

RD AN No. 4731(1980-D)

August 20, 2013

TO: State Directors  
Rural Development

ATTENTION: Rural Housing Program Directors,  
Guaranteed Rural Housing Specialists,  
Area Directors and Area Specialists

FROM: Richard A. Davis *(Signed by Richard A. Davis)*  
Acting Administrator  
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program  
Lender Eligibility Review

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to clarify guidance of the RD Instruction 1980-D, as it relates to performing reviews of new and previously approved lender eligibility files for the Single Family Housing Guaranteed Loan Program (SFHGLP). This AN also provides procedures for updating lender information in the Guaranteed Loan System (GLS).

The intended outcome of this AN is to ensure that eligibility information in the Agency's lender records is current, and to document the continued eligibility of approved lenders that meet the requirements of RD Instruction 1980-D, Section 1980.309(a).

State Offices should review the continuing eligibility of State-approved lenders as described in this AN. The review should be completed within 180 days from the date of this notice.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces RD AN No. 4546 (1980-D), dated January 3, 2011, which expired on December 31, 2011.

**EXPIRATION DATE:**  
August 31, 2014

**FILING INSTRUCTIONS:**  
Preceding RD Instruction 1980-D

## **BACKGROUND:**

This AN outlines procedures necessary to: i) review and verify information submitted by the lender per RD Instruction 1980-D, Section 1980.309(a); ii) verify existing lender eligibility under Section 1980.309(b); and iii) maintain the GLS lender file. The review will determine the approved lender's eligibility to participate in the SFHGLP and ensure that accurate authorization and designation are reflected in the GLS lender file.

Rural Development and the lender/servicer share a responsibility to maintain a current approval status that meets the qualification standards per RD Instruction 1980-D, Section 1980.309(b) and Form RD 1980-16, "Agreement for Participation in Single Family Housing Guaranteed Loan Programs." The high incidence of lender mergers and other lender changes underscores the importance of confirming lender eligibility to originate, hold, or service Rural Development loans, and for the Agency to maintain accurate and current lender eligibility files.

The national office will periodically review the eligibility of nationally-approved lenders. State offices are responsible for periodically reviewing the eligibility of state-approved lenders. This lender eligibility file review is in addition to lender/servicer compliance reviews outlined in RD Instruction 1980-D, Section 1980.309(g).

## **IMPLEMENTATION RESPONSIBILITIES:**

State offices should immediately review the eligibility of state-approved lenders. Lenders with multiple state jurisdictions should submit their requests for continued eligibility to the national office in accordance with RD Instruction 1980-D, Section 1980.309(b). The review should be completed within 180 days from the date of this notice. The lender eligibility requirements of RD Instruction 1980-D are reiterated and clarified below. *For assistance with the lender file assembly, please reference the attached "Lender Approval Application Checklist."*

### **Lender Qualification:**

According to RD Instruction 1980-D, Section 1980.309(a), the following lenders are eligible to participate in the SFHGLP:

- **State Housing Finance Agencies (SHFA)**

*Note: Evidence that a private sector lender is approved by a SHFA to participate in SHFA programs does not, in and of itself, constitute automatic approval for participation in the SFHGLP. Approval contact information can be found at: <http://www.ncsha.org/housing-help> by clicking on the appropriate state.*

- Lenders approved by the **Department of Housing and Urban Development (HUD)** as a Title II supervised or non-supervised mortgagee for submission of one to four family housing applications for Federal Housing Mortgage Insurance or as an issuer of Ginnie Mae mortgage backed securities.

*Approval can be confirmed at: <https://entp.hud.gov/sfnw/public/> by clicking on "Details" in the menu at the top of the page and then on "Lender Details" in the small drop-down menu.*

Supervised Mortgagee: A supervised mortgagee is an institution that is under the supervision of Federal Deposit Insurance Corporation (FDIC), Federal Reserve, or National Credit Union Administration (NCUA). HUD supervision requirements are minimal due to supervision by other Federal agencies.

Non-supervised Mortgagee: A non-supervised mortgagee is a financial institution that conducts its principal activity in the lending or investment of funds in real estate mortgages. It is an institution that does not meet the requirements of a supervised mortgagee (i.e., is neither a member of the Federal Reserve System, nor insured by the FDIC or NCUA). Non-supervised mortgagees may originate, fund, hold, service, purchase, and sell FHA mortgage loans. Prior to obtaining Direct Endorsement authority, non-supervised mortgagees must submit all of their FHA mortgage loans to HUD for underwriting review. Non-supervised mortgagees obtain Direct Endorsement authority through the FHA/HUD field office in their area. In order to obtain Direct Endorsement authority, the non-supervised mortgagee must employ a HUD/FHA approved underwriter and must process and underwrite a number of FHA mortgage loans under the supervision of their area field office.

- Lenders approved by the **Department of Veterans Affairs (VA)** as a supervised or non-supervised mortgagee;

*Approval can be confirmed via emailed inquiry to: [hee-seung.seu@va.gov](mailto:hee-seung.seu@va.gov) or [William.white@va.gov](mailto:William.white@va.gov). If the inquiry involves multiple lenders, please include a three column worksheet or table with the headings: Lender Name; Assigned VA Number; and a final "Approved (Yes/No)" column that will be completed by a VA representative.*

- Lenders approved by **Fannie Mae** for participation in one to four family mortgage loans;

*Approval can be confirmed via email addressed to [Regulatory Inquiries@fanniemae.com](mailto:Regulatory.Inquiries@fanniemae.com). Please provide the Lender name and the Assigned Fannie Mae Number and request status.*

- Lenders approved by **Freddie Mac** for participation in one to four family mortgage loans;

*Approval can be confirmed via email addressed to: [institutional\\_eligibility@freddiemac.com](mailto:institutional_eligibility@freddiemac.com). Please provide the Lender name and the Assigned F Number and request status.*

- A **Farm Credit Service (FCS) institution** with direct lending authority;

*Approval can be confirmed through: <https://www.fcsamerica.com/contact/office-locator>  
Enter the zip code of the lending office to obtain contact information needed for confirmation.*

- Lenders participating in other guaranteed loan programs offered by **Rural Business and Cooperative Development Service, Rural Utilities Service, and/or the Farm Service Agency.**

*Approval requires an active lender agreement with the Guaranteed program. Approval can be confirmed at: <https://gls.sc.egov.usda.gov/lnrlst.asp>. Please enter the Lender Tax ID Number in Guaranteed Loan System (GLS).*

Lenders, who do not meet the above requirements can only participate in the SFHGLP as a **Loan Correspondent, VA Agent, Freddie Mac third Party Originator (TPO), or mortgage broker**, and are **not eligible** for approved lender status.

- Loan correspondent: A mortgagee, who does not meet the eligibility criteria, and who participates through an approved State or National lender.
- VA agents: A mortgagee whose principal activity is the origination of VA-guaranteed mortgages for sale or transfer to VA-approved sponsor(s). All VA mortgage loans originated by an Agent (typically mortgage brokers) must be underwritten and funded by a sponsoring supervised or non-supervised mortgagee.
- Freddie Mac Third Party Originators (TPO): Lenders can register with Freddie Mac as a TPO, however, this type of lender must have a Freddie Mac seller/servicer underwrite files.
- Mortgage brokers: Can participate through an approved National or State lender.

### **Lender Approval Confirmation**

Once the Agency confirms that a lender meets eligibility criteria to participate in the program, as noted above and in RD Instruction 1980-D, Section 1980.309(a), Agency staff should complete the attached "Certification of Lender File Review" form by obtaining, verifying, and updating the information below, as described in Section 1980.309(b)(1):

- The lender's tax identification number (TIN) and ensure that it is accurately reflected in GLS;
- The name and contact information of an official of the lender who will serve as a contact for Rural Development guaranteed loans;
- The list of the lenders' principal officers including full names, titles and functional areas;
- An updated outline of the lenders' internal loan criteria for analyzing credit and repayment ability for SFHGLP loans;
- An updated copy of the lenders' quality control plan for monitoring production and servicing activities that conforms with Section 1980.309(b)(1) regulatory criteria; and
- The locations of all authorized lender branches with contact information.

### **Issuance of the Form RD 1980-16:**

Provided a lender is approved to participate in the SFHGLP, Agency staff should verify the lender record contains both a fully executed Form RD 1980-16, "Lender Agreement for Single Family Housing Guaranteed Loan Programs," and if applicable, Form AD 1047, "Certification Regarding Debarment, Suspension, or Other Matters - Primary Covered Transactions" (applicable to lender approvals prior to June 2006). Documents must bear original signatures. If the review of the lender file discloses the absence of either form, obtain a replacement Form RD 1980-16.

*Note: With a change that occurred in June 2006, Form AD 1047 is now part of Form 1980-16 and is no longer required as part of the lender approval process.*

If a lender has a change in ownership, organizational structure, TIN, or the lender official that executed the original 1980-16, is no longer with the company, a new 1980-16 must be executed by the lender.

### **Updating GLS**

Having approved the lender, Agency staff must ensure that i) GLS records reflect the most current lender information, and ii) the business name as recorded on Form RD 1980-16 is accurately and consistently represented in the GLS records established for each of the individual branches.

### **Termination of Ineligible Lenders**

- If the lender fails to provide evidence according to RD Instruction 1980-D, Section 1980.309(a), written notice terminating the lender's participation will be mailed to the lender including appeal rights in accordance with RD Instruction, Section 1980.399. A sample termination notice is included at the end of this document.
- The Agency, immediately upon sending the termination notice, will update GLS by removing the lender designation and any authorizations from all branches.
- Notifications returned with a forwarding address will be sent to the new address with an additional 30 day timeframe for the lender to respond.
- If the notice is returned as "undeliverable," with no forwarding address, the returned envelope will be retained in the file as evidence that the lender was sent notice that they no longer met approved lender requirements.
- In addition to the GLS update, the lender should be terminated from the Guaranteed Underwriting System, as well as all other affected systems, and the lender should be referred to DCFO or the national office.
- If a lender does go out of business during the review period, the field (along with the lender), must identify loans in process and the eventual servicer of the loans.

### **Handling Requests for Conditional Commitment During the Appeal Period:**

If the Agency receives requests for Conditional Commitments during the appeal period, those requests will be held until the expiration of the period in which the lender has a right to request an appeal or, if the lender files an appeal, until a final decision has been reached on the appeal request. If the lender appeal is resolved in favor of the lender (i.e., if the lender is found to be eligible), Conditional Commitments will be processed as usual. Otherwise, files will be returned to the lender.

### **Retention of Terminated Lender Files:**

Closed lender eligibility files will be marked as "Closed on month, day, year," and retained indefinitely.

**Reporting Changes to Lender Files:**

Please report any lender agreements that are terminated or suspended to the national office.

**For Further Information:**

Training, Lender Eligibility Review User Guide, correspondence templates and other resources are located at the Rural Development internal SharePoint Site and at the USDA Training and Resource Library (<https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>).

Questions may be directed to Melvin Carroll, David Chaput, or John Delaney of the Guaranteed Loan Division. The telephone number is (202) 720-1452, or by email: [melvin.carroll@wdc.usda.gov](mailto:melvin.carroll@wdc.usda.gov), [david.chaput@wdc.usda.gov](mailto:david.chaput@wdc.usda.gov), or [john.delaney@wdc.usda.gov](mailto:john.delaney@wdc.usda.gov).

Attachments

SAMPLE TERMINATION NOTICE

Dear :

USDA Rural Development has determined that (*insert lender name*) does not or no longer meets our lender qualification criteria as found at 7 C.F.R. 1980-D, Section 1980.309(a). Consequently, we are terminating (*insert lender name*) as an approved or participating lender for the Rural Development Guaranteed Single Family Home Loan Program.

If you wish to appeal this decision, it must be in writing within 30 days from the date on this letter. See the attachment for the format of an appeal. You should mail or fax your written appeal to:

The National Appeals Division  
Eastern Regional Office (Correct Regional Office Required)  
8909 Purdue Road, Suite 240  
Indianapolis, Indiana 46268  
FAX: (317) 875-9674

Sincerely,

State Director  
USDA Rural Development

Attachment

Appeal Format:

Appeal Request Form

I hereby request an administrative appeal regarding an adverse decision issued by the \_\_\_\_\_, agency, dated \_\_\_\_\_.

I have attached (1) a copy of the decision, and (2) a statement why I believe the agency determination is wrong. The date I received the determination was \_\_\_\_\_.

Signature: \_\_\_\_\_

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

REMINDER: You will lose your right to appeal if you do not file an Appeal within 30 days of the date of receipt of the adverse determination.



### Certification of Lender File Review

Name of Lender: \_\_\_\_\_

The following information has been reviewed and verified for the above lender file:

1. Contains an original Form RD 1980-16
2. Contains an original AD 1047 (for lender agreements signed prior to June 2006)
3. Contains a current list of lender principal officers and has been checked against EPLS
4. Contains current lender name, lender ID number, email address, street mailing address, telephone, and fax number. GLS has been updated accordingly
5. Contains the contact information for lender point-of-contact. GLS has been updated accordingly
6. The lender is properly designated and authorized in GLS
7. Contains most recent information for lender qualification in RD Instruction 1980.309(a)

Name of Reviewer: \_\_\_\_\_

Signature of Reviewer: \_\_\_\_\_

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

Please retain a copy of this worksheet in the lender file.

## Lender Approval Application Checklist USDA Rural Development

<b>Lender Information</b>			
Name:		TAX ID:	
DBA Name(s), if applicable. Use separate sheet for any additional DBAs:			
Geographic Address:		Mailing Address (if different)	
		Phone:	
		Fax:	
		County:	
Chartered State/Headquarters:			
Website:		Company E-Mail:	
Contact Person	Name:	Phone:	E-Mail:
	Title:	Fax:	
<b>Minority/Women-Owned Business (Optional)</b>		<input type="checkbox"/> Minority-Owned <input type="checkbox"/> Women-Owned <input type="checkbox"/> Minority-Owned/ Women-Owned	
<b>Provide the following information for all principal officers, directors, and senior managers. Additional sheets may be attached, if necessary.</b>			
Name of Person	Title (if applicable)	Responsibilities	
<b>Lender Functions</b>	<b>Lender Type (Select Applicable):</b>		
<input type="checkbox"/> Originate	<input type="checkbox"/> Commercial Bank	<input type="checkbox"/> Federal Land Bank	<input type="checkbox"/> Broker
<input type="checkbox"/> Underwrite	<input type="checkbox"/> Mortgage Loan Co	<input type="checkbox"/> Credit Union	<input type="checkbox"/> Other
<input type="checkbox"/> Service	<input type="checkbox"/> Insurance Co	<input type="checkbox"/> Savings Bank	<input type="checkbox"/> Non-Traditional
<input type="checkbox"/> Own	<input type="checkbox"/> Production Credit Association	<input type="checkbox"/> Bank for Co-Ops	<input type="checkbox"/> Small Business Investment Co
			<input type="checkbox"/> Service Bureau
			<input type="checkbox"/> SFH Agency
<b>Current eligibility designations [Section 309 of RD Instruction 1980-D]: (Certification must be within the past 12 months)</b>			
<input checked="" type="checkbox"/> Agency Certifications ( <i>Select applicable qualifying evidence</i> )	Preferred Method of Evidence of Evidence/Certification ( <i>Submit as supplemental information</i> )		Applicable Agency Assigned Identification (i.e. contract; assigned #; letter of approval, etc.)
<input type="checkbox"/> Fannie Mae	Fannie Mae Form 582, "Annual Eligibility Certification Report"		
<input type="checkbox"/> Freddie Mac	Freddie Mac Form 16SF, "Annual Eligibility Certification Report"		
<input type="checkbox"/> U.S. Department of Housing and Urban Development – Federal Housing Administration (HUD-FHA)	Lender must be approved by HUD as a Title II supervised or non-supervised mortgagee for submission of one to four family housing applications for Federal Housing Mortgage Insurance or as an issuer of Ginnie Mae mortgage backed securities "supervised" or "non-supervised." Lender cannot be a correspondent only.		
<input type="checkbox"/> U.S. Department of Veterans Affairs (VA)	Any Lender approved as a supervised or non-supervised "automatic" mortgagee with direct lending authority for VA		
<input type="checkbox"/> State Housing Finance Agencies (SFHA)	Evidence that a private sector lender is approved by a SFHA to participate in SFHA programs does not represent an automatic approval to participate in the guaranteed program.		
<input type="checkbox"/> Farm Credit Service(FCS)	Lender must have direct lending authority. Provide Membership letter.		
<input type="checkbox"/> Lenders participating in USDA guaranteed loan programs.	Loan programs can be Rural Housing Service, Rural Business and Cooperative Service, Rural Utilities Programs and/or the Farm Service Agency.		

List of Supplemental Information to be Submitted with Lender Approval Checklist [Check the box to indicate that each required document has been included with the lender approval request package.]			[check when included in package]
1. Form RD 1980-16	"Agreement for Participation in Single-Family Housing Guaranteed/Insured Loan Programs of the United States Government (Lender Agreement)		<input type="checkbox"/>
2. Resume	Evidence of Underwriter's qualifications and experience in the industry.		<input type="checkbox"/>
3. Retail Lender – Spreadsheet	If your firm is a <b>retail lender</b> , provide complete contact information (addresses, telephone numbers, fax numbers and e-mail addresses) for your branch locations, loan processing/underwriting departments, loan servicing, and a contact person for loan production. Information assists in populating Rural Development's lender record database.		<input type="checkbox"/>
4. Wholesale Lender or Servicing Lender- Spreadsheet	If your firm is a <b>wholesale lender or a servicing lender</b> , provide a general description of your services (loan processing, underwriting, table funding, loan servicing, real estate owned (REO) disposition, etc.) and provide complete contact information (address, telephone number, fax number, e-mail addresses) for your various departments, including regional account executives.		<input type="checkbox"/>
5. Outline	A brief outline of underwriting criteria from the lender's internal loan policy manual.		<input type="checkbox"/>
6. Statement	A statement agreeing to use forms approved by the Federal Housing Administration (FHA), Fannie Mae, or Freddie Mac, with a list of the forms to be used. (Do not submit the forms.) This statement can be included in the loan underwriting criteria.		<input type="checkbox"/>
7. Quality Control Plan	General requirements for quality control plans: <ul style="list-style-type: none"> <li>• Must be in writing outlining policies and procedures along with any forms and checklists used in the process.</li> <li>• Employees must operate independently of loan origination and servicing departments or the lender/servicer may contract out this function. If this function is contracted out, the lender must adequately monitor the performance of the contractor.</li> <li>• Have procedures to report non-compliance to the highest levels of management. May be monthly or at the most a quarterly basis.</li> <li>• Have procedures to report non-compliance or suspected misrepresentation to the appropriate regulatory authorities.</li> <li>• Identify training opportunities for lender/servicer staff.</li> <li>• Set timeframes for review and follow-up procedures.</li> <li>• Have procedures in place to monitor any third party originators (TPOs)</li> <li>• Include a consistent process to sample select and review SFHGLP loans.</li> </ul>		<input type="checkbox"/>
8. Training Certification	Evidence of "New Lender Training" – see <a href="https://usdalinc.sc.gov.usda.gov/RHShome.do">https://usdalinc.sc.gov.usda.gov/RHShome.do</a> for one option available for mandatory new lender training. Additional options include All-Regs or State provided training.		<input type="checkbox"/>
<b>Certifications/Acknowledgments</b>			
I certify I am a corporate officer and/or principal/owner of the above-named entity with the authority to legally bind the organization and to execute certifications and acknowledgements on behalf of the entity/organization named. I certify information provided and any accompanying documentation is true and accurate to the best of my knowledge and belief.			
Name:		Title:	
Signature:		Date:	
<b>Send the executed Lender Agreement, Checklist and Supplemental Information to one of the following addresses:</b>			
<i>Single State Approval</i>		<i>Multi-State or National Approval (by US Mail or Overnight Delivery)</i>	
Send to the Rural Development State Office Headquarters in the State lender approval is sought. To find the address and contacts, go to: <a href="http://www.rurdev.usda.gov/recd_map.html">http://www.rurdev.usda.gov/recd_map.html</a>		USDA – Rural Development SFH/Guaranteed Loan Division STOP 0784, Room 2250-S 1400 Independence Avenue, SW Washington, D.C. 20250-0784	
		Questions: 202.720.1452 Fax Number: 202.205.2476 202.720.8795	