

CHAPTER 15: SUBMITTING THE APPLICATION PACKAGE

[7 CFR 3555.107]

15.1 INTRODUCTION

It is the lender's responsibility to work with the applicant to ensure all necessary documentation is obtained to satisfy the requirements for loan eligibility. Lenders may utilize industry standard forms when assembling the application package. The loan must be underwritten and approved by the lender prior to submission to the Agency. The Agency recommends that lenders use the Guaranteed Underwriting System (GUS), the Agency's automated underwriting system, for all supported loan products. Lenders will certify upon a "final" underwriting submission that the loan has been reviewed, underwritten, and all data entered in GUS is true, complete, accurate, and retained. Lenders must review the GUS Underwriting Findings Report to ensure all requirements are met. Refer to Attachment 15-A, "Guaranteed Rural Housing – Loan Origination Checklist" for a list of required items to be provided to the Agency for a complete loan application package.

15.2 LENDER RESPONSIBILITY

The originating lender is responsible for the accuracy of all information used to obtain a Rural Development guarantee in accordance with 7 CFR 3555 and this Handbook. The permanent loan file must contain all information that supports household eligibility for the SFHGLP and the lender's approval of the loan request.

Lenders are not authorized to close loans prior to the issuance of the Conditional Commitment. Closing a loan prior to obtaining a Conditional Commitment from the Agency can render that loan submission ineligible for a Loan Note Guarantee and may affect the lender's approval status to participate in the program.

15.3 LOAN APPLICATION PACKAGE

A. Manually underwritten loans

Manually underwritten loans are defined as:

- GUS applications that receive an underwriting recommendation of "Refer" or "Refer with Caution, or
- Applications reviewed and approved that are not supported in GUS. These loan application packages must be emailed to the appropriate Origination and Processing Division. The

applicable email inbox address can be found in the SFH Guaranteed Lender webpage at <https://www.rd.usda.gov/page/sfh-guaranteed-lender>. Lenders must ensure all personally identifiable information (PII) is protected.

B. Guaranteed Underwriting System -GUS Accept loans

1. Streamlined Loan Files

Lenders that utilize GUS will experience streamlined delivery, review and issuance of a Conditional Commitment. The Technical Bulletin “Streamline Issuance of Conditional Commitment – Lenders” is posted to the following resource site: <https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>.

Loans underwritten with the assistance of GUS that receive an underwriting recommendation of “Accept” may allow the lender to submit streamlined documentation to request a Conditional Commitment.

2. Full Documentation Loan Files

GUS Accept loan files that require a “Full Documentation” message displayed in the GUS Underwriting Findings Report will require additional items be submitted to the Agency. Full documentation submissions are not re-underwritten by the Agency. Full documentation loan files will undergo a review to compare the data entered by the lender to the submitted documentation. Identified discrepancies by the Agency must be reviewed with the approved lender before the file is released for correction or denied.

15.4 ELECTRONIC SIGNATURES

Rural Development will accept electronic signatures for origination, loan closing, and servicing documents unless otherwise prohibited by law or program. This guidance is limited to lenders. Agency staff will continue to follow internal policy.

The 7 CFR 3555 rule does not prohibit or consent to electronic signatures. Lenders may use electronic signatures when the lender perfects and maintains a first lien position, an enforceable promissory note, and meets all other agency requirements. This includes electronic promissory notes (eNotes), deed of trust and other documents relevant to the loan transaction. Lenders should be familiar with the securitization requirements of government sponsored enterprises (GSE), such as Ginnie Mae, regarding the transferability of eNotes.

Lenders who choose to accept electronic signatures must meet the standards and requirements set forth in the ESIGN Act as well as all other applicable federal and state regulations and guidelines. Lenders are charged with the same responsibility of due diligence with electronically signed documents as they are with paper documents.

If any electronically signed document is deemed unenforceable (e.g. the promissory note, mortgage or deed of trust) and is connected to any fraud, misrepresentation or negligent servicing, the lender bears the risk that any loss claim submitted in relation with the unenforceable document will be denied or reduced in accordance with applicable regulations. The lender's failure to collect on the promissory note or enforce the security instrument because of its electronic signature will be treated as negligent servicing under SFHGLP regulations.

Failure to comply with any Federal statute or regulation could result in the denial of a loan guarantee or claim, withdrawal of lending authority and/or debarment from Federal programs.

15.5 AGENCY REVIEW OF APPLICATION PACKAGE

The Agency's automated system will track the date and time the application package is received. Agency review of the application package is made in the order it is received. As outlined below, there are circumstances which may require a more thorough review by the Agency. In these situations, the Agency will contact the lender.

A. Content of Standard Review

In general, the Agency will review applications to determine that all program requirements have been met. The lender has sole responsibility to properly underwrite the loan and ensure program requirements have been met. Agency review of the application does not relieve the lender of these responsibilities. Agency staff must determine if the loan:

- Is made to an eligible applicant(s),
- Is located in an eligible rural area,
- Meets the adjusted annual income limit,
- Has appropriate collateral value to support the loan request,
- Meets environmental requirements of RD Instruction 1970, and
- Meets applicable requirements of 7 CFR 3555 and this Handbook.

Agency staff will utilize the SFHGLP Documentation and Processing Checklist in their review of Conditional Commitment requests and assists in the review, processing, and closing a guaranteed loan. Agency staff may complete applicable parts of the checklist for manual loan submissions at their discretion. The document may also serve as a running record. The SFHGLP Documentation and Processing Checklist is located on the Agency's internal SharePoint site and will be retained as an

essential document and imaged in the Rural Development Imaging Repository in accordance with Chapter 2 of this Handbook.

B. Agency Review of Lender's Underwriting Decisions

It is the approved lenders responsibility to underwrite loans, however, under limited circumstances, the Agency may determine that a more thorough review of the lender's submission should be performed. The Agency must notify the lender in writing of the additional review. The Agency may review the lender's underwriting decisions under the following circumstances:

1. Lenders who are new to the program

When a new lender is approved for participation in the program, the first few (generally defined as five packages) applications submitted will receive a thorough Agency review, including a review of the lender's underwriting decisions. The purpose of these reviews is to provide training and ensure that the lender has a complete and accurate understanding of the Agency's requirements. The Agency will continue to review new lender underwriting decisions until the Agency is confident that the lender is performing satisfactorily. Additional training is provided when incomplete or deficient packages were submitted in the initial five loans.

2. Lenders that submit incomplete or inaccurate applications

If a lender submits incomplete applications or applications with inaccurate information, the Agency may choose to review the lender's underwriting to ensure that they understand the Agency's requirements. Thorough reviews will continue until the lender demonstrates their ability to submit complete and accurate application packages on a regular basis. Generally, this would be after submission of five acceptable loan packages. Additional training may be provided if the five packages continue to be incomplete with inconsistencies in data and documentation.

3. Lenders with significant loan review findings

Lenders that exhibit above average default, foreclosure, and loss claim activity may have their current loan submissions reviewed more thoroughly by the Agency. The lender will be referred to the Lender Oversight Branch for continued monitoring.

C. Conditions for the Loan Guarantee

Agency staff will determine if any conditions must be met for the loan to qualify for a guarantee. Terms and conditions will be listed and issued to the lender on *Form RD 3555-18* or *Form RD 3555-18E* (when submitted electronically).

15.6 LENDER NOTIFICATION ON REQUEST FOR LOAN GUARANTEE

The Agency will notify the lender of the results of the application review. The following are possible results of the review:

A. The Request for a Loan Guarantee is Approved

If the loan file meets Agency requirements, the Agency will issue via email the “Conditional Commitment for Single Family Housing Loan Guarantee” *Form RD 3555-18/18E*. The Conditional Commitment establishes conditions for issuing the loan note guarantee. In order to receive the Loan Note Guarantee, the lender must submit and certify to all conditions noted on *Form RD 3555-18/18E* (including any attachments to the form). Chapter 16 of this Handbook provides additional guidance to obtain the Loan Note Guarantee.

B. Return of Incomplete Applications

If the application request is missing information specified in Attachment 15-A and/or the final GUS Underwriting Findings Report, the Agency will suspend the application and request the missing documentation from the approved lender. Once the file is complete, it will be placed in line for Agency review. If the lender cannot provide the necessary information, the lender should withdraw the loan file from GUS. Agency staff should not withdraw loan files without first contacting the lender to request the missing documentation.

C. The Request for a Loan Guarantee is Denied

The loan guarantee request will be denied if the proposed loan fails to meet program requirements. The Agency will notify the lender in writing of the reason for the denial and will provide review and appeal rights as indicated in Appendix 3 of this Handbook. The Agency must properly process the loan in the Agency’s internal Guaranteed Loan System (GLS) database to record the loan denial.

15.7 LENDER RESPONSE TO CONDITIONAL COMMITMENT

The lender has three responses to the issuance of *Form RD 3555-18/18E*; the lender may accept the terms and conditions, decline the terms and conditions for loan guarantee, or request that the terms and conditions be altered.

A. Accepting the Conditions

If the lender understands and agrees to accept the conditions listed on *Form RD 3555-18/18E*, no further communication with the Agency is required until the lender is ready to request the loan guarantee. The loan must close in accordance with *Form RD 3555-18/18E* which includes:

1. A loan amount equal to or less than the authorized amount,

2. An interest rate equal to or less than the authorized amount, and
3. All stated conditions.

The lender must return the executed *Form RD 3555-18/18E* with the loan-closing package.

B. Declining the Conditions for Loan Guarantee

If the lender determines that the terms and conditions stated on *Form RD 3555-18/18E* cannot be met, that the loan guarantee is not needed, or that the loan will not go to closing, the lender must inform the Agency in writing as soon as possible. The funds for that loan request are reserved for the transaction until the expiration of the Conditional Commitment. Upon being informed that the lender intends to decline the conditions for loan guarantee, Agency staff will cancel the loan guarantee obligation in GLS. This will release the committed funds for reallocation to a new commitment.

C. Requesting Changes in Conditions

Requests to close the loan at a lower loan amount or interest rate than those authorized on the issued Conditional Commitment do not require any action. If the lender believes that there are erroneous conditions and requirements on *Form RD 3555-18/18E* that should be altered, the lender can contact the Agency and propose alternatives. The request must be made in writing (email is acceptable) and must not affect the eligibility of the loan.

Modifications that adversely affect the loan such as an increase in loan amount, interest, monthly liabilities, real estate taxes and homeowner's insurance (that exceed the allowed threshold) or lower repayment income, assets, etc. require a new underwriting review. Refer to the resubmission policy outlined in Chapter 5 of this handbook. The lender is not authorized to close the loan until a new *Form RD 3555-18/18E* is reissued.

ATTACHMENT 15-A



Loan Origination Checklist

Lender Instructions: Submit the identified documents for the applicable loan type. To expedite loan review, please submit only the identified documents. Documents must not exceed the maximum allowable age set forth in the 7 CFR 3555 Handbook. Rural Development will consider all documents submitted as the certified and true copies of the original documents retained in the lender's permanent file. Electronic delivery to Rural Development is the preferred method. See electronic delivery information in the SFHGLP Lending Partner Webpage: . <https://www.rd.usda.gov/page/sfh-guaranteed-lender>. In the subject line include the following: Loan Origination: Borrower Last Name, First Name

General Information		
Applicant(s):	Lender:	Date:

Loan Origination Checklist Guaranteed Underwriting System (GUS)- Purchase and Non-Streamline and Streamline Refinance Transactions Underwriting Recommendation: ACCEPT

When submitting documents in GUS, the appraisal report must be uploaded separately.

<input type="checkbox"/>	Form RD 3555-21, "Request for Single Family Housing Loan Guarantee" <ul style="list-style-type: none"> • Include all pages from the current published version • Executed by applicant(s) and lender • Income Calculation Worksheet must be completed with all income calculations fully documented
<input type="checkbox"/>	FEMA Form 086-0-32, "Standard Flood Determination Form" <ul style="list-style-type: none"> • New construction properties located in 100-year flood plains require additional documentation, including confirmation the base flood elevation (BFE) is below lowest habitable floor
<input type="checkbox"/>	Mortgage Payoff Statement: if refinance transaction
<input type="checkbox"/>	Evidence of qualified alien: If applicant(s) is not a U.S. Citizen
<input type="checkbox"/>	Credit Report for Non-Purchasing Spouse (as applicable) <ul style="list-style-type: none"> • Applies to applicants or property located in a community property state: AZ, CA, ID, LA, NV, NM, TX, WA, WI
<input type="checkbox"/>	Uniform Residential Appraisal Report (URAR) <ul style="list-style-type: none"> • FNMA 1004/FHLMC 70 or applicable report as determined by appraiser (not required for a streamline refinance)

Loan Origination Checklist

Manual Underwriting, GUS Refer/Refer with Caution Underwriting Recommendation, or
GUS Accept when Full Documentation Message on GUS Underwriting Findings and Analysis Report

When submitting documents in GUS, the appraisal report must be uploaded separately.

<input type="checkbox"/>	<p>Form RD 3555-21, "Request for Single Family Housing Loan Guarantee"</p> <ul style="list-style-type: none"> • Include all pages from current published version • Executed by applicant(s) and lender • Income Calculation Worksheet must be completed and document the income calculation
<input type="checkbox"/>	<p>Underwriting Analysis: FNMA 1008/FHLMC 1077 or similar form</p> <ul style="list-style-type: none"> • NOT APPLICABLE FOR GUS ACCEPT FULL DOCUMENTATION • Executed by the approved lender's underwriter <p>Credit waiver explanations, debt ratio waiver compensating factors, and overall loan file comments may be documented on this form,</p>
<input type="checkbox"/>	<p>Uniform Residential Loan Application: FNMA 1003/FHLMC 65</p> <ul style="list-style-type: none"> • Not required to be signed by applicant(s) or lender • Loan amount is not required to match the loan request in GUS or on Form RD 3555-21
<input type="checkbox"/>	<p>Income Verification Documentation: Applicable methods</p> <p>Streamlined: Non self-employed:</p> <ul style="list-style-type: none"> • Written/Electronic VOE + 1 earning statement with YTD figures <p>Full Documentation: Non self-employed:</p> <ul style="list-style-type: none"> • 2 years W-2's + 4 weeks of earning statements with YTD figures + Verbal VOE <p>Self-Employed:</p> <ul style="list-style-type: none"> • 2 years personal and business filed income tax returns or IRS transcripts with all schedules + YTD profit and loss statement <p>Additional Income Types: SSI, VA Benefits, Pension, Retirement, etc.</p> <ul style="list-style-type: none"> • Refer to HB 9 for acceptable verification documents
<input type="checkbox"/>	<p>Asset Documentation:</p> <ul style="list-style-type: none"> • Document for all applicable household members per 3555.152(d) • VOD's, bank or investment statements, gift letters, etc.
<input type="checkbox"/>	<p>Credit Report: below as applicable</p> <ul style="list-style-type: none"> • Credit Report: for loans submitted outside of GUS. GUS loans will have the credit report uploaded. • Non-Traditional credit tradelines, as applicable • Credit supplements if utilized to support data adjusted from credit report, as applicable
<input type="checkbox"/>	<p>Credit Report for Non-Purchasing Spouse (as applicable)</p> <ul style="list-style-type: none"> • Applies to applicants or property located in a community property state: AZ, CA, ID, LA, NM, TX, WA, WI
<input type="checkbox"/>	<p>Verification of Rent:</p> <ul style="list-style-type: none"> • NOT APPLICABLE FOR GUS ACCEPT FULL DOCUMENTATION • May be applicable for manually underwritten loans with credit scores less than 680
<input type="checkbox"/>	<p>Mortgage Payoff Statement: if refinance transaction</p>
<input type="checkbox"/>	<p>FEMA Form 086-0-32, Standard Flood Determination Form:</p> <ul style="list-style-type: none"> • New construction properties located in 100 year flood plains require additional documentation, including confirmation base flood elevation (BFE) is below lowest habitable floor
<input type="checkbox"/>	<p>Evidence of qualified alien: if applicant(s) is not a U.S. Citizen</p>
<input type="checkbox"/>	<p>Uniform Residential Appraisal Report (URAR)</p> <ul style="list-style-type: none"> • NOT APPLICABLE TO STREAMLINED OR STREAMLINED-ASSIST REFINANCE • FNMA 1004/FHLMC 70 or applicable report as determined by appraiser

Loan Origination Checklist
Streamline Assist Refinance Manual Underwrite Review

<input type="checkbox"/>	<p>Form RD 3555-21, "Request for Single Family Housing Loan Guarantee"</p> <ul style="list-style-type: none"> • Include all pages from current published version • Executed by applicant(s) and lender • Annual Income Calculation Worksheet must be completed
<input type="checkbox"/>	<p>Underwriting Analysis: FNMA 1008/FHLMC 1077 or similar form</p> <ul style="list-style-type: none"> • Executed by the approved lender's underwriter
<input type="checkbox"/>	<p>Uniform Residential Loan Application: FNMA 1003/FHLMC 65</p> <ul style="list-style-type: none"> • Not required to be signed by applicant(s) or lender • Loan amount is not required to match the loan amount on Form RD 3555-21
<input type="checkbox"/>	<p>Income Verification Documentation: Required for Annual Income Calculations</p> <p>Streamlined Documentation: Non self-employed:</p> <ul style="list-style-type: none"> • Written/Electronic VOE + 1 earning statement with YTD figures <p>Full Documentation: Non self-employed:</p> <ul style="list-style-type: none"> • 2 years W-2's + 4 weeks of earning statements with YTD figures + Verbal VOE <p>Self-Employed:</p> <ul style="list-style-type: none"> • 2 years personal and business filed income tax returns or IRS transcripts with all schedules + YTD profit and loss statement <p>Additional Income Types: SSI, VA Benefits, Pension, Retirement, etc.</p> <ul style="list-style-type: none"> • Refer to HB 9 for acceptable verification documents
<input type="checkbox"/>	<p>Asset Documentation: Annual Income Calculations</p> <ul style="list-style-type: none"> • Document for all applicable household members per 3555.152(d) • VOD's, bank or investment statements, gift letters, etc.
<input type="checkbox"/>	<p>Mortgage Payment History for previous 12 month period</p> <ul style="list-style-type: none"> • Credit Report or • Verification of Mortgage
<input type="checkbox"/>	<p>Mortgage Payoff Statement</p>
<input type="checkbox"/>	<p>Uniform Residential Appraisal Report (URAR)</p> <ul style="list-style-type: none"> • Only applicable to current Direct Loan borrowers for the purpose of calculating subsidy recapture.