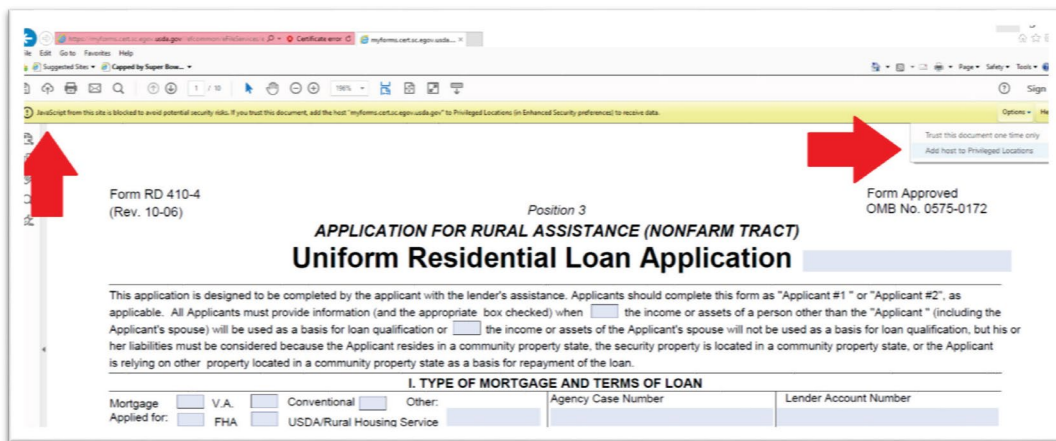
If you do not see Close, Save, and Submit buttons at the top of the 410-4 document, follow these steps.

1. Click on the warning icon  in the top left column.

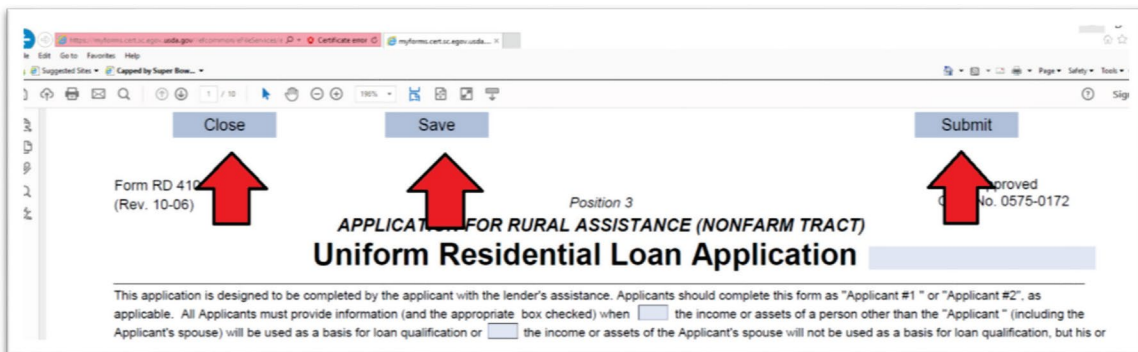


Clicking the icon will create a yellow bar on the top that says Javascript from this site is blocked to avoid potential security risks.

2. Click "Options" and then select "Add host to Privileged Locations"



You should now see the action buttons



Step 7: Name your package (not shown) and select the appropriate geographical county and then the USDA servicing center.

Not all offices accept eForms applications! Please contact RD staff prior to submitting your package so you know the right county/servicing selections to choose!!!

Steps 8, 9, & 10: Attach supporting application documents, provide narrative and any additional comments, and submit.

Service Center: ST LOUIS GOODFELLOW BLVD COMPLEX
4300 GOODFELLOW BLVD
ST LOUIS, MO 63120-1700
Phone Number: 3144574800



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



Loan application packagers must provide a narrative in the comments section (or use the ‘Add’ feature to attach as a supporting document) which discusses the applicant’s eligibility criteria. This narrative should include income, credit, and any other information that RD staff should consider for the packager’s recommendation.

That’s it! You will receive a confirmation message and the application package will be moved to your Outbox.

USDA Successful Submission

You have completed the submission process for
Package **RD410-4_05-09-2016_08-38-34**.

It is now waiting USDA review for further processing.

Confirmation Number: **105195-050920480**

Retain this Confirmation Number to reference this package in any future correspondence.

You may track the progress of this package in your "Outbox - Pending Packages" folder.



Users are advised to print the screen with the confirmation number and save in their file.

Inbox

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

Returned Packages

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Service Center Agencies eForms

Home About eForms Help Contact Us Logoff

You are here: Home / Returned Packages

Returned Packages

These are your packages that have been returned from a Service Center. To determine the reason the package was returned, click on the confirmation number to view the contents of the package. After the necessary modifications are made, you can resubmit the package by clicking the resubmit button. If you need to add an attachment or comments to the package, you will be able to do this after you click the resubmit button.

Confirmation #	Name	Status	Actions
63495-081912743	Test Pkg 54	Returned	

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

Returned Packages



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

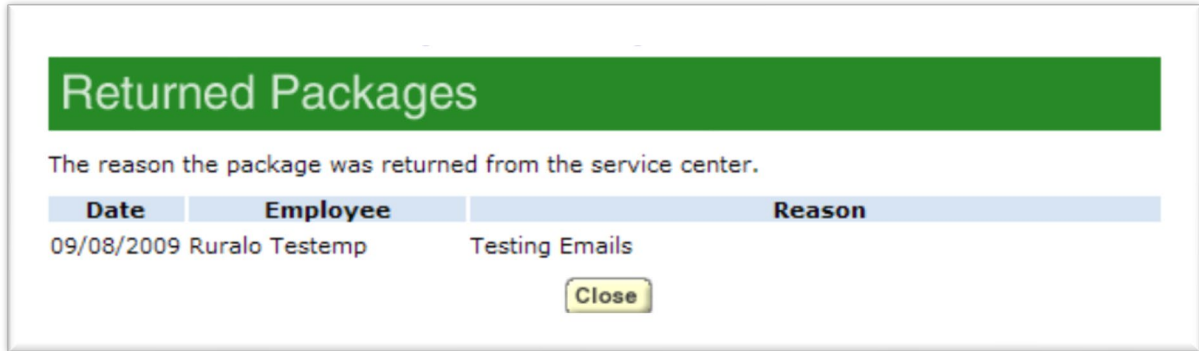
Name	Status	Create Date	Actions
test 3550-1	Active	09/08/2009	

[Add](#) [Reasons](#) [Close](#)

The detail view contains the following actions:

- Standard Package Item actions.
 - Expand – The icon allows you to display more details about this saved form.
 - The “Name” is a link to the saved PDF and data. Selecting the link will load the form and data in the current browser window.
 - The icon will delete the item.

- The  icon opens a new browser window containing detailed help instructions about the form.
- The  button displays a page of reasons for the return.



Received Packages

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

Outbox

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

Pending Packages

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

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

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

Completed Packages

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

Chapter 3:

RD Field Office Users

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

Help Resources

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

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



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

Gaining Access to eForms

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

Overview– Processing the loan application in eForms

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



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



In some cases, **ALL** individuals working in the Field Office may receive the notification email, including non-SFH personnel. Please communicate with the other staff members in your office so they are aware of this possibility.

An automated process uploads all accepted loan application packages from the eForms site into UniFi. This task is scheduled to run every 10 minutes with additional tasks occurring behind the scenes. The application should become available in UniFi within 30 minutes from being accepted in the eForms site. When an employee logs on to UniFi, a pop-up of all the RD 410-4 loan applications accepted for that Field Office will be displayed on a screen (this process is similar to the one displayed when credit reports have been received in UniFi).

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

Quick Guide

Step 1. Navigate to the eForms site.

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

Step 2. Login to the eForms site.

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

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

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

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

Steps 6 -13. Parse application into UniFi.

Reviewing the Loan Application Package in eForms

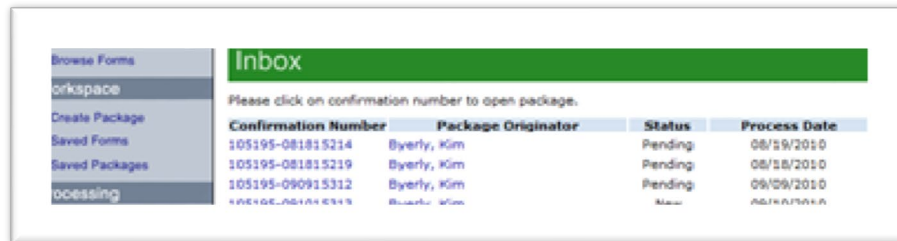
Loan application packages submitted through the eForms site rely on the Field Office user to frequently review their **Inbox** and to take the appropriate action. After a thorough review, the most common actions a Field Office user will take is to either **Accept**, **Re-direct**, or **Return** the application package.



The Agency **will not** “Accept” an application unless it is **COMPLETE**. Please refer to HB-1-3550, Chapter 3 or Chapter 12 for more information. If any documents are determined missing or incomplete during the review, the entire package is to be returned to the user. This applies to all applications, whether submitted by a loan application packager or applicant. When an application is submitted in the eForms site, a signature on the 410-4 is not required. The electronic 410-4 is acceptable for a complete application.

The **Inbox** area provides a list of open package submissions. Open package submissions are either:

- New – a submitted package that has not been opened by a USDA employee.
- Pending – a submitted package that has been opened by a USDA employee.

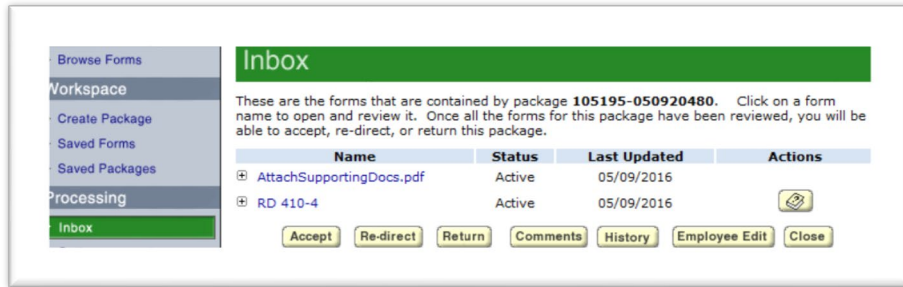


Inbox				
Please click on confirmation number to open package.				
Confirmation Number	Package Originator	Status	Process Date	
105195-081815214	Byerly, Kim	Pending	08/19/2010	
105195-081815219	Byerly, Kim	Pending	08/18/2010	
105195-090915312	Byerly, Kim	Pending	09/09/2010	
105195-090915313	Byerly, Kim	Pending	09/09/2010	



All the forms must be reviewed (i.e. opened and closed) in the package before any action to accept, re-direct, or return can be taken. Otherwise, you will receive an error message.

Accepting, Re-directing, or Returning Packages.



When you **Accept** a package, it moves the package from the inbox to the **Completed** folder and notifies the UniFi system that it is ready for upload.

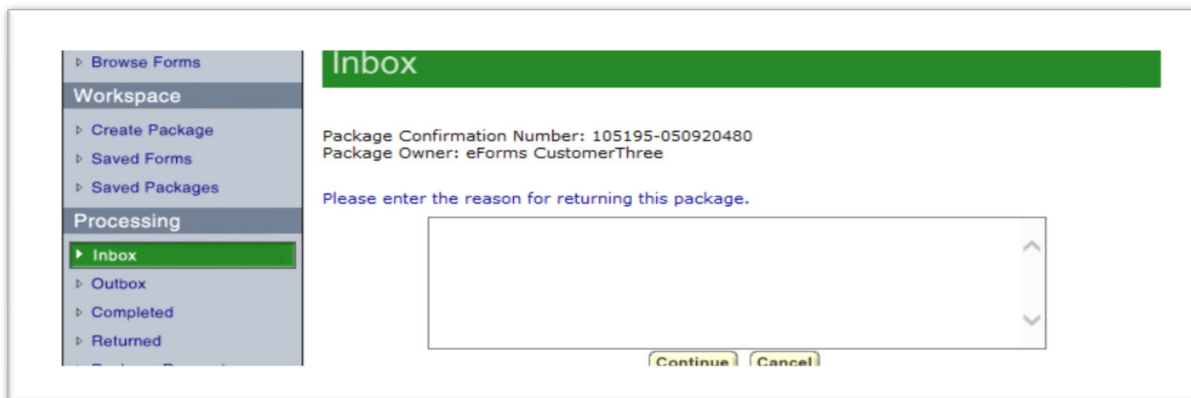


UniFi uploads accepted applications on a set schedule, so you will have to wait until the next upload is complete before you can parse the application in UniFi.

Field Office users also can choose to **Re-direct** a package. This allows the Field Office user to send it to another Field Office for processing. This is a useful option when a package was sent to the wrong office or if a state uses centralized processing and wants to re-direct the package internally.

Returning Packages.

If during the review, the application is determined incomplete, the Field Office users can **Return** the package. When this action is taken, the Field Office user should (in detail) describe the reason for returning the package. This action will send the package back to the **Inbox** of the user who originally submitted the package.



Step-by-Step Screenshots

Steps 1: Navigate and Login to the eForms site.

USDA United States Department of Agriculture
Service Center Agencies eForms

Home About eForms Help Contact Us Login

You are here: Home

eForms
Browse Forms

Welcome to the USDA Service Center Agencies eForms.

eForms allows you to search for and complete forms requesting services from Farm Service Agency (FSA), Natural Conservation Service (NRCS), and Rural Development (RD). There are 2 ways to use the eForms site.

- You can click the Browse Forms menu option on the left of the page and search for your form. You can complete the form, print it out and either mail or fax the form to your [local service center](#). A user ID and password is not required.

OR

- You can complete the forms online and submit the forms electronically to your [local service center](#). You will be able to save the forms to use again and you can package multiple forms together to submit all at one time. You will need to obtain a USDA eAuthentication ID and Password with Level 2 Access, which you can do by registering below.

If you already have a USDA eAuthentication ID and Password with Level 2 Access, you can Login below.

Login Register

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Step 2: Select “Inbox” from the menu options.

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Service Center eForms Administration

Home About eForms Help Contact Us Logoff

You are here: Home

eForms
Browse Forms

Workspace
Create Package
Saved Forms
Saved Packages

Processing
Inbox
Outbox
Completed
Returned
Package Requests
Reports

Welcome to the USDA Service Center eForms.

You may simply browse the forms or you may complete the forms online.

Forms available on eForms are provided in Adobe Portable Document Format (PDF). To view these forms you need to download the free Adobe Reader, from Adobe Systems Inc.

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Step 3: Identify any 'new' applications and open them.

USDA United States Department of Agriculture
Service Center eForms Administration

You are here: Home / Inbox

Inbox

Please click on confirmation number to open package.

Confirmation Number	Package Originator	Status	Process Date
105195-081815214	Byerly, Kim	Pending	08/19/2010
105195-081815219	Byerly, Kim	Pending	08/18/2010
105195-090915312	Byerly, Kim	Pending	09/09/2010
105195-091015313	Byerly, Kim	New	09/10/2010
105195-091315335	Byerly, Kim	Pending	09/13/2010
105195-030420364	CustomerOne, eForms	New	03/04/2015
105925-030420365	CustomerOne, eForms	New	03/04/2015
105925-042920373	CustomerThree, eForms	New	
105195-042920374	CustomerThree, eForms	New	
105925-051220379	SCHWARZ, MARKUS	New	
105195-031020446	CustomerTwo, eForms	New	03/10/2016
102025-031020447	CustomerOne, eGovCust1	Pending	03/10/2016
102025-031020448	CustomerTwo, eForms	Pending	03/10/2016
102025-032320467	VENKATRAO, JYOTHIRANI	Pending	03/23/2016
105927-041820474	CustomerThree, eForms	New	04/18/2016
105927-050920478	CustomerThree, eForms	Pending	05/09/2016
105925-050920479	CustomerThree, eForms	Pending	05/09/2016
105195-050920480	CustomerThree, eForms	New	05/09/2016

USDA.gov | Farm Service Agency | Natural Resources Conservation Service | Rural Development
FOIA | Accessibility Statement | Privacy Policy | Non-Discrimination Statement | Information Quality | USA.gov | White House

Step 4: Open (double click) on each form to review their contents. You must review **ALL** documents in order to complete the next step.

USDA United States Department of Agriculture
Service Center eForms Administration

You are here: Home / Inbox / Items

Inbox

These are the forms that are contained by package **105195-050920480**. Click on a form name to open and review it. Once all the forms for this package have been reviewed, you will be able to accept, re-direct, or return this package.

Name	Last Updated	Actions
AttachSupportingDocs.pdf	05/09/2016	
RD 410-4	05/09/2016	

Accept Re-direct Return Comments History Employee Edit Close

USDA.gov | Farm Service Agency | Natural Resources Conservation Service | Rural Development

When submitting a package using eForms, a signature on the 410-4 is not required.

Step 4 (cont.): When the 410-4 application review is complete, be sure to close the form using the 'Close' action button in the upper left corner. This is slightly different than how you close out of other supporting documents. For those, the user can simply 'X' out of the tab.

Form RD 410-4 (Rev. 10-06) Position 3 Form Approved OMB No. 0575-0172

APPLICATION FOR RURAL ASSISTANCE (NONFARM TRACT) Uniform Residential Loan Application

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

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for: V.A. Conventional Other: USDA/Rural Housing Service USDA Agency Case Number: 12345 Lender Account Number: 123456

Amount: \$ 145,000.00 Interest Rate: 5.5000% No. of Months: 360 Amortization Type: Fixed Rate Other (Explain): GPM ARM (Type):

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (Street, City, State, ZIP): 616 Willow Street, Big Rapids MI, 49307

Legal Description of Subject Property (Attach description if necessary):

Purpose of Loan: Purchase Construction Other (Explain): Property will be:

Step 5: Once all documents have been opened and reviewed, the user can either Accept, Re-direct, or Return the package. Accepting the package notifies the eForms site to transmit the 410-4 form to UniFi during the next upload.

USDA United States Department of Agriculture Service Center eForms Administration

You are here: Home / Inbox / Items

Inbox

These are the forms that are contained by package 105195-050920480. Click on a form name to open and review it. Once all the forms for this package have been reviewed, you will be able to accept, re-direct, or return this package.

Name	Status	Last Updated	Actions
AttachSupportingDocs.pdf	Active	05/09/2016	
RD 410-4	Active	05/09/2016	

Accept Re-direct Return Comments History Employee Edit Close

----- Remaining steps are performed in UniFi -----

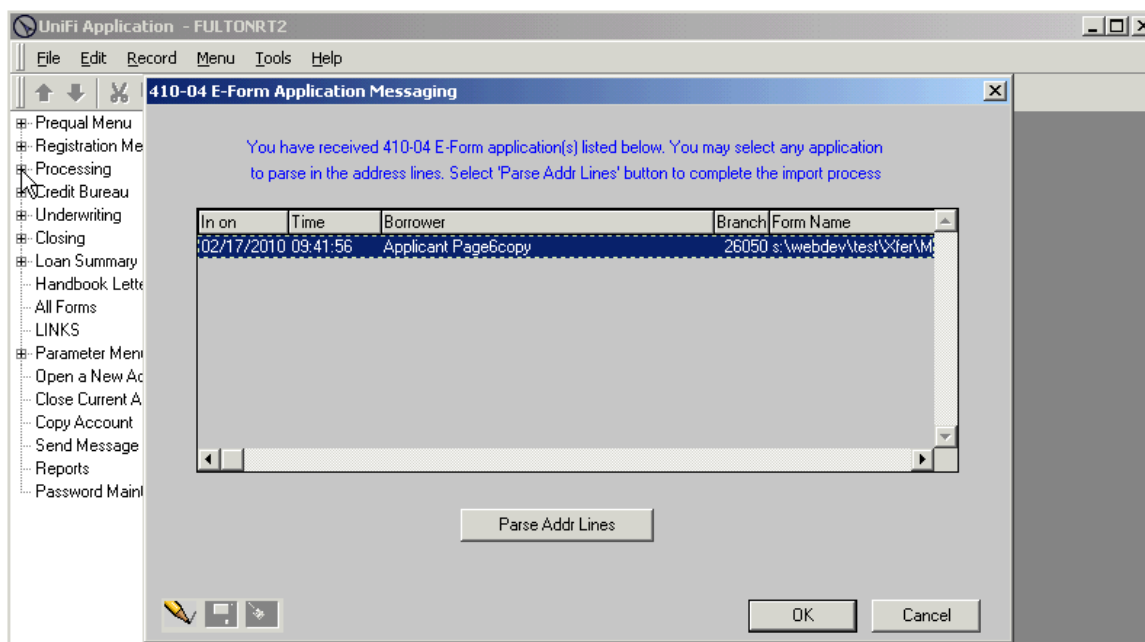


To parse, the users UniFi ID must be identical to the code of the RD Field Office that accepts the application. If a user has UniFi access that does not match the code of the ‘accepting’ Field Office, then the application will not display in Unifi to parse! **By default, Field Offices use a branch level code** based on their geographical county. However, this default can be changed to accommodate other access levels (e.g. statewide access). **States utilizing district or statewide UniFi access should contact the National Headquarters prior to accepting applications on the eForms site to ensure proper settings are in place.**

Parsing the 410-4 Application in UniFi

The following are the steps taken to parse (map) data from Form RD 410-4 into UniFi.

Step 6: eForms applications waiting to be put into UniFi for a branch will be displayed when a user from that branch logs on to UniFi. Choose the Cancel button if you do not want to parse the application(s) at this time. The application(s) will be held in a special queue and can be accessed at a later time.



Step 7: When you are ready to parse an application previously bypassed at logon: Go to Open a New Account, select 13 E-Form Application Queue, then Open.

NOTE: Form RD 410-4's remain in the Queue until someone parses the application. If the application has been parsed since the original user logged on and bypassed the parsing screen, the original field employee will no longer be able to retrieve the application by accessing this process.

UniFi Application - FULTONRT2

File Edit Record Menu Tools Help

Select an Application

Non Queue Access

- 1 By Application
- 2 By Borrower
- 3 By Social Security
- 4 By Property
- 5 By Loan Analyzer ID
- 6 Agency Case Nbr
- 7 Origination System Nbr

Take From Queue

- 8 My Queue
- 9 My Secondary Queue
- 10 Other Employee Queue
- 11 Branch Queue
- 12 Pre Defined Queue
- 13 E-Form Application Queue

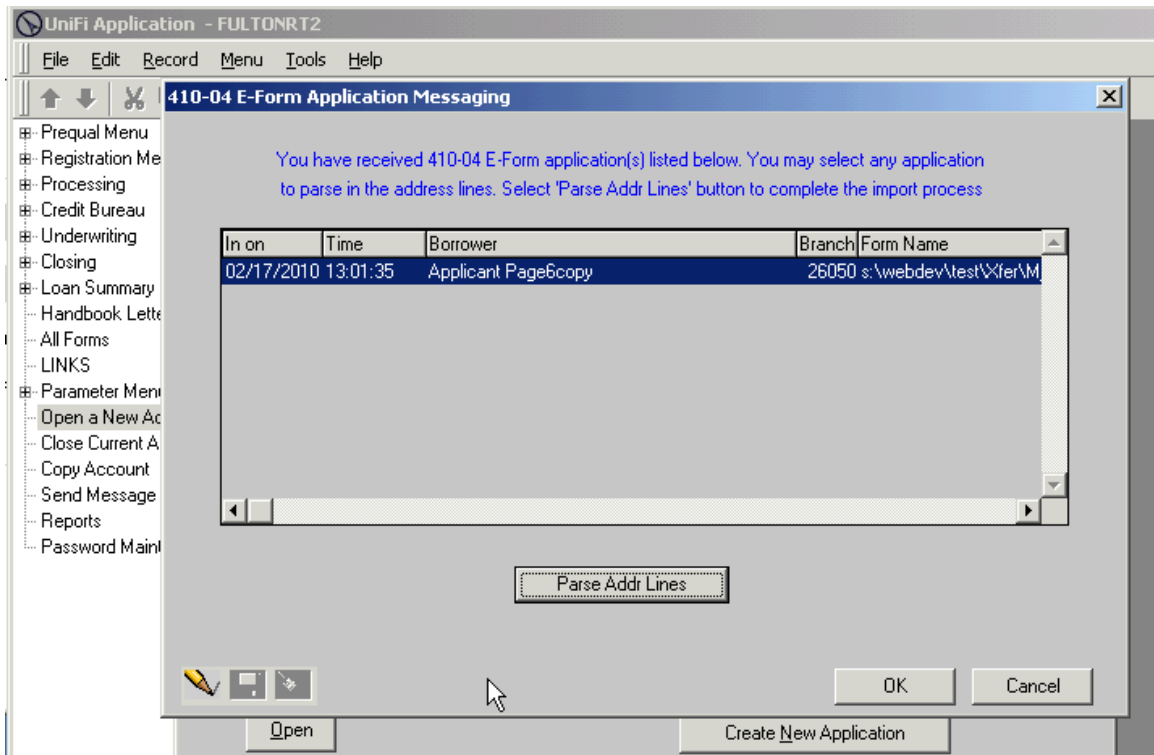
Open

Create New Application

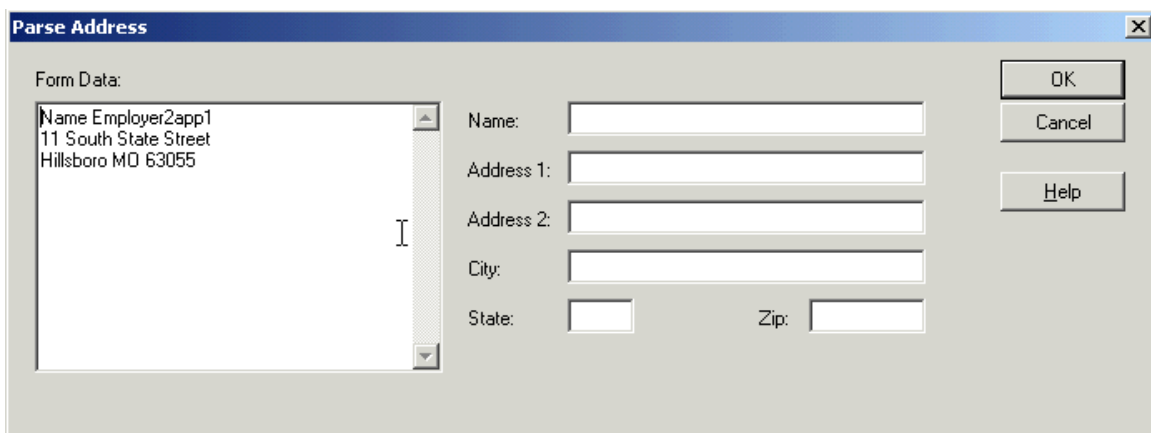
OK Cancel

Select an option

Step 8: The 410-04 E-Form Application Messaging screen will appear with the applications waiting to be parsed. Highlight the account (if not already highlighted) and click “Parse Addr Lines” box.



Step 9: A pop-up screen, Parse Address, will appear for each address on the application. Enter the information (copy or type) from the left side of the screen labeled Form Data to the right side in the proper field (Name, Address 1, etc.).



Step 10: Click OK when each address has been parsed.

NOTE: If you select cancel on the Parse Address screen, the address on the left will not be entered into UniFi and the next address to be parsed will be displayed for parsing. Any address not parsed will need to be input manually into UniFi. If the Field Office address comes up for parsing; you do not have to parse this address. It will be automatically brought in when the Field Office is assigned on the Registration Screen.

Parse Address

Form Data:

- Name Employer2app1
- 11 South State Street
- Hillsboro MO 63055

Name: Name Employer2app1

Address 1: 11 South State Street

Address 2:

City: Hillsboro

State: MO Zip: 63055

OK

Cancel

Help

Step 11: Click OK when all addresses for an applicant have been parsed and the following message appears.

UniFi Application - FULTONRT2 - NEW APPLICATION - Loan Analyzer

File Edit Record Menu Tools Help

410-04 E-Form Application Messaging

You have received 410-04 E-Form application(s) listed below. You may select any application to parse in the address lines. Select 'Parse Addr Lines' button to complete the import process

In on	Time	Borrower	Branch	Form Name
08/31/2010	08:33:50	William Short	26050	s:\webdev\test\xfer\My
08/31/2010	08:33:23	William Employerfill	26050	s:\webdev\test\xfer\My

Message

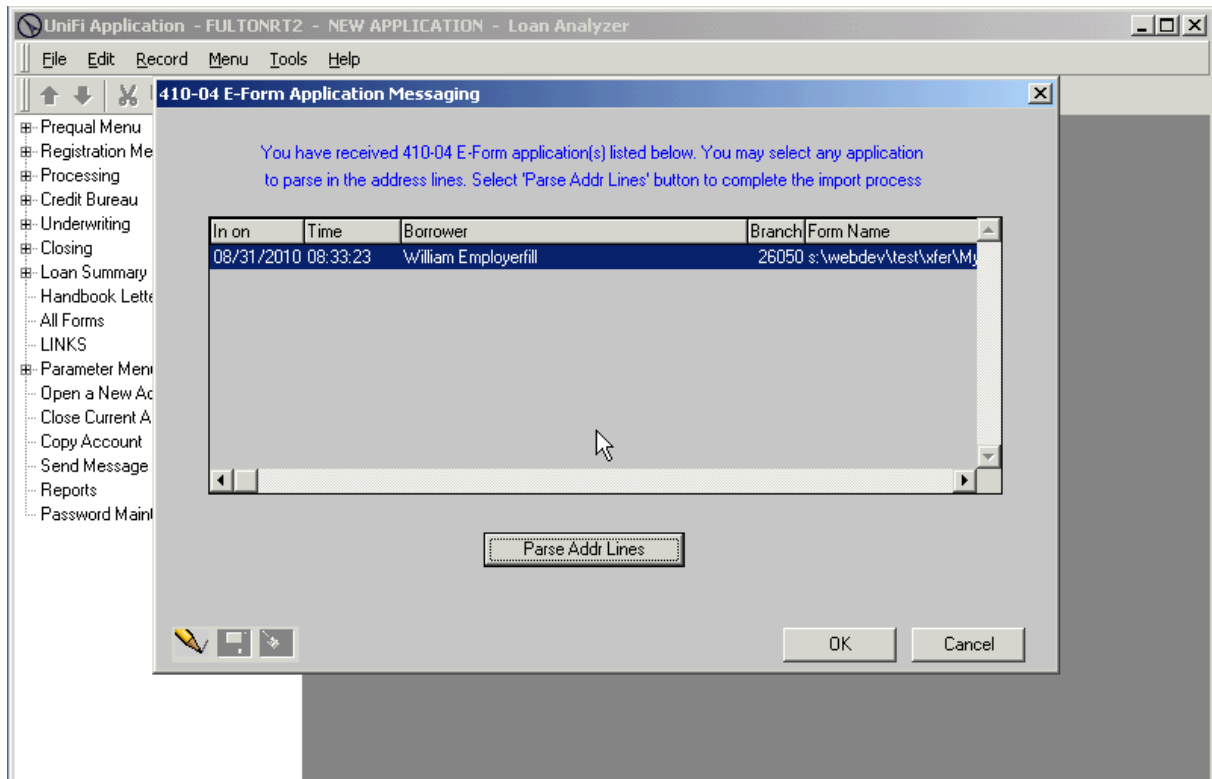
The import of s:\webdev\test\xfer\MyForms\2010-07-15_13-45-30_Item-14914-1.xml has been completed!

OK

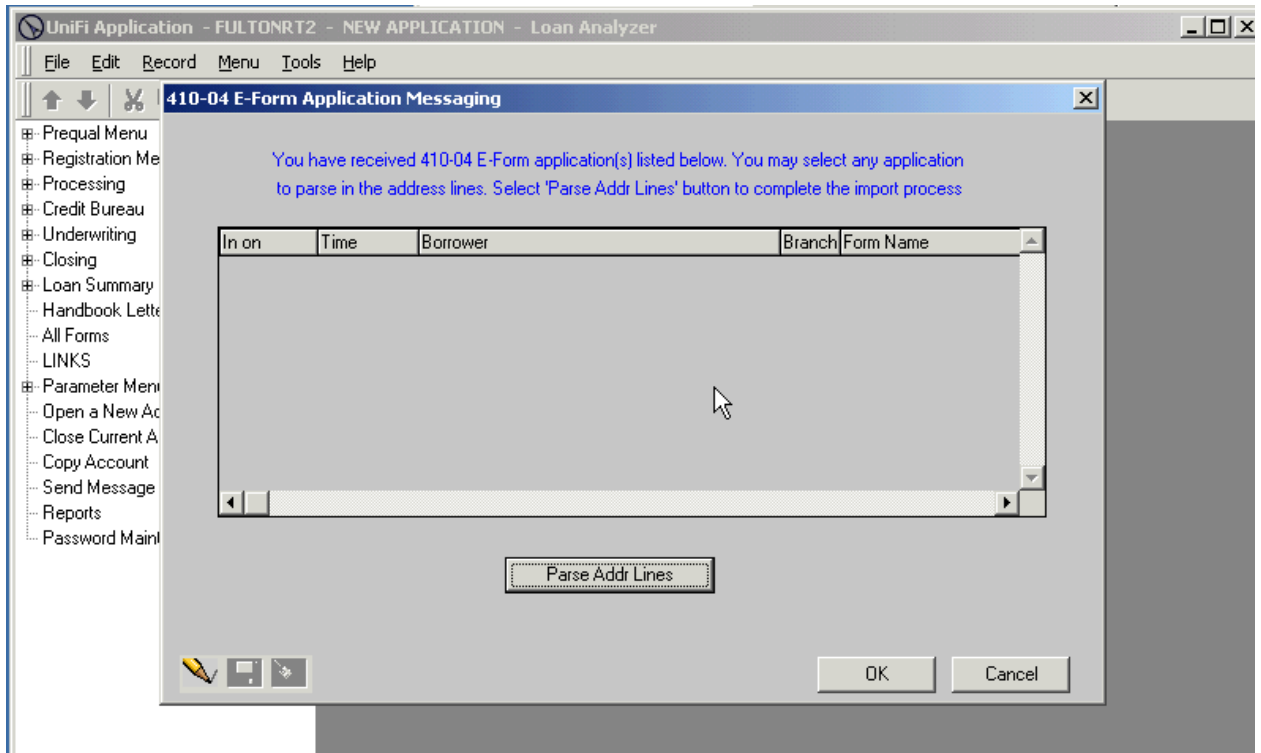
Parse Addr Lines

OK Cancel

Step 12: If there are additional applicants available to parse, the screen will display as shown below. Click “Parse Addr Lines” box to parse addresses for additional applicant(s) repeating steps #4 and #5 above. Click Cancel if you do not want to parse the application(s) at this time.



Step 13: Click OK on 410-04 E-Form Application Messaging screen when parsing applications is completed and there are no additional applicants to parse as shown below.



If you select Cancel and receive a pop-up “Changes have been made to this information. Cancel all changes? Yes No” – **ALWAYS SELECT NO.** If you click Yes all uploaded information will be lost and must be reentered manually from a copy of the printed form from the eForms site.



The last application parsed will be open in UniFi to enter additional information (e.g. program type, product, purpose code, etc.) to complete the application. Click on a Menu Item (e.g. Registration Menu, Registration Screen, etc.) to open the screens and complete the information for the newly parsed application.



If you choose to close the current application after parsing but before completing the application in UniFi, **make sure to deselect before closing account**. Deselect will put the application in your queue. UniFi stores the name as **** New Account **** and if the application is in your queue it may be easier to find. Otherwise, you will need to select the application by name (**** New Account ****) or SSN.



If you closed an application after parsing (without completing the application) or parsed more than one application at a time, you can open parsed applications by selecting #9, My Secondary Queue, from the Select an Application pop-up and click on the In on button. This will sort the applications according to the most recent date and time entered. Parsed accounts where no additional work has been done will display as ****NEW ACCOUNT**** as shown below.

All Loans Active in Your Queue (EMPLas143)									
In on	Time	Borrower	Application Number	Branch	Stage	Exp Close Dt	Purp	Prod	Comments/Task
02/25/10	3:11 PM	** NEW ACCOUNT **		? 26050	00		10 00000		Account Created New
02/24/10	12:40 PM	Page6, Applicant		? 26050	00		00 00000		Opened Non Queue
02/22/10	11:49 AM	Maxdata#copy, Testy	0070000479	18090		20 11/19/2004	20 00250		Opened Non Queue
02/19/10	2:24 PM	** NEW ACCOUNT **		? 26050	00		40 00000		Opened Non Queue
02/18/10	2:16 PM	** NEW ACCOUNT **		? 26050	00		40 00000		Account Created New

Finishing Touches

The applications can now be completed as regular non eForms applications. You will also need to review/complete the following items in UniFi:

- If a mailing address is entered on application; you need to go to the Borrower Information - Individual Screen (Processing, Supplemental Borrower Information, Borrower Information – Individual) and uncheck the box marked. This address is also the Mailing Address.
- If a second applicant is on the Form RD 410-4 they are automatically set as Note signer on the Household Member screen. In addition, the second applicant is set with Form #01 on the Borrower Information – Individual screen. Either of these may be changed in UniFi on their respective screens as the situation warrants but you need to change this information manually.
- All the assets and liabilities are mapped to the first applicant as there is no field on the form to indicate to which applicant these belong. Any of these fields can be changed manually to the second applicant or both when needed.



Some of the data entered in eForms on the Form RD 410-4 is not mapped to UniFi or may be updated in UniFi different than was input on the eForms site. Mapping exceptions are shown below by page number.

Mapping Exceptions

Page 1 of Form RD 410-4

- Interest Rate is mapped but may be changed when Expect to Close date is entered in UniFi.
- Manner in which Title will be held is not mapped.

Page 2 of Form RD 410-4

- Net Rental Income is mapped from the Net Rental Income from the Schedule of Real Estate Owned section on page 4 of the Form RD 410-4 not from information entered in V. Monthly Income and Combined Housing Expense Information section.
- Proposed First Mortgage is mapped based on loan amount, term, interest rate in UniFi not from information entered in V. Monthly Income and Combined Housing Expense Information section.
- Other Line 1 for both applicants is not mapped from what is input on the form. It is computed in UniFi based on Monthly Income for other than the first employer.
- Describe Other Income section at the bottom of the page is not mapped.

Page 3 of Form RD 410-4

- Real Estate Owned is mapped from the Present Market Value of the Schedule of Real Estate Owned section on page 4 of the Form RD 410-4 not from information entered in Assets column in VI. Assets and Liabilities section.

Page 4 of Form RD 410-4

- Type of Property column in the Schedule of Real Estate Owned section is not mapped.
- Section titled “List any additional names under which credit has previously been received” is not mapped.
- Several items (d, e, f, g, h, i, k, m, n, o and p) in VII. Details of Transaction section are not mapped but computed in UniFi.
- If nothing is entered on Form RD 410-4 in section VIII. Declarations, items default to No.
- Item m (Have you had ownership interest in a property in the last 3 years?) in section VIII. Declarations will be Yes if Own was checked on Present Address on page 1 of Form RD 410-4.

Page 5 of Form RD 410-4

- Dates are not mapped.
- Borrower and Co-Borrower answer to question “I do not wish to furnish this information” is not mapped. Source of Ethnic/Race Data field in UniFi will be determined by the check in item on page 8 “Racial Data Provided By”.

- Interviewer's Name is not mapped.
- Interviewer's Signature is not mapped.
- Interviewer's Phone Number is not mapped.

Page 6 of Form RD 410-4

- Loan Type is not mapped.
- Source of Wage Income (household members 1 and 2) is not mapped.
- Household Members 3 through 6 are not mapped.

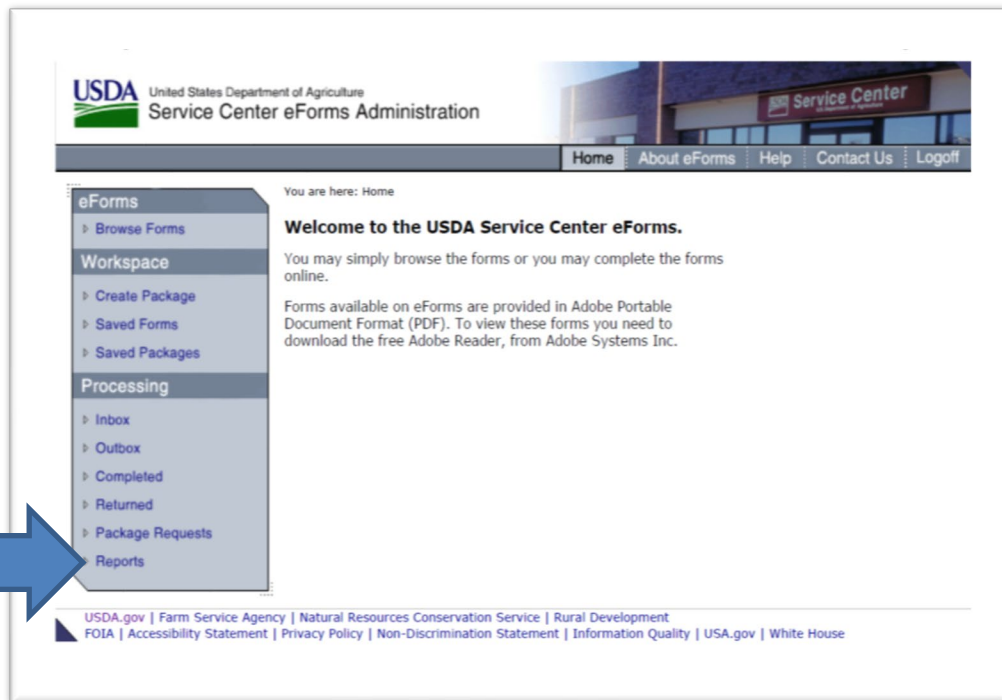
Page 8 of Form RD 410-4

- Determination of Eligibility field is not mapped.

Reports

Reports are available in the eForms site to track new, pending, accepted, new redirected, and returned applications. Report should be generated periodically to ensure applications are processed timely. The report is a great tool to confirm applications have been submitted to locations with staff to process the applications.

Step 1: Click Reports.



Step 2: Under “Select Report Options” click State and in the dropdown menu, select the state. Select Summary or Details (provides data per Field Office within the state) and Range then enter a begin and end date. Under “Select One Report Type With Desired Option” click Volume Statistics and All. Click Search.

You are here: [Home](#) / [Reports](#)

Reports

Select Report Options

All Packages 410-4 Packages Only
 National State

Summary Detail

All Dates Range

Select One Report Type With Desired Option

Open Items
 All Open New Pending
 New Redirected

Volume Statistics
 All All Open Items Accepted
 New Pending New Redirected
 Returned

Appendix 14: USDA-RD Stacking Order Checklist

Agency-Approved Stacking Order for Intermediaries

Loan application packaging generally involves two distinct and separate phases:

- Phase 1 – Application Submission (via eForms), and
- Phase 2 – Property Submission (via email)

Intermediaries are to use this Agency-approved stacking order when submitting loan application packages to the Agency during either phase. While Handbook-1-3550 guidance should be followed regarding which items to submit for an application, based on that applicant's unique situation, this stacking order checklist identifies how those documents should be organized for submittal to the Agency. For a listing of documents needed for both Phase 1 and Phase 2 packaged loan applications submissions, please refer to Handbook-1-3550, Attachment 3-A.

Phase 1 – Application Submission via eForms

The application and applicable accompanying documentation must be grouped together and organized as shown below. Please note:

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

Application Processing.

- Fully completed Form RD 410-4, Uniform Residential Loan Application (URLA). There are three ways to complete this form: Import the industry standard form 1003, complete within eForms, or export the form, complete offline, and then import the completed form into eForms. The eForms submission of the URLA constitutes a signature.
- A signed [Form RD 3550-1, Authorization to Release Information](#), for each adult member of the household.
- Homebuyer education certificate of completion.
- Verification of applicant's identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on photo identification), and a copy of their Social Security card (only required if no other evidence of the full taxpayer identification number).
- Evidence that a non-citizen applicant is a qualified alien. (If application is marked citizen, no additional evidence is necessary)

Eligibility – Income. Include verification of all applicable household income sources, such as:

- Copies of the last four week's consecutive pay stubs.
- Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).
- Last 12-month payment history of alimony and/or child support received. If this is not available,

provide an acceptable alternative listed in HB-1-3550, Chapter 4.

- For each applicant, a complete copy of the last two Federal Income Tax Returns. IRS Form W-2, Wage and Tax Statement, and/or IRS Form 1099-MISC, Miscellaneous Income, must be attached. If the actual returns filed cannot be provided, obtain a copy of the tax return transcripts. The applicant can directly request and obtain the tax return transcripts using IRS Form 4506-T, Request for Transcript of Tax Return.
- For each applicant, a written explanation of employment history of less than two years or employment gaps in excess of 30 days within the last two years.
- A completed and signed [Form RD 3550-4, Employment and Asset Certification](#).

Eligibility – Deductions. Verification of applicable household deductions, such as:

- Written evidence of childcare expenses for dependents 12 years of age or younger.
- For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript.
- Evidence of out of pocket annual medical expenses (only applicable for applicants 62 years of age and older, or individuals with a disability) who wish to be considered for a deduction to household income.
- Evidence of unreimbursed, anticipated costs for disability assistance including documentation describing the nature of the expense and evidence of cost, and documentation that the expense enables the individual with disabilities or another family member to work.

Eligibility – Assets. Verification of household assets, such as:

- Copies of two most recent brokerage or bank statements for all household members (excluding tax advantaged plans for education, health/medical, and retirement).
- Verification of the market value of other assets such as land, real estate, etc.

Eligibility – Credit.

- Nonrefundable credit report fee of \$25 for individual or joint applicants, options include:
 - Provide a scanned copy of a voided check or deposit slip for processing collection through the Automated Clearing Housing (ACH) System
 - Mail or deliver a physical check, money order, or cashier's check to the appropriate Rural Development office.
- For each applicant, a written explanation for late payments, collections, judgments, or other derogatory items in their credit history of which they may be aware.
- Copy of preliminary credit report used by the packager for preliminary credit analysis.

Eligibility – Other.

- Loan application narrative recommendation, which includes an eligibility and preliminary credit analysis.
- Signed copy of disclosure letter found in Attachment 3-A.
- Fully completed Worksheet for Computing Income and Maximum Loan Amount Calculator. (Upload the Excel worksheet as a separate attachment in eForms and use the following modified naming convention for this item (e.g. – EligibilityOther4A-Jones)).

Phase 2 – Property Submission via Email

In accordance with Handbook-1-3550, Attachment 3-A, loan application packagers are to instruct their clients that a property must not be identified in the application unless and until such time as the Agency issues a Certificate of Eligibility (COE). Once a COE has been issued and the applicant has found a property, the packager will assist the applicant to assemble the property documentation for submission to Rural Development.

The property documentation must be grouped together as shown below. Please note:

- **Each bolded header (e.g. Property Eligibility) must be a separate attachment for grouping the applicable items listed below.**
 - Each attachment will be named using the bolded header title followed by the applicant's last name (e.g. PropertyEligibility-Jones).
- Verify that all applicable documents are included, fully completed, signed (as needed), and readable prior to emailing the property documentation to Rural Development.

Property Eligibility.

- Fully executed sales contract.
- Flood elevation certificate (if property is in a flood zone). (Note: Rural Development must order the flood hazard determination.)
- Whole house inspection report (existing property).
- Amended sales contract to identify any repairs negotiated between buyer/seller.
- Potential repair list, estimated cost for repairs, and proposal for how repairs will be funded/completed (if not already addressed in the sales contract).
- Legal description (if not included in the sales contract).
- Property eligibility map (screen print from eligibility website).
- Certified plans, specifications, and cost estimates for new construction.

Other

- Packaging fee invoice
- Updated loan application narrative with actual property details and any updates to applicant eligibility since the Certificate of Eligibility was issued.
- Worksheet for Computing Income and Maximum Loan Calculator to reflect any updates to household income, debts, and assets as well as actual property details (insurance, taxes, homeownership association dues, etc.) and requested loan amount/funding sources.
- Updated income, debt, and asset verification documentation for any items which have expired since the Phase 1 submission or will expire within the next 30 days, follow stacking order described in Phase 1.