

APPLICANT ORIENTATION GUIDE

This orientation guide summarizes the information applicants need to know about the Agency's program once a loan has been approved. No loan can be closed until the Agency staff has reviewed this information with the applicants, and all applicants have completed Part II, Certifications. If an applicant wants more information about any topic summarized here, the Agency staff can supply additional detail based on the guidance provided in HB-1-3550.

PART I. PROGRAM INFORMATION

A. RIGHTS

- 1. Equal Opportunity.** USDA regulations prohibit discrimination in USDA programs because of your race, color, religion, sex, age, national origin, marital status, sexual orientation, disability; because all or part of your income is derived from any public assistance program; or because you have filed a program complaint, participated in any program complaint proceeding, or opposed a prohibited practice.
- 2. Appeal.** Applicants have the right to appeal program administrative actions by which they are adversely affected, such as having assistance reduced, canceled, or not renewed.

B. CLOSING

- 1. Down Payment.** Applicants who have non-retirement assets above \$7,500 (or above \$10,000 for elderly families) or retirement assets in excess of the applicable adjusted area median income limit are required to use them toward the purchase. All non-program borrowers are required to make a down payment at loan closing with the exception of non-profit and public agencies.
- 2. Title Insurance.** The applicant generally must secure title insurance, although in rare cases, a title opinion from an attorney may be used. In both, the title company or attorney must be acceptable to the Agency. Title Insurance is not required when the total indebtedness is less than \$7,500.
- 3. Closing Agent/Attorney.** The applicant must choose a closing agent who is acceptable to the Agency. A closing agent/attorney is required for loans of \$7,500 or greater.
- 4. Closing Costs.** The applicant, seller, or both are responsible for paying closing costs at loan closing. Typical costs include: curing title problems, title abstracts, documentary stamps, tax monitoring services, lender's policies of title insurance, owner's policies of

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title insurance, appraisal fees, notary fees, recordation costs, land surveys, attorney's fees, and application packaging fees. The applicant also must make an initial deposit to the escrow account. Program borrowers may finance these costs.

5. Document Errors and Omissions. The Borrower(s) agree(s) to execute, acknowledge, initial, and deliver requested Documents to Lender or Closing Agent within 10 days of receipt or pay all costs which Lender sustains, including reasonable attorney fees.

6. Inspections. Applicants are responsible for property inspections needed to protect their own interests. Agency inspections create or imply no duty or obligation to the applicant. They are conducted to determine whether the property provides adequate security, and whether it appears to meet the program's site and dwelling requirements.

C. ON-GOING OBLIGATIONS

1. Working with CSC. Once a loan is closed, the Centralized Servicing Center (CSC) is the primary contact for the borrower. Borrowers should direct all post-closing contacts to CSC.

2. Payments. Regular payments must be made on or before the due date and will not be applied until the scheduled payment is made. Failure to make timely payments can result in late charges, reporting to credit repositories, offsets of income, and/or foreclosure. If for any reason a payment cannot be made on time, the borrower should immediately contact CSC. Notification will not, however, prevent the borrower from being assessed a late fee. If a borrower wishes to make a final payment, the borrower should contact CSC to obtain a payoff statement.

Notice to Customers Making Payment by Check: If you send us a check, it will be converted into an electronic funds transfer (EFT). This means we will copy your check and use the account information on it to electronically debit your account for the amount of the check. The debit from your account will usually occur within 24 hours, and will be shown on your regular account statement.

You will not receive your original check back. We will destroy your original check, but we will keep an image of it. If the EFT cannot be processed for technical reasons, you authorize us to process a paper copy of the image in place of your original check. If the EFT cannot be completed because of insufficient funds, we may try to make the transfer up to two additional times [and we will charge you a one-time fee of \$15.00, which we will also collect by EFT].

3. Pre-authorized Debit. A borrower may choose to have pre-authorized debits taken from their checking or savings account each month rather than sending payments to CSC. After a borrower's account has been debited, the borrower receives a statement indicating the amount of the debit.

4. Late Payments. Borrowers who fail to make timely payments will be charged a late fee. This fee is four (4) percent of their principal and interest payment, or other amount authorized by state law.

5. Non-sufficient Funds. Borrowers will be required to pay a fee for any check returned for non-sufficient funds.

6. Escrow for Taxes and Insurance. Borrowers generally are required to establish escrow accounts. The escrow account is maintained by CSC on behalf of the borrower for the payment of taxes and insurance. Borrowers with escrow accounts pay an amount each month, in addition to their principal and interest payment, that is deposited into the escrow account for the payment of future tax and insurance bills. The Agency will pay taxes and insurance premiums when they are due with funds from the borrower's escrow account.

7. Insurance. Borrowers are responsible for obtaining and continuously maintaining hazard insurance throughout the term of the loan. If a borrower's insurance is canceled, the Agency may purchase insurance for the borrower and charge the borrower's account(s) for the cost of the insurance. Flood Insurance is also required if the property is determined to be located in Special Flood Hazard Areas (SFHA) at the time of loan closing or subsequently during the life of the loan. The Loan Originator will notify the borrower using *Form RD 3550-6, Notice of Special Flood Hazards, Flood Insurance Purchase Requirements, and Availability of Federal Disaster Relief Assistance*, if the property is in a SFHA. If flood insurance cannot be secured, the property is not eligible for Federal financial assistance.

8. Property Maintenance. Borrowers are responsible for maintaining their properties throughout the life of the loan. The Agency may advance funds to pay for repairs that are needed to protect the Government's interests. Failure to protect the Agency's security is a non-monetary default and could result in foreclosure.

9. Energy Conservation. Energy cost savings can make a big difference in a borrower's ability to make regular loan payments. Utility companies and county extension offices may be able to suggest ways to conserve energy.

D. ASSISTANCE

1. Counseling. Credit counseling is available for any borrower who desires assistance. Borrowers may call **1-800-414-1226** to obtain counseling from a borrower representative or, by using a touch tone phone, to access account information.

2. Delinquency Workout Agreement. If an account becomes delinquent, the borrower may agree to pay an extra amount each month, in addition to the scheduled payment, to bring the account current within two (2) years or the remaining term of the loan, whichever is shorter.

3. Moratorium. Borrowers who continue to personally occupy the property may apply for a postponement of payments for up to two (2) years if, due to a loss in income beyond their control, they are temporarily unable to continue making scheduled payments on their loan without unduly impairing their standard of living.

When the borrower is able to resume scheduled payments, the loan will be reamortized to include the amount deferred during the moratorium. All or a part of the interest that accrued during the moratorium may be forgiven if the borrower does not have repayment ability.

4. Compensation for Construction Defects. For newly-built dwellings, the Government may pay for major defects in construction that are not repaired by the builder. Defects are usually the result of poor workmanship that the contractor refuses to repair, or for which the repairs are inadequate. If the contractor does not fulfill his/her obligation, the Agency may seek to debar the contractor. The borrower must file a claim with the Field Office within 18 months of the date the borrower signs the final inspection.

5. Subsequent Loans. A subsequent loan can be made as part of the original purchase of the property in combination with an assumption, or it can be made during the loan term to an existing borrower to help pay for repairs or improvements to the property.

6. Actions Requiring Agency Approval. A borrower must obtain approval from the Agency before taking actions that may affect the security value of the property. Key actions that require approval from the Agency include: subordination of the loan, mineral leases, partial release of security, lease of security property, and assumptions of indebtedness.

7. Refinancing with Private Credit. Agency credit is not intended to replace conventional credit. When the Agency believes the borrower can obtain private credit at the prevailing rates and terms in the area, the borrower will be required to apply for, and if approved by the lender, accept a loan sufficient to pay the balance of the Agency debt in full, with the exception of deferred recapture.

8. Unauthorized Assistance. Unauthorized assistance includes any loan, payment subsidy, deferred mortgage payment, or grant for which there was no authorization or for which the recipient was not eligible. Account adjustments may be made to correct for the receipt of unauthorized assistance and any subsidy granted improperly will be repaid by the borrower. Borrowers who receive unauthorized assistance based on false information provided intentionally to obtain benefits are at risk of losing their loan, debarment from participation in Federal benefit programs, and civil and criminal prosecution.

E. SPECIAL OBLIGATIONS

1. Payment Subsidy – (502 LOANS ONLY). Qualified applicants may be eligible to receive a payment subsidy to reduce their monthly payments. Income of borrowers receiving payment subsidy will be reviewed at least annually to confirm the borrower's eligibility and adjust the subsidy amount. Borrowers must personally occupy the property, and must inform the Agency whenever an adult member of the household changes or obtains employment, when there is a change in family status, or when income increases by more than ten (10) percent.

2. Recapture of Subsidy – (502 LOANS ONLY). Payment subsidy and deferred mortgage payments are subject to recapture when the borrower ceases to live in the property or transfers title. A borrower who repays a loan has the option of deferring payment of recapture as long as title does not transfer and the borrower continues to occupy the property. Recapture is typically deferred when a borrower refinances an Agency loan with private credit or pays the last loan installment.

PART II. CERTIFICATIONS

Each applicant must initial each item to certify that they have read and understood its contents, then sign and date the final page.

_____ **Lead-Based Paint Hazards.** I/we understand that if the house I/we choose to purchase was constructed before 1978, there is a possibility that it may contain lead-based paint.

_____ **Radon.** I/we understand that radon is a naturally occurring radio-active gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. I/we understand that additional information regarding radon and radon testing may be obtained from the county or State public health unit.

_____ **Environmental Requirements.** I/we understand that if any measures are identified in the Agency’s environmental impact analysis for this project for the purpose of avoiding or reducing the adverse environmental impacts of the project’s construction or operation, I/we are responsible for their implementation.

_____ **Borrower Explanatory Information.** I/we certify that I/we have received the following information:

- “Warning - Lead Based Paint Hazards” or “Protect Your Family From Lead in Your Home”
- Settlement Cost Booklet

_____ **Closing Agent/Attorney Selection.** I/we have been informed that I/we have a right to select legal counsel to represent me/us in all matters of this transaction relating to the closing of the loan, and that I/we are responsible for all legal fees.

I/we have selected: _____
Closing Agent/Attorney (Name)

Closing Agent/Attorney (Address)

I/we understand this closing agent/attorney will be required to make certain certifications to the Agency prior to being authorized to close the loan.

_____ **Financing Loan Costs.** I/we choose to finance the following costs.

Appraisal Fee	\$ _____
Tax Monitoring Fee	\$ _____
Initial Escrow Deposit	\$ _____
Total	\$ _____

_____ **Full and Accurate Information.** I/we certify that the information submitted on the application for assistance and supporting documentation is correct to the best of my/our knowledge. I/we understand that failure to fully disclose accurate and truthful financial information may result in the denial or termination of program assistance now or in the future. I/we further understand that whoever knowingly and willfully falsifies, conceals, or covers up a material fact, or makes a false, fictitious, or fraudulent statement or entry, may be fined or imprisoned not more than five (5) years, or both, as provided under section 1001 of Title 18, United States Code.

_____ **Acknowledgment.** By signing this document I/we acknowledge that this interview was held on _____ and I/we received a copy. (Date)

Applicant Date

Applicant Date

Loan Originator Date