

## **CHAPTER 14: FUNDING [Official Agency Use Only]**

### **14.1 INTRODUCTION**

Congress appropriates program funds to the Agency for loan guarantees for each fiscal year (FY) basis (October 1 through September 30). If Congress has not approved appropriated funds at the beginning of a fiscal year, the program may continue to be authorized and delivered under a Continuing Resolution until appropriated funds for the fiscal year are approved by Congress. While the Agency operates under a Continuing Resolution, the Budget Office receives funds that are allotted to the program according to the duration of the Continuing Resolution. Throughout this period, funds are allotted based on a percentage of the total days for which the Continuing Resolution remains in effect. The denominator used in this calculation can be either the amount of funds obligated in the previous year or the program level authorized in the Continuing Resolution.

This chapter describes the funding priority process and Agency actions when funds are limited. It also outlines the Agency procedure to request funds from the National Office reserve.

### **14.2 PROGRAM FUNDING PROCESS**

Funds are allocated and distributed to the Agency by the budget staff at the beginning of each fiscal year through the Single Family Housing Guaranteed Loan Program (SFHGLP). The State accounts will receive funds proportionate to the percentage of prior year's actual obligations. Additionally, a portion of the funds will be held in the National Office reserve to support State accounts that may require a higher allocation compared to the previous year. This measure aims to guarantee adequate funding for the SFHGLP across all State accounts, based on the allocated funds approved by the Budget Office.

The National Office will keep lenders and Agency staff apprised of the potential for a shortage of available funds with an advance notice.

### **14.3 PRIORITIZATION OF FUNDING [7 CFR 3555.107]**

When funding is not sufficient to fund all applications, a priority system is used to ensure that applicants who meet the priorities established for the program are selected for processing first. The priority system is used to determine the order in which applications will be processed. If funds are limited, the Agency will prioritize requests to first-time homebuyers or veterans. In the case of applications with equivalent priority status that are received on the same day, preference in funding will be given to those qualifying for veteran's preference. The following outlines the criteria to meet the prioritization:

#### **1. Households that Qualify for First-Time Homebuyers Preferences [7 CFR 3555.10]**

A household qualifies for a first-time homebuyer preference if any applicant meets any one of the following criteria:

- An individual who has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing.
- An individual who is a displaced homemaker and who, except for owning a home with a spouse, has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing. A displaced homemaker who is unemployed or underemployed, and having trouble obtaining or upgrading employment. Or an individual who in recent years has worked primarily without earnings to care for the home and family and has not worked full-time, full-year in the labor force.
- An individual who is a single parent and who, except for owning a home with a spouse, has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing. Single parents include any individual who is unmarried or legally separated from a spouse and has custody or joint custody of one or more minor children, or is pregnant.

#### **2. Households that Qualify for Veterans Preferences [7 CFR 3555.10]**

A household qualifies for a veteran's preference if any applicant has served on active duty and has been discharged or released from the active forces on conditions other than dishonorable from the United States Army, Navy, Air Force, Marine Corps, or Coast Guard. The preference applies to the serviceperson, or the family of a deceased serviceperson who died in service before termination of such war or such period or era. The applicable time frames are:

## Paragraph 14.3 Prioritization of Funding

- During the period of April 6, 1917 through March 31, 1921;
- During the period of December 7, 1941 through December 31, 1946;
- During the period of June 27, 1950 through January 31, 1955;
- For a period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975;
- During the period beginning August 2, 1990 through January 2, 1992; or
- Any other prescribed by Presidential Proclamation or law.

**14.4 AGENCY ACTIONS – SHORTAGE OF FUNDS**

The following actions will be taken by the Agency when program funding is limited:

**A. Agency Actions When Funds Are Not Available**

The National Office will keep lenders and Agency staff apprised of the potential for a shortage of available funds. If funds become limited, the Agency will allocate funds in accordance with the percentage obligated in the prior year under a Continuing Resolution or based on the basic allocation formula in RD Instruction 1940-L for the current fiscal year.

Agency staff will place the request on a waiting list and notify the lender that a delay is expected. Applicants who qualify for a preference as a first-time homebuyer or as a veteran will be placed on the waiting list above those without such a preference, in the order received. All other applicants will be placed on the waiting list in date-order below those who qualify for preferences.

Loan guarantee requests will remain on the waiting list until funds become available or the lender withdraws the request, whichever is first.

If the request is received after funds are exhausted, the Agency will notify the lender that the loan guarantee request may be deferred until the following fiscal year. Approval officials will keep lenders aware of actions to be taken. If there is a possibility that funds will soon be available, the request for guarantee may be reviewed. The lender should be notified if the Agency cannot honor normal turn-around times. Complete applications will be reviewed and funded (as appropriate) on a “first-come first-served” basis. Incomplete applications will be returned and may be resubmitted. Lenders should be advised of the reason the application is being returned, and what is required to complete

the application. The approving office is responsible for keeping the lender abreast of the status of the applications submitted and any availability of funds.

### **B. Agency Actions When Funds Are Not Available – Conditional Commitments Subject to Availability of Funds**

When funds are not available, the National Office may authorize issuing Conditional Commitments “subject to receipt of congressionally appropriated funds.” In such cases, when in the best interest of the Government, the Agency will continue to issue Conditional Commitments.

When issuing Conditional Commitments that are contingent upon the availability of congressionally appropriated funds, Agency personnel will include a specific condition stating that the funds are currently unavailable and outlining the expected actions from lenders during the interim period. The National Office will provide the authorized statement for commitments subject to funding, which will be included in the Conditional Commitment generated by the system. Subsequently, once a Conditional Commitment is initially issued with the “subject to availability of funds” language, it will be reissued to the lender after funds have been obtained and obligated, with the “subject to availability of funds” language removed from the Conditional Commitment.

Lenders may close these loans provided they fulfill all the conditions stated on the Conditional Commitment. The Agency will not be able to issue a Loan Note Guarantee until funding becomes available. When funding becomes available, the lender must make a certification there has been no adverse change in the borrower’s financial condition since issuance of the Conditional Commitment. A lender must certify to the Agency, using the process provided on Form RD 3555-18, *Conditional Commitment for Single Family Housing Loan Guarantee*, that there have been no adverse changes in the borrower’s financial condition since the Conditional Commitment was issued by the Agency. The lender will assume all risk of loss until funds become available and the Agency issues the Loan Note Guarantee.

## **14.5 LENDER WITHDRAWAL OF APPLICATION**

If a lender wishes to withdraw an application in the Guaranteed Underwriting System (GUS), they can do so by clicking the "Withdraw Application" button. However, this option is only available if the application's submission status is "Unknown" or "Preliminary." If the application's submission status is "Final," the withdraw application button will be disabled and the lender cannot withdraw the application at that stage.

However, if the application status is set to "Pending," the lender has the option to recall the application from the "Final" submission status. This means that if the application has been finalized but is still in the "Pending" stage under application status,

#### Paragraph 14.5 Lender Withdrawal of Application

the lender can request to withdraw it. This is a two-step process, first the lender must recall the final submission and second withdraw the application. Once the application status changes to "In Process" or "Approved," the recall option will be disabled and the lender will be unable to recall or withdraw the application.

In cases where the application status is "In Process" or "Approved," the lender should notify the Agency immediately to withdraw the application. By notifying the Agency, the loan guarantee request can be removed from the system, and the funds allocated for that application can be released back to the state's allotment. This is done to ensure that the funds can be utilized for other guarantee requests and maximize the number of loans granted.

It is crucial for lenders to inform the Agency promptly when they no longer require the funds to avoid depriving other pending applicants the opportunity to obtain a loan guarantee. By releasing the funds, the Agency can reallocate them to deserving applicants and facilitate the loan guarantee process efficiently. Some common reasons for withdrawing a loan guarantee request are:

- Lender's rejection of the borrower's application;
- Change in property; or
- Choice of a loan program other than the SFHGLP.

#### 14.6 AGENCY ACTION – REQUESTING FUNDS FROM THE NATIONAL OFFICE RESERVE

Funds may be retained by the National Office during a fiscal year to meet program needs or Agency objective. To request funds from the National Office reserve, Agency employees will:

- Request funding on the Agency's SharePoint site at: [https://usdagcc.sharepoint.com/sites/rd\\_hcfp/SFH1/GRH/OPD](https://usdagcc.sharepoint.com/sites/rd_hcfp/SFH1/GRH/OPD). Click on the Need Funds button.
- Request actual funding needs by using the dropdown selection for the appropriate type of assistance code.

If the type of assistance is refinance, each funding request must summarize the individual request of the cumulative total request for the State.

#### **14.7 AGENCY ACTION – REQUEST FOR RESTORATION OF FUNDS**

The Guaranteed Loan Division Lender Reporting Section (GLDLRS) of the Servicing Office in St. Louis, Missouri will review and approve/deny all restoration of funds requests. The following is required to submit a request for restoration of funds:

1. A fully completed *Request for Restoration of Funds from a Prior Fiscal Year* form.
  - Agency personnel will complete the form electronically via Adobe.
  - The form will be electronically signed with the employee's LINC Pass (PIV) card.
  - The form should be saved (not printed and scanned).
  - Find the fillable form on the Agency's SharePoint site at [https://usdagcc.sharepoint.com/sites/rd\\_hcfp/SFH1/GRH/OPD](https://usdagcc.sharepoint.com/sites/rd_hcfp/SFH1/GRH/OPD). Click on Policies and Procedures, then Templates to access the Restoration of Funds form.
2. A copy of all Conditional Commitments issued for the loan.
3. If the Agency extended the Conditional Commitment, documentation pertaining to the lender's request and the Agency's approval must be included with the restoration request. Dates are required.
4. A detailed explanation must be entered on the form to indicate whether the Agency or lender is at fault.
5. If the restoration request is for a higher obligation amount than the original obligation, then additional document is required. The Agency must demonstrate that the loan request was reviewed for repayment at the higher amount and the loan amount does not exceed the maximum amount based on the property's appraised value.
6. If the lender did not comply with regulatory requirements and a restoration of funds from the prior fiscal year is being requested, an exception to the regulatory requirement will be required. Submit a request in accordance with Chapter 1, Section 1.9 of this Handbook. A copy of the approved exception must be submitted with the request for a restoration of funds.

Paragraph 14.7 Agency Action – Request for Restoration of Funds

7. Completed *Request for Restoration of Funds from a Prior Fiscal Year* form and all documentation must be submitted electronically to the GLDLRS within the Servicing Office in St. Louis at [rd.so.hsb@usda.gov](mailto:rd.so.hsb@usda.gov).