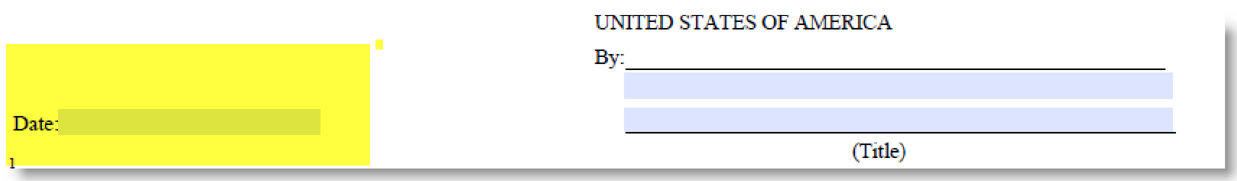
Single Family Housing Guaranteed Loan Program
Implementation of Annual Fee
Frequently Asked Questions

September 7, 2011
Volume 1

1. **Effective Date**: *According to RD Administrative Notice (AN 4551), all loans obligated on or after October 1, 2011, will be charged an annual fee. What date does RD consider to be the obligation date?*

   Response: The Obligation date is the date of the Conditional Commitment. The date can be found in the bottom left corner of Form RD 1980-18, "Conditional Commitment For Single Family Housing Loan Guarantee." See insert of the form below:

   UNITED STATES OF AMERICA

   By:

   Date:

   (Title)

   The annual fee of 0.3 percent is applicable for <u>all</u> loan applications (p*urchase, new construction and refinance transactions)* with a Conditional Commitment dated October 1, 2011 and thereafter. If the Conditional Commitment is dated **prior** to October 1, 2011, the loan is not subject to an annual fee.

2. **Obligation Date**: *If a loan request is submitted to RD on or before September 30, 2011, but cannot be obligated until October 1, 2011 or later, will the loan be subject to an annual fee?*

   Response: Yes. All loan requests with an obligation date of October 1, 2011 or later will be subject to an annual fee….NO EXCEPTIONS.

3. **Guaranteed Underwriting System (GUS):** *Will GUS be updated to accommodate the annual and up-front fees for loans that cannot be obligated by September 30, 2011?*

Response: Yes. Software deployment for GUS is scheduled for implementation on September 21, 2011 to accommodate the annual fee for loans that cannot be obligated prior to October 1, 2011.

4. **Conditional Commitment Expiration**: *Will a loan be subject to the annual fee if the Conditional Commitment expiration date is on or after October 1, 2011?*

   Response: If the Conditional Commitment is dated prior to October 1, 2011, the loan will not be subject to an annual fee as the loan should already be obligated with FY 2011 funds that are not subject to an annual fee.

5. **Conditional Commitment Extension**: *If the lender requests an extension of a Conditional Commitment that was originally issued prior to October 1, 2011, will the annual fee provision apply?*

   Response: No. A Conditional Commitment is effective for 90 days from the date of issuance. The funds for the loan should already be obligated with FY 2011 funds that are not subject to an annual fee.

   Upon request from the lender, RD may grant one (90) day extension. If construction is involved the expiration date determined by RD may correspond with the projected completion of the project. The Conditional Commitment expiration date can be found on the form as shown below:

   > This conditional commitment will expire on ___________[4] unless the time is extended in writing by the Agency, or upon the Lender's earlier notification to the Agency that it does not desire to obtain an Agency guarantee.

   Please note it is the lender's responsibility to request an extension of the Conditional Commitment. Lender's failure to request an extension may result in the de-obligation of the loan by Rural Development. If for any reason a loan is de-obligated by Rural Development on or after October 1, 2011, any subsequent request for a Conditional Commitment will be subject to the annual fee provision….NO EXCEPTIONS.

6. **Up-Front Guarantee Fee**: *According to RD, AN 4551, the Up-front Guarantee Fee will decrease to 2% on October 1, 2011, is this still correct?*

Response: Yes. For fiscal year (FY) 2012 which begins October 1, 2011, the up-front guarantee fee for purchase transactions will decrease to 2 percent and will remain at 1 percent for refinance transactions.

7. **Fee Disclosure**: *How will the annual fee be disclosed?*

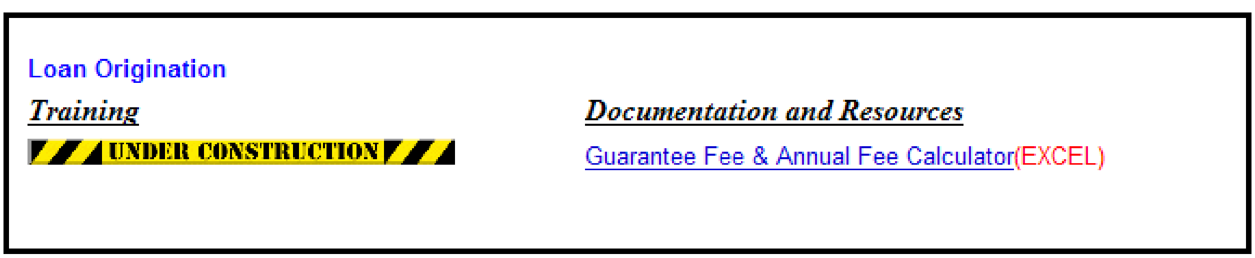
Response: RD will disclose the annual fee to the applicant by amending Form RD 1980-21, "Request for Single Family Housing Guarantee." The annual fee will be disclosed to the lenders by amending Form RD 1980-18, "Conditional Commitment for Single Family Housing Guarantee" and Form RD 1980-17, "Loan Note Guarantee." The forms will be revised with an effective date of October 1, 2011.

8. **Calculating the Annual Fee**: *How will the annual fee be calculated?*

Response: Based on the total loan amount (including any up-front guarantee fee financed in the loan), the initial fee for the first year of the loan will be determined and calculated based on the scheduled average Unpaid Principal Balance (UPB) for the first year. Remaining years of the loan will also be calculated and charged on the scheduled average UPB , not the actual UPB. An Upfront and Annual Fee Calculator is available for public use to assist in calculating the upfront and annual fee. The Guaranteed Underwriting System and the internal Guaranteed Loan System will also calculate and display an annual fee loan amortization schedule once the new software is implemented in late September.

9. **Fee Calculator**: *To ensure the fee is accurately calculated, is there an RD Annual Fee Calculator to assist with calculation of the fee?*

Response: Yes. The annual fee calculator is now online, and located at:
https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do



10. **Lender Collection of Fees***: Since the annual fee will be payable each year, are lenders allowed to establish an escrow account to collect the fees from the borrower on a monthly basis?*

Response: Yes. Lenders may establish an escrow account to collect the annual fee from the borrowers on a monthly basis. The initial annual fee will be disclosed to the lender on the Conditional Commitment Form as shown below:

> The annual fee for the first year of the loan, based upon the above stated principal amount of loan and stated interest rate of this commitment, is $ _____________. The calculated monthly amount is: $_____________.[2]

11. **Billing:** *Are the premiums due in arrears?*

Response: Yes. The first annual fee premium will be due at the end of the first year of the loan. For example, if a loan closes in October 2011, the first bill for the annual fee will be due by November 15, 2012 (the annual fee will be billed on the first day of the month preceding the anniversary of the closing date and the lender will have 15 days to remit payment to the Agency). We are anticipating being able to provide the bill and reconciliation file by the 17th of the month prior to the annual fee due date. Thus, all October 2011 loans will be available on a reconciliation file on Oct. 17th, 2012 for the November 1st billing cycle. More information on this process will be provided once full specifications on the billing and payment process are completed in December 2011.

12. **Premium:** *Does the premium remain the same even if a customer makes additional principal payments?*

Response: Yes. The annual fee is based on the <u>scheduled</u> average UPB and gives no consideration for additional principal payments or delinquent accounts where the actual average UPB is greater or less than the scheduled average UPB.

13. **Billing:** *How will we receive the bill for the annual fee?*

Response: We are in the process of developing the billing and payment process. More information on this process with provided once full specifications on the billing and payment process are completed in December 2011.

14. **Collection:** *AN 4551, indicates the annual fee will be collected through Pay.Gov. How will this process work?*

    Response: The specifications for Pay.Gov are not fully developed. We expect to complete the full specifications by December of 2011, at which time we will provide detailed guidance on the entire billing and collection process.

15. **Collection:** *How will you collect the annual fee for loans that may pay in full prior to complete development of Pay.Gov?*

    Response: In the interim, (until October 2012), we will accept a paper check for the annual fee premium. However, once the automated billing process is developed all collections must be remitted electronically via Pay.Gov. Checks must be remitted to USDA, Rural Development as follows:

    Lender must provide the:

    - **Borrower's Full Name**
    - **Borrower's ID#** (This is the USDA Rural Development Borrower ID, located on the Form 1980-17, Loan Note Guarantee)
    - **"SFH Annual Fee"** (must be annotated on the check)
    - **The State in which the property is located**

    The voucher and check (payable to "**USDA, Rural Development"**) must be sent to the LockBox at:

    USDA, Rural Development
    PO Box 790391
    St. Louis, MO. 63179-0391