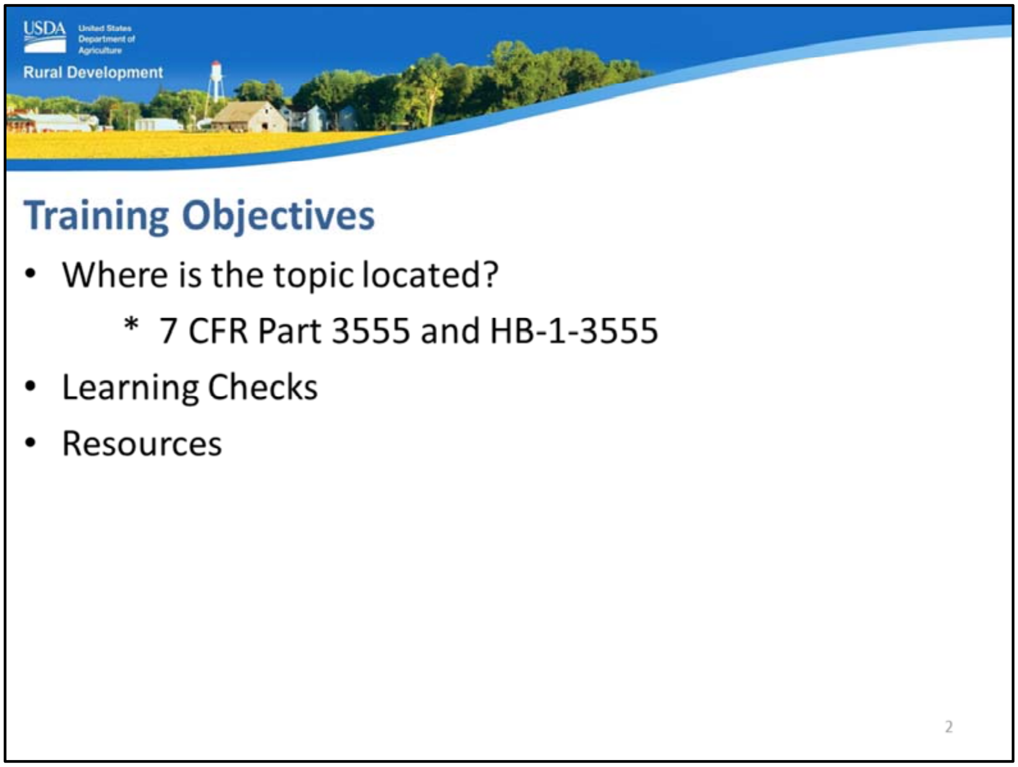
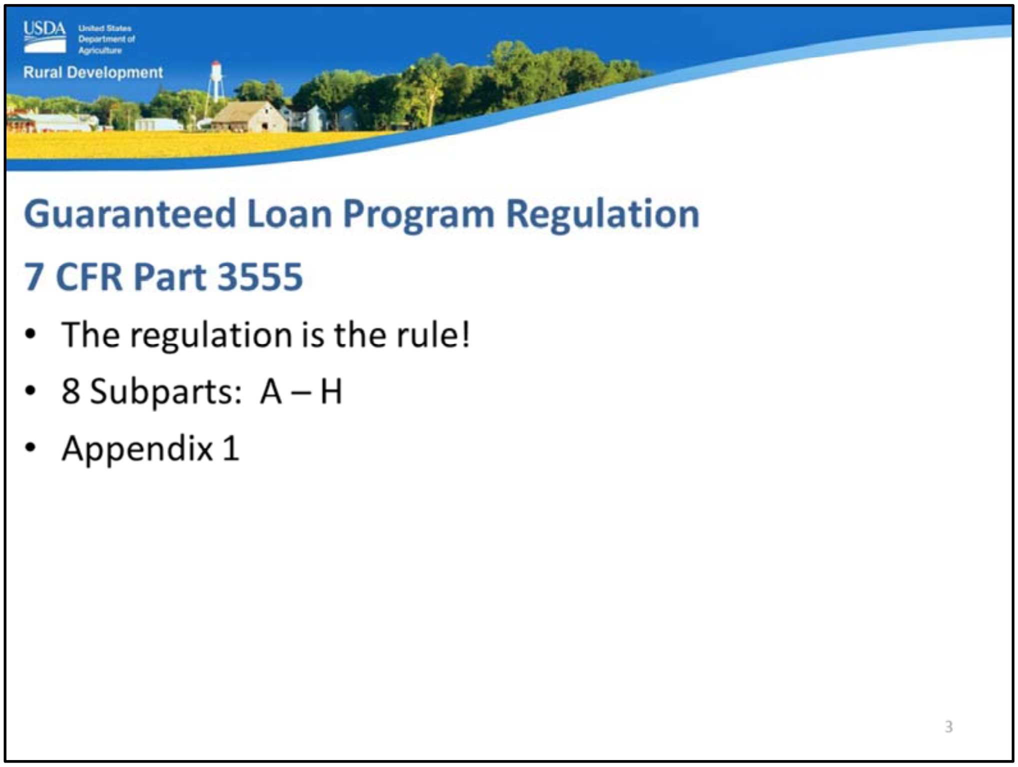
Welcome to Upfront Guarantee Fee and Annual Fee, presented by USDA's Single Family Housing Guaranteed Loan Program!



The objectives of the training include:

1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.

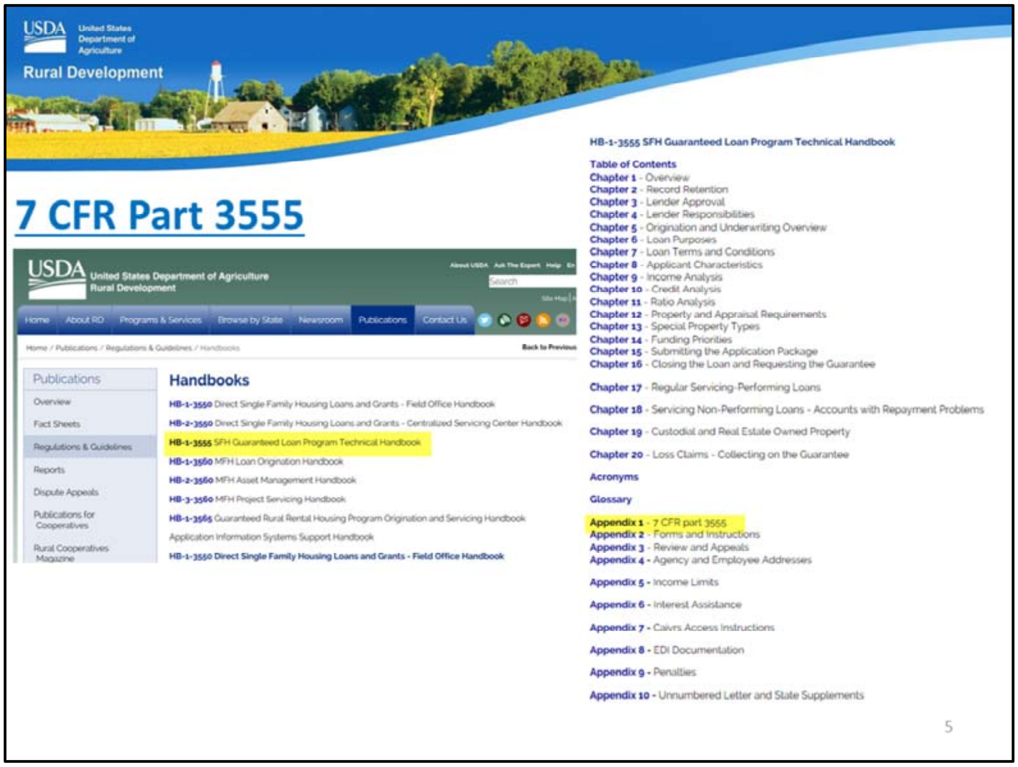


7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions.
The regulation is the rule and it cannot be overridden by the technical handbook.
The 7 CFR Part 3555 is comprised of 8 subparts, A through H.
You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.

The Regulations and Guidelines website is located from the link shown on the slide.

Under “Rural Development” there are many items available from this home page.

To access the regulation, select “Handbooks.”

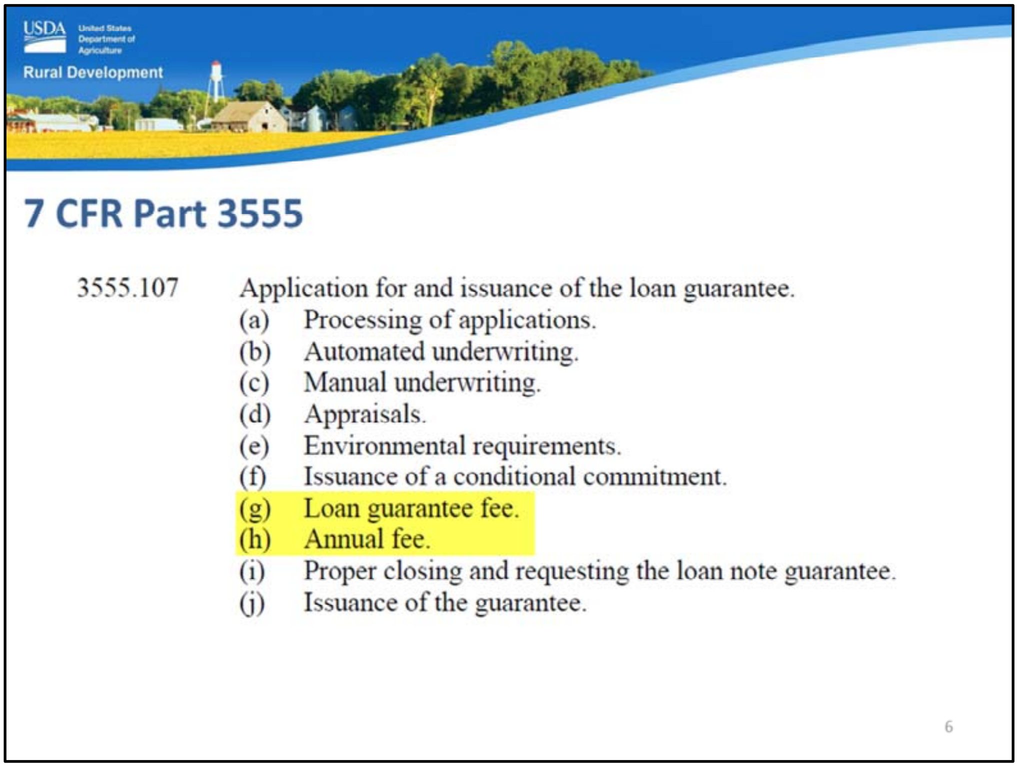


A list of all USDA Rural Development handbooks will display.

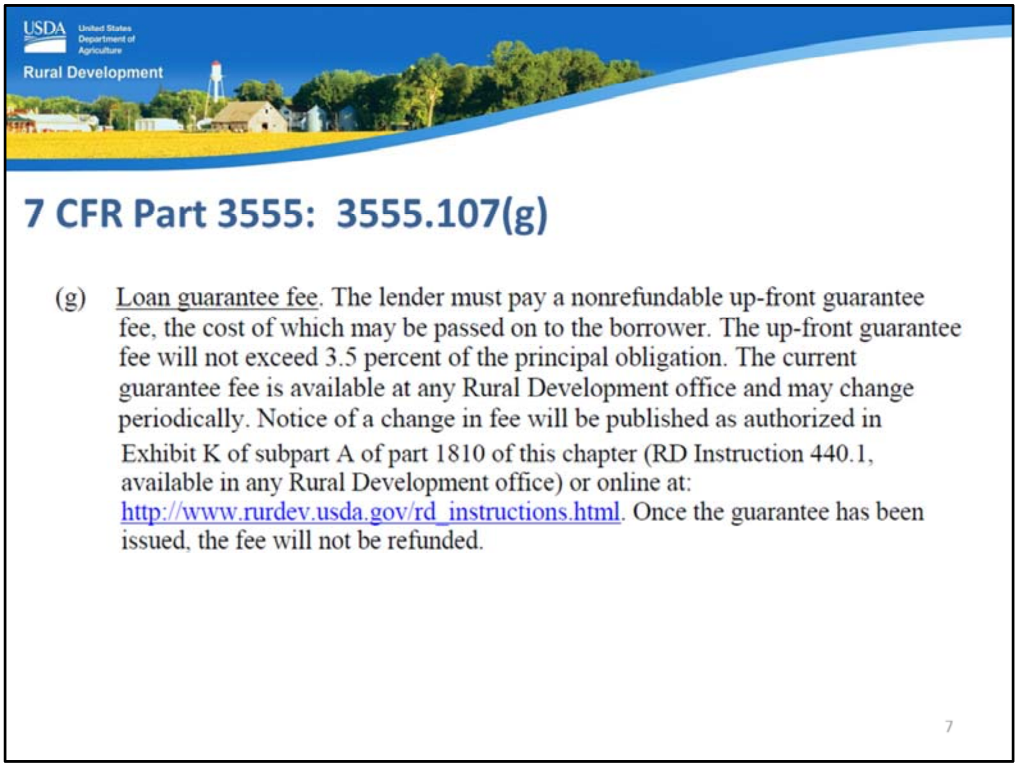
Be sure to select the correct technical handbook: HB-1-3555.

Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection.

Appendix 1 is the full regulation, 7 CFR Part 3555.



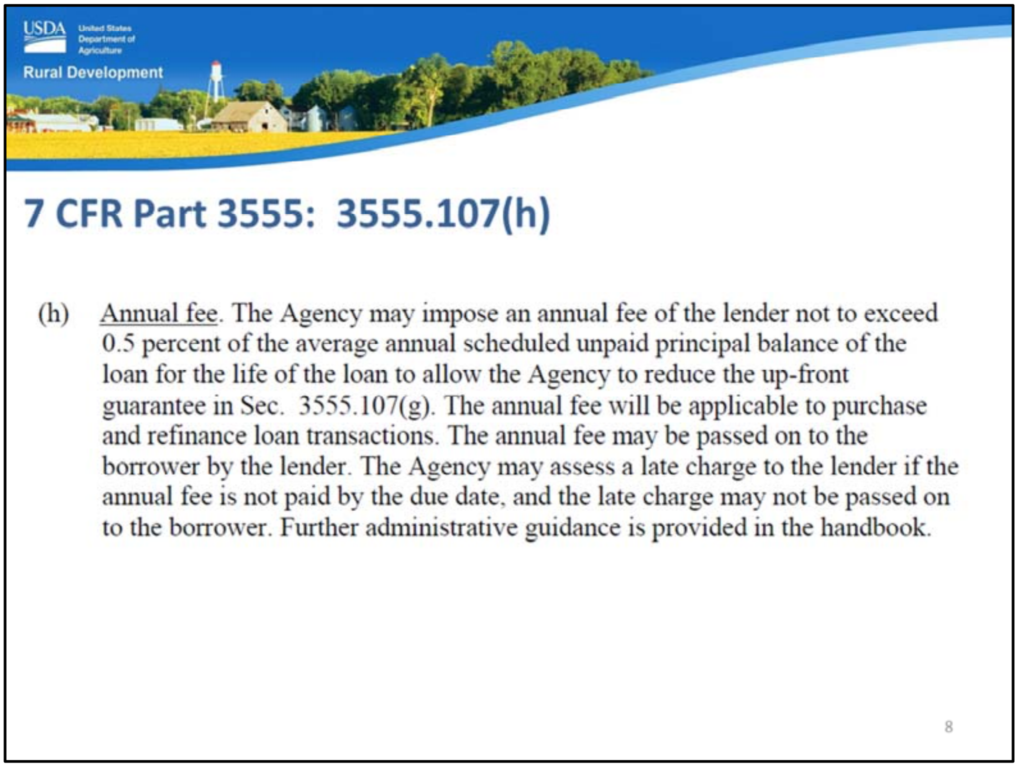
Upfront guarantee fees and annual fees are located in Subpart C, Section 3555.107.



Lenders must pay a nonrefundable upfront guarantee fee. Lenders may pass the cost of this fee to the borrower, and nearly all lenders do.

Under the Housing Act of 1949 as amended, the upfront guarantee fee may not exceed 3.5 percent of the principal obligation at this time.

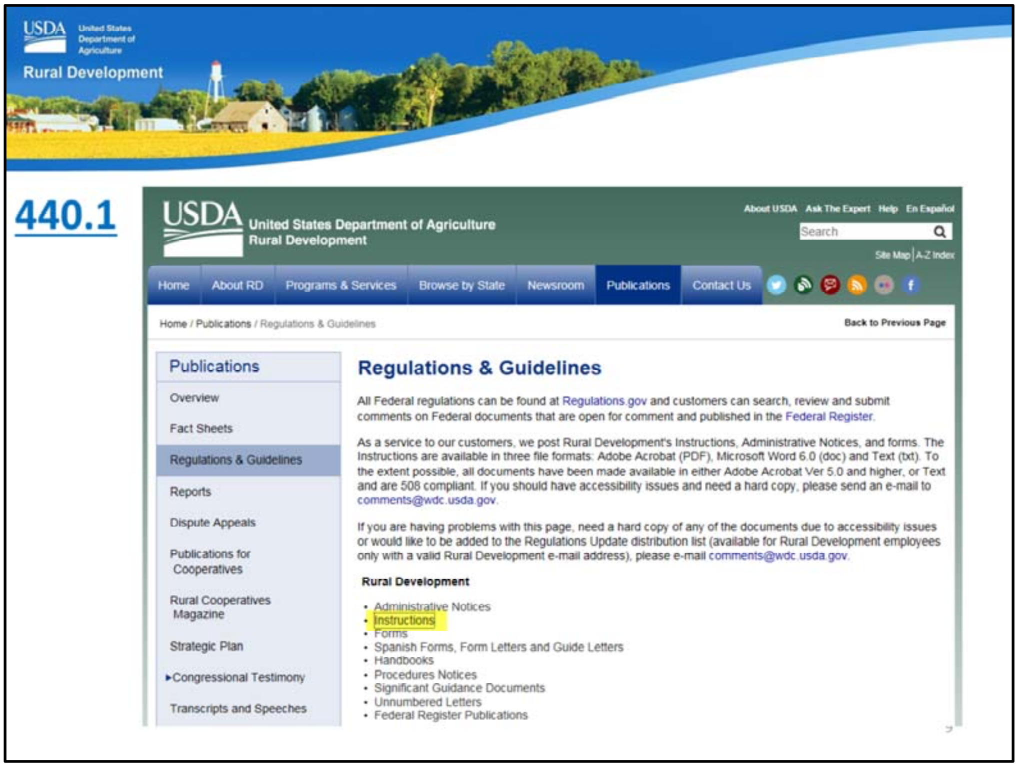
Each fiscal year the amount of the upfront guarantee fee will be determined and published for the public. It is also listed in Exhibit K of Part 1810 Subpart A, also known as RD Instruction 440.1.



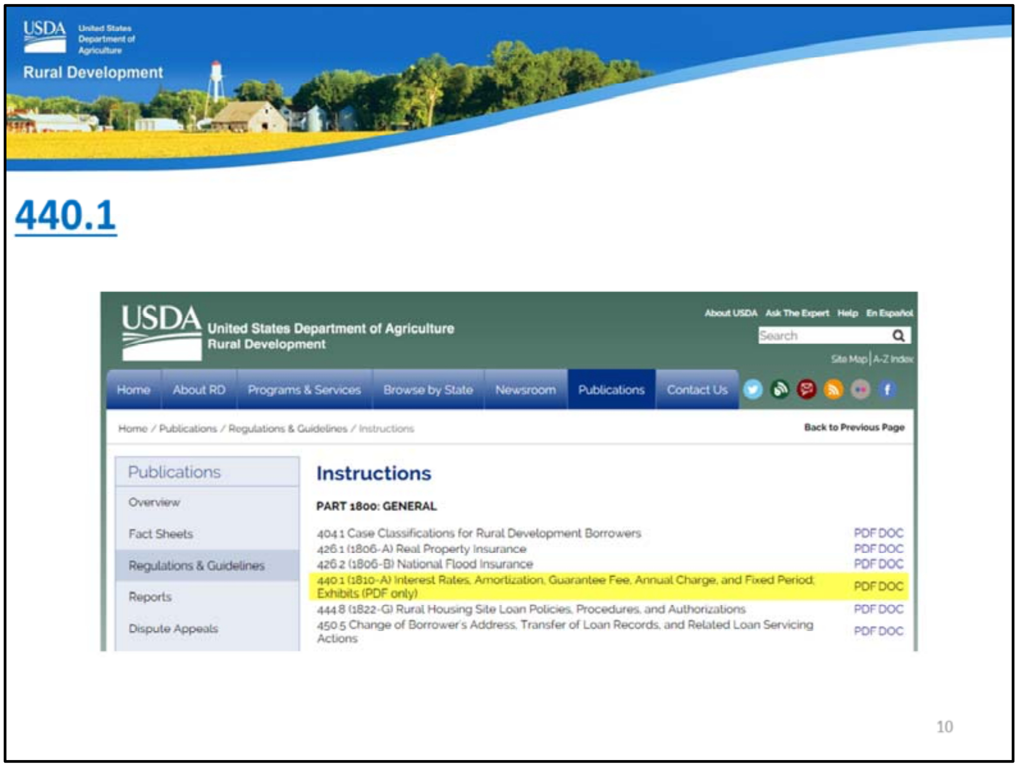
USDA may charge an annual fee from the lender that may not exceed .50 percent of the average annual scheduled unpaid principal loan balance as prescribed under the Housing Act of 1949 as amended. The annual fee applies for the life of the loan.

The annual fee may also be passed to the borrower by the lender. USDA will remit a bill on an annual basis to the lender for payment of the annual fee that is due. The lender will typically collect the annual fee from the borrower as part of their monthly principal, interest, taxes, and insurance payment. This will allow the lender to have the annual fee funds available to pay the fee when it is due to the Agency. If the lender does not pay the annual fee by the due date, a late charge may be assessed to the lender by USDA. This late charge may not be passed to the borrower.

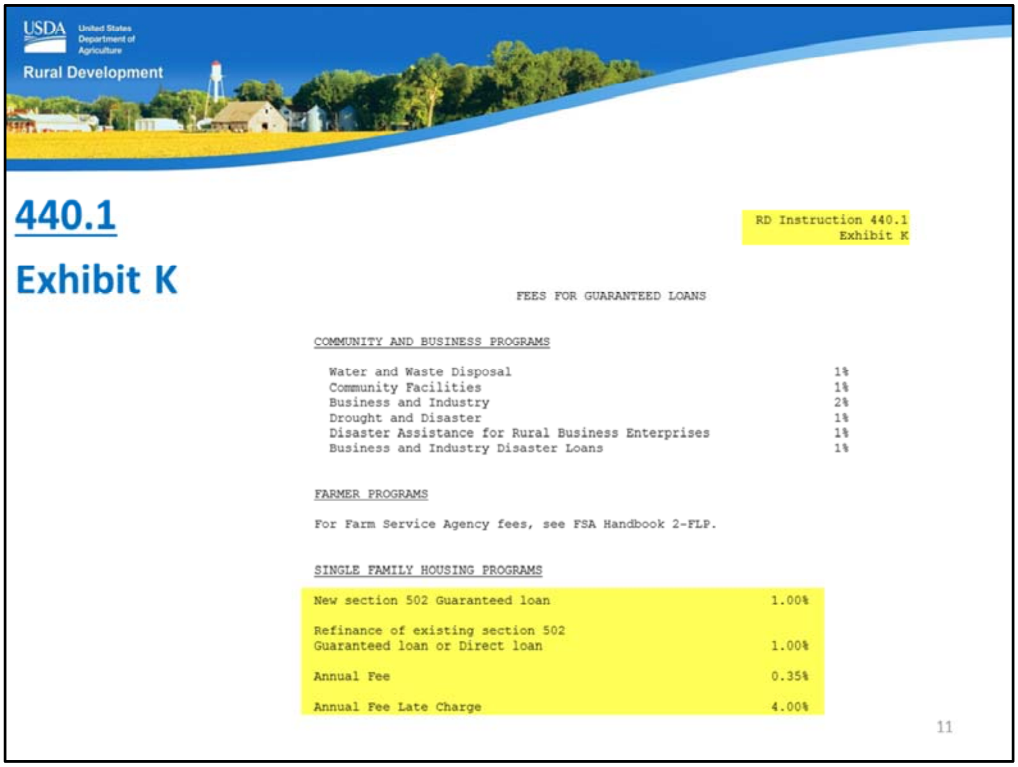
The annual fee and upfront guarantee fee coexist in an effort to ensure the guaranteed loan program remains subsidy neutral. Subsidy neutral means the guaranteed loan program pays for program losses through the fees that are collected, and not from taxpayer provided funds. This is why each fiscal year the upfront guarantee fee and annual fee may change depending upon program needs.



Log onto the Regulations and Guidelines website to access RD Instruction 440. Select "Instructions" from the home page.

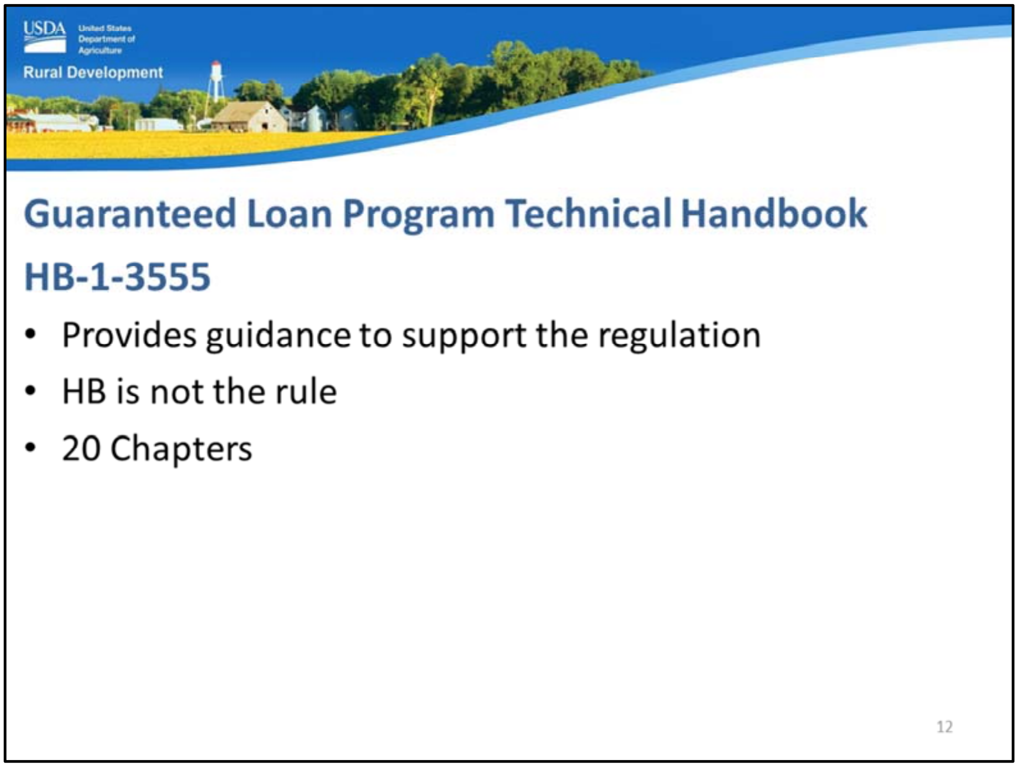


Part 1800 is listed. Select the pdf or document version of 440.1.
DO NOT select the “Exhibits.”

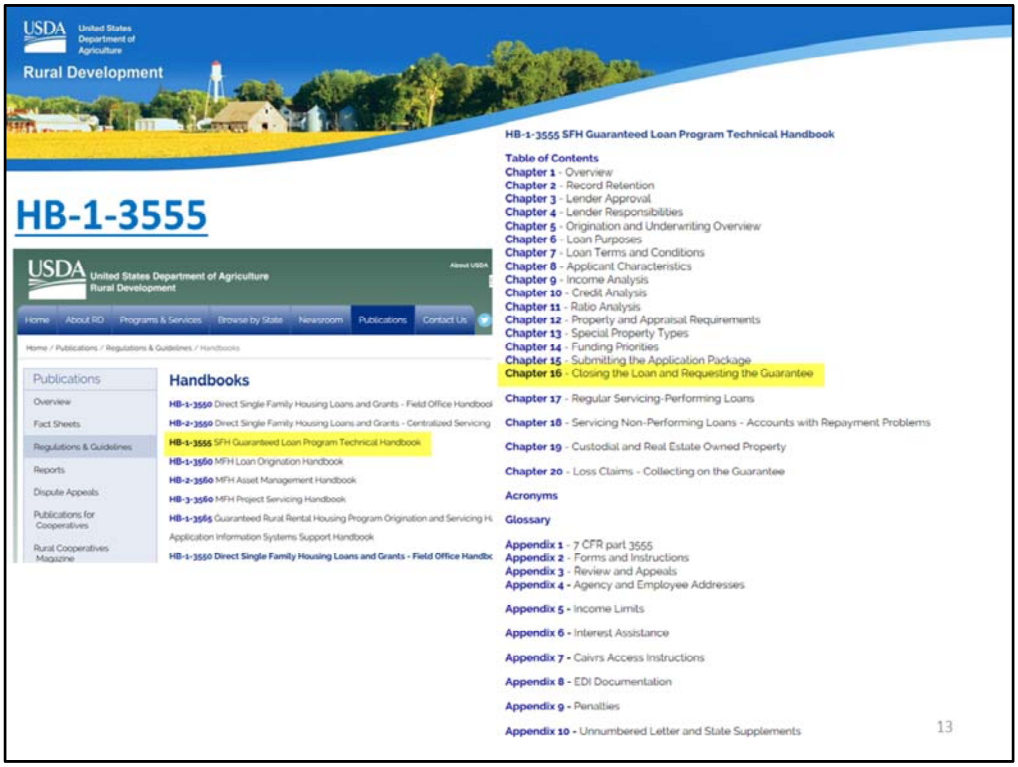


Scroll through the document to Exhibit K.

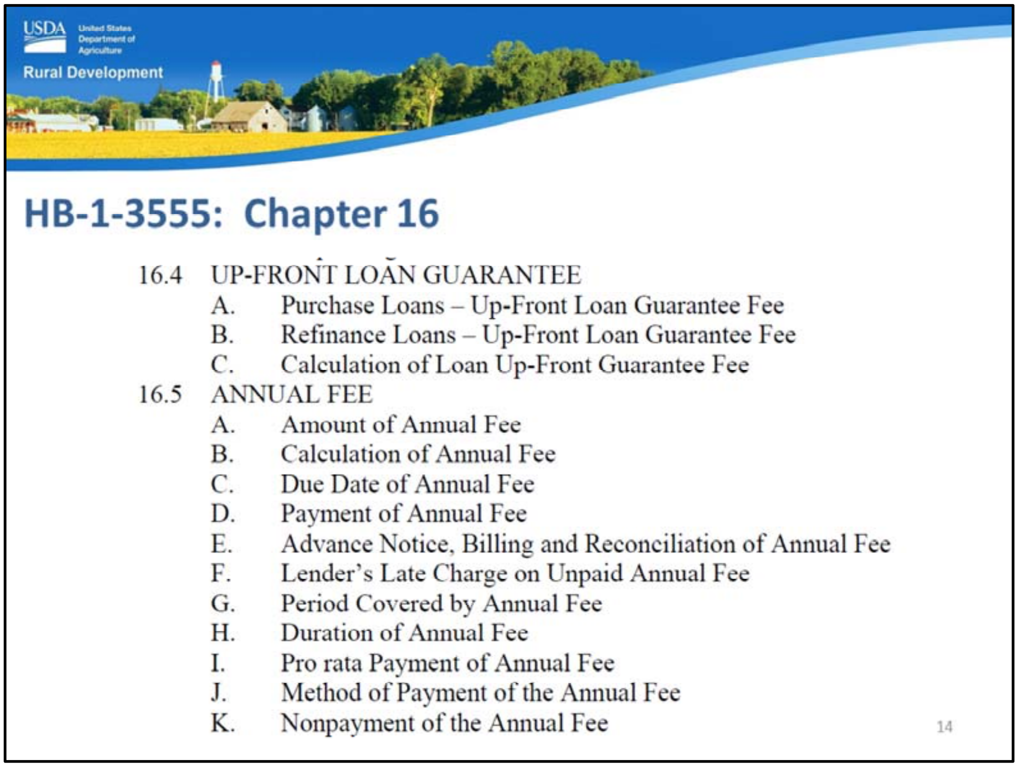
Under Single Family Housing Programs the current upfront guarantee fee for purchase and refinance transactions will be displayed along with the current applicable annual fee and annual fee late charge.



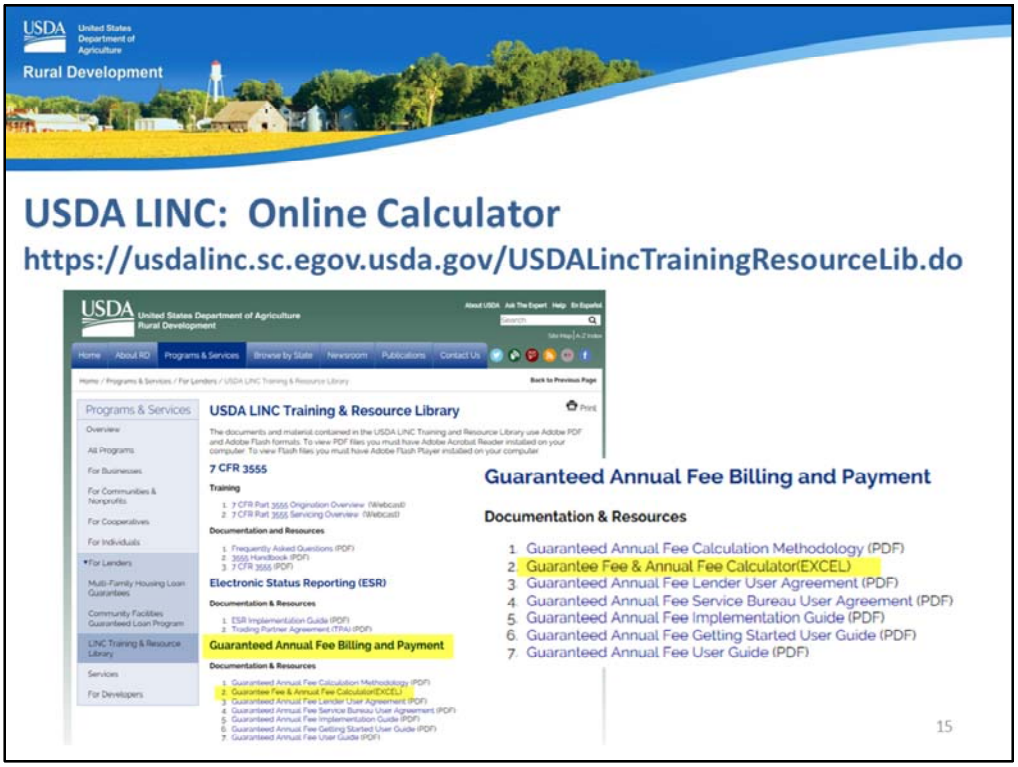
The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.



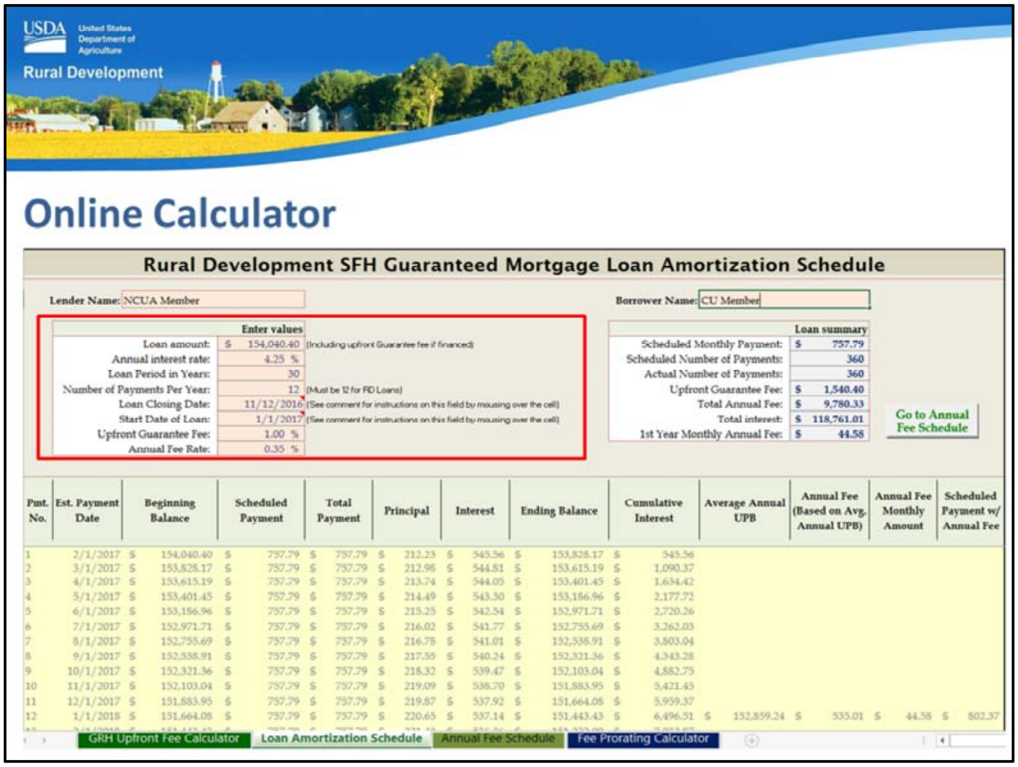
The handbook may be accessed from the Regulations and Guidelines website. Upfront guarantee fee and annual fee guidance is located in Chapter 16 .



This screen shot displays the Table of Contents of Chapter 16. This helps the user to locate specific topics more quickly.



The Training and Resource Library includes a Guarantee Fee and Annual Fee Calculator to assist lenders in making the proper fee calculations.

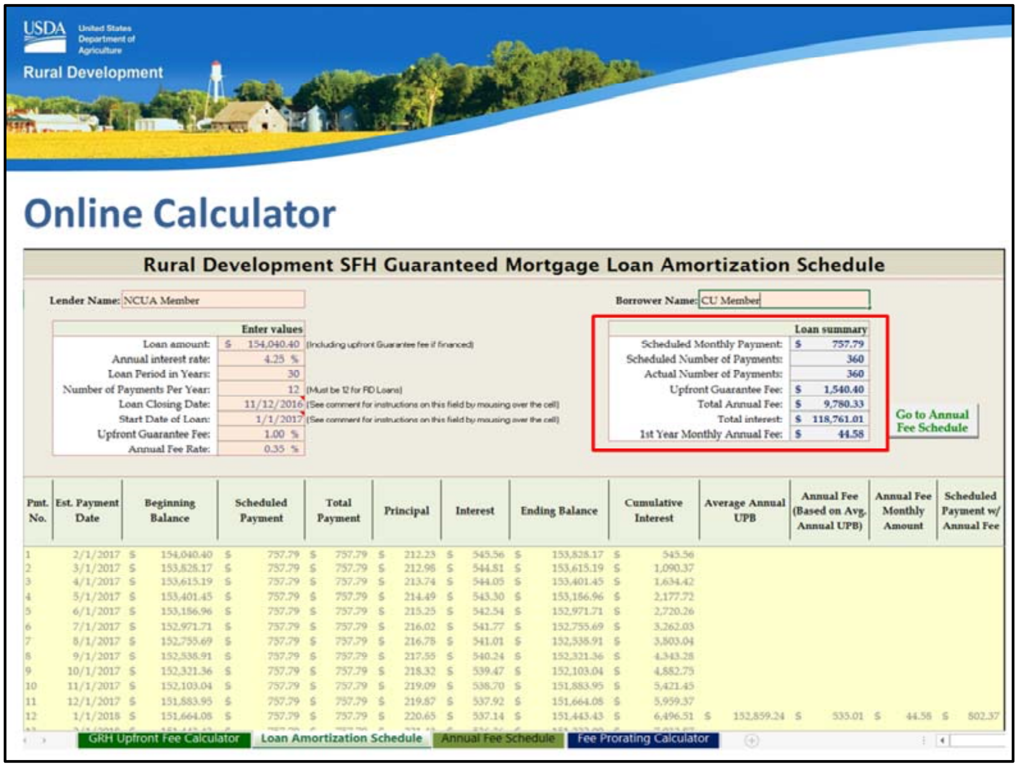


This is a screen shot of the calculator.

On the left side of the screen some important information must be entered:

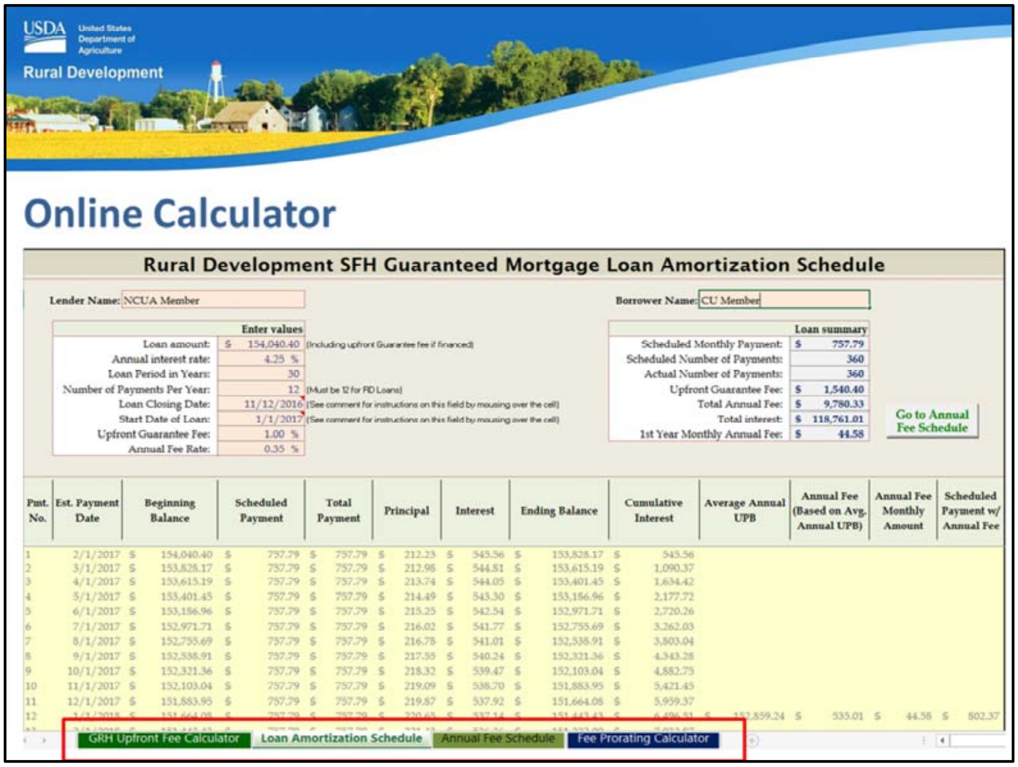
- Loan Amount: this will include the total amount of the loan that is being requested by the lender
- Interest rate
- Loan term must be 30 years
- Number of payments per year will default to 12
- Enter the loan closing date
- Enter the start date of the loan
- Select the applicable upfront guarantee fee from the drop down box. In this example 1% is selected.
- Select the applicable annual fee from the drop down box. In this example .35% is selected.

When all of these data fields are completed, the spreadsheet will apply all data entries.



On the right side of the spreadsheet the following will display:

- Scheduled monthly payment (Principal, interest, and annual fee. Notice that real estate taxes, homeowners insurance, and homeowners association fees/maintenance fees are not reflected.)
- The Scheduled Number of Payments and Actual Number of Payments will default to 360.
- The applicable upfront guarantee fee will display.
- The total annual fee will also display. This figure is representative of the entire 30 years of repayment of the loan. If the loan is paid in full early, refinanced, or sold, then the entire annual fee will not be collected.
- The 1st year Monthly Annual Fee will also display. This monthly portion should be collected by the lender from the borrower in order to have the funds available to pay USDA when the annual fee bill is remitted to the servicing lender.



At the bottom of the spreadsheet there are other options available: The GRH Upfront Calculator (which is the page shown), Loan Amortization Schedule, Annual Fee Schedule, and Fee Prorating Calculator (this is utilized when a loan is refinance or the property is sold).

Online Calculator

SFH Guaranteed Annual Fee Schedule

Lender Name: NCUA Member

Borrower Name: CU Member

Loan Amount:	$ 154,040.40
Interest Rate:	4.25%
Loan Term (Years):	30
Loan Term (Months):	360
Upfront Guarantee Fee:	$ 1,540.40
Total Annual Fee:	$ 9,780.33

Back to Loan Amortization Schedule

Year of Loan	Borrower Monthly Pmt. No.	Annual Fee Payment Date	Average Annual UPB	Annual Fee (Based on Avg. Annual UPB)	Annual Fee Monthly Amount	Scheduled Payment w/ Annual Fee
1	12	1/1/2018	$ 152,859.24	$ 535.01	$ 44.58	$ 802.37
2	24	1/1/2019	$ 150,211.08	$ 525.74	$ 43.81	$ 801.60
3	36	1/1/2020	$ 147,448.16	$ 516.07	$ 43.01	$ 800.80
4	48	1/1/2021	$ 144,565.50	$ 505.98	$ 42.17	$ 799.96
5	60	1/1/2022	$ 141,557.93	$ 495.45	$ 41.29	$ 799.08
6	72	1/1/2023	$ 138,420.01	$ 484.47	$ 40.37	$ 798.16
7	84	1/1/2024	$ 135,146.10	$ 473.01	$ 39.42	$ 797.21
8	96	1/1/2025	$ 131,730.31	$ 461.06	$ 38.42	$ 796.21
9	108	1/1/2026	$ 128,166.48	$ 448.58	$ 37.38	$ 795.17
10	120	1/1/2027	$ 124,448.20	$ 435.57	$ 36.30	$ 794.09
11	132	1/1/2028	$ 120,568.77	$ 421.99	$ 35.17	$ 792.96
12	144	1/1/2029	$ 116,521.20	$ 407.82	$ 33.99	$ 791.78
13	156	1/1/2030	$ 112,298.24	$ 393.04	$ 32.75	$ 790.54
14	168	1/1/2031	$ 107,892.28	$ 377.62	$ 31.47	$ 789.26
15	180	1/1/2032	$ 103,295.35	$ 361.53	$ 30.13	$ 787.92

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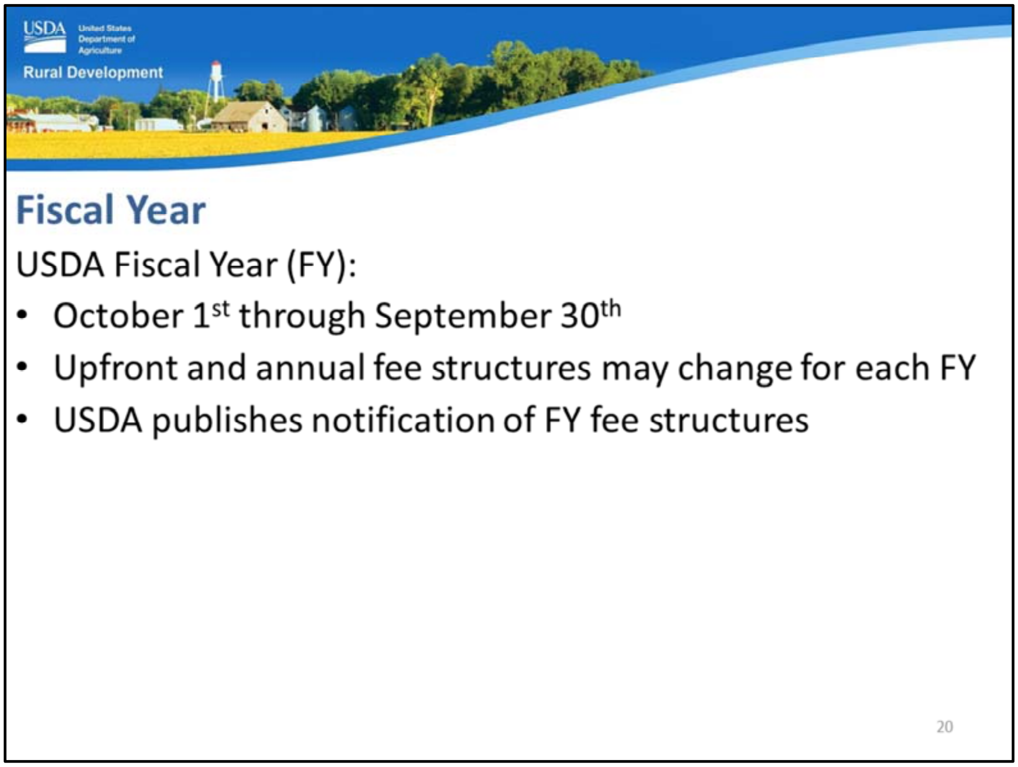
This is the Annual Fee Schedule. Lenders can review how much each annual fee payment will be.



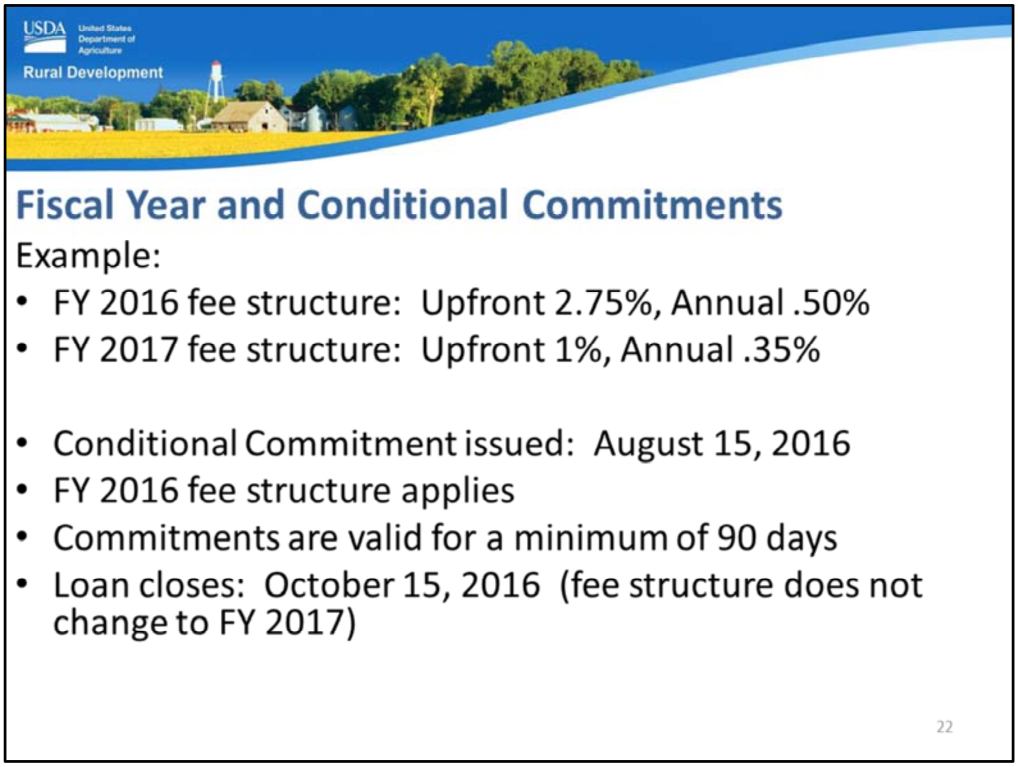
USDA operates on a fiscal year (FY) that begins on October 1st and ends on September 30th.

Each fiscal year the upfront guarantee fee and annual fee may be adjusted according to program needs.

USDA publishes notification of the fee structures to the public through RD Instruction 1800 Subpart 440.1 in Exhibit K and also through GovDelivery notices and additional published needs.

A few key points to understand regarding fiscal years and Conditional Commitments:

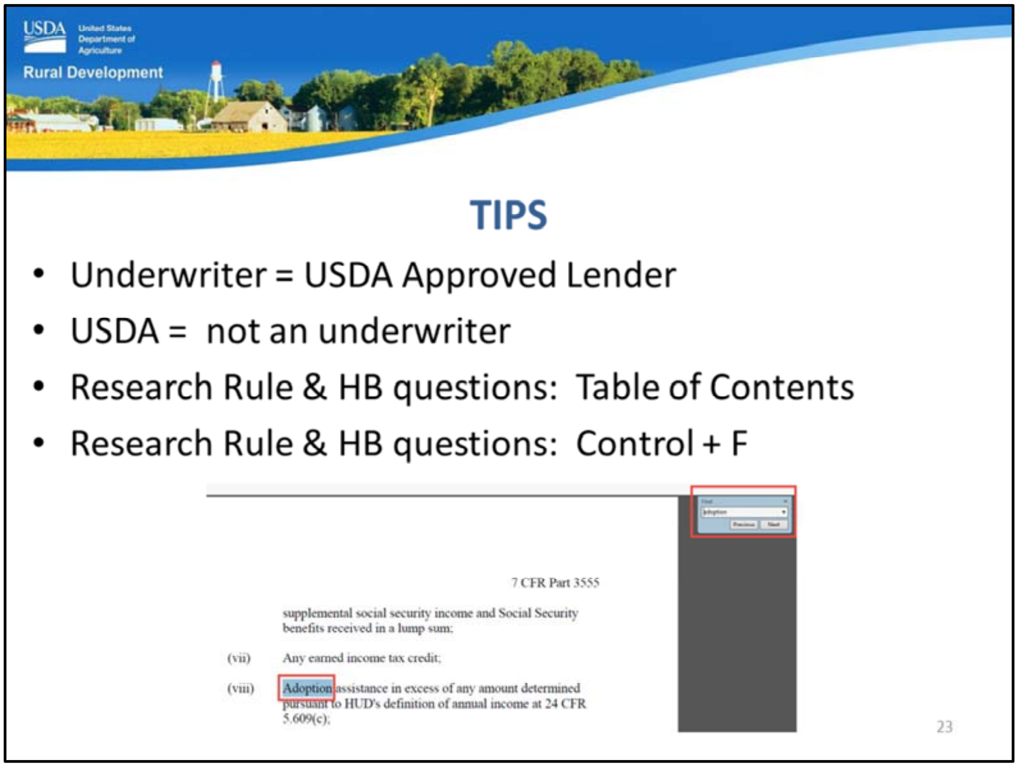
- The date the Conditional Commitment is issued by USDA to the approved lender will determine the applicable upfront guarantee fee and annual fee that will apply to the loan.
- The date the loan closes does not dictate the applicable fees due.
- All loans must close under the authorized terms listed on the issued Conditional Commitment.



Here is an example of the key points we just covered:

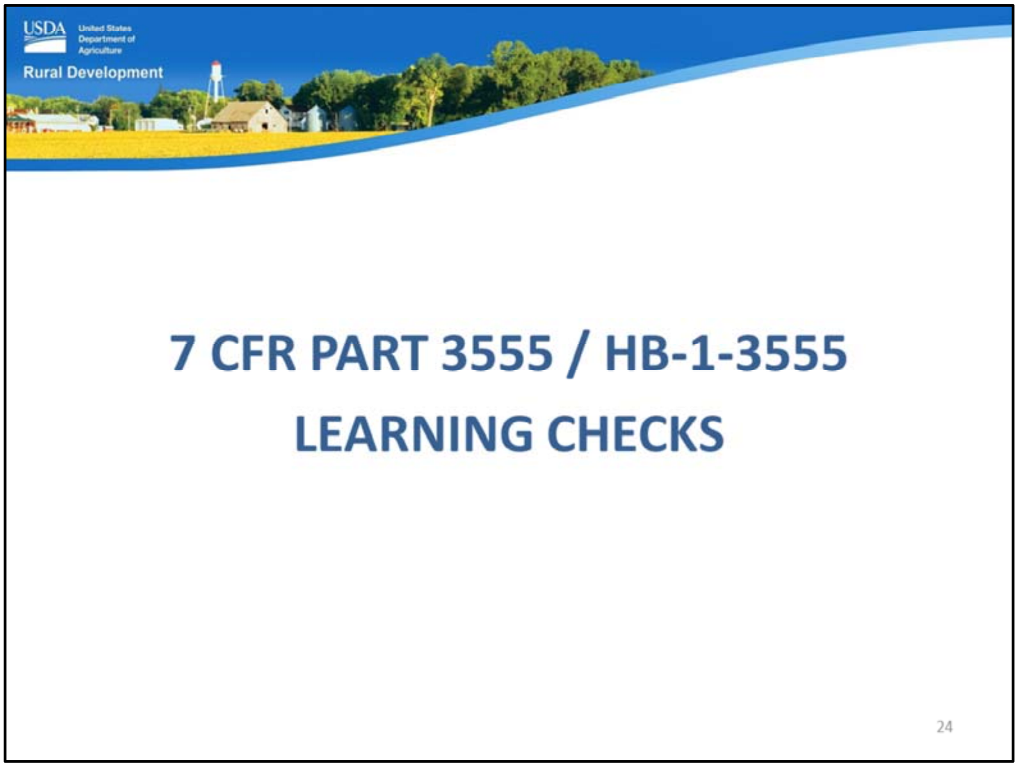
In FY 2016 the upfront guarantee fee was 2.75 percent and the annual fee was .50 percent. FY 2016 began on October 1, 2015 and ended September 30, 2016.
In FY 2017 the upfront guarantee fee was reduced to 1 percent and the annual fee was reduced to .35 percent. FY 2017 began on October 1, 2016 and ended September 30, 2017.

- A Conditional Commitment was issued by USDA to the approved lender on August 15, 2016.
- This would require the fee structure for FY 2016 to apply.
- Conditional Commitments are valid for 90 days and may be extended upon lender request.
- The loan closed on October 15, 2016, which would have been during FY 17. But this does not matter. The Conditional Commitment was obligated with FY 16 funding and therefore the FY 16 fee structure is effective.

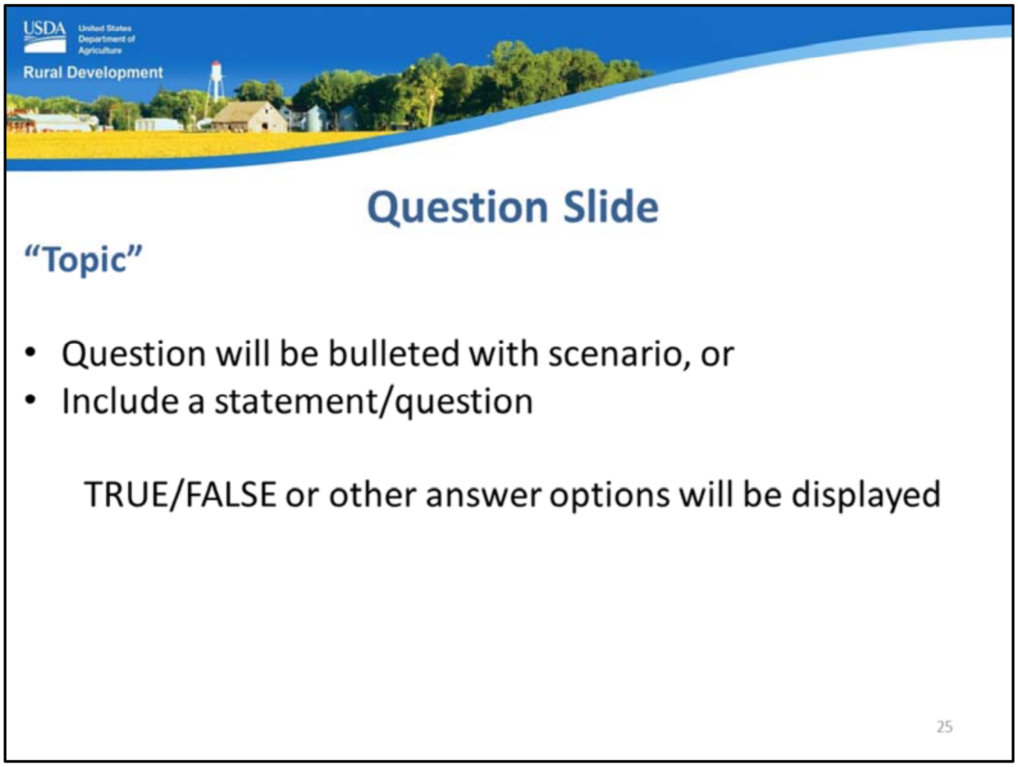


A few helpful tips:

1. The underwriter of the loan is the approved lender's underwriter.
2. USDA is NOT the underwriter of the loan.
3. When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
4. A great best practice when searching for information is to open the regulation or a handbook chapter, select the "Control" button on the keyboard, hold it down, and then also select the "F" key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.

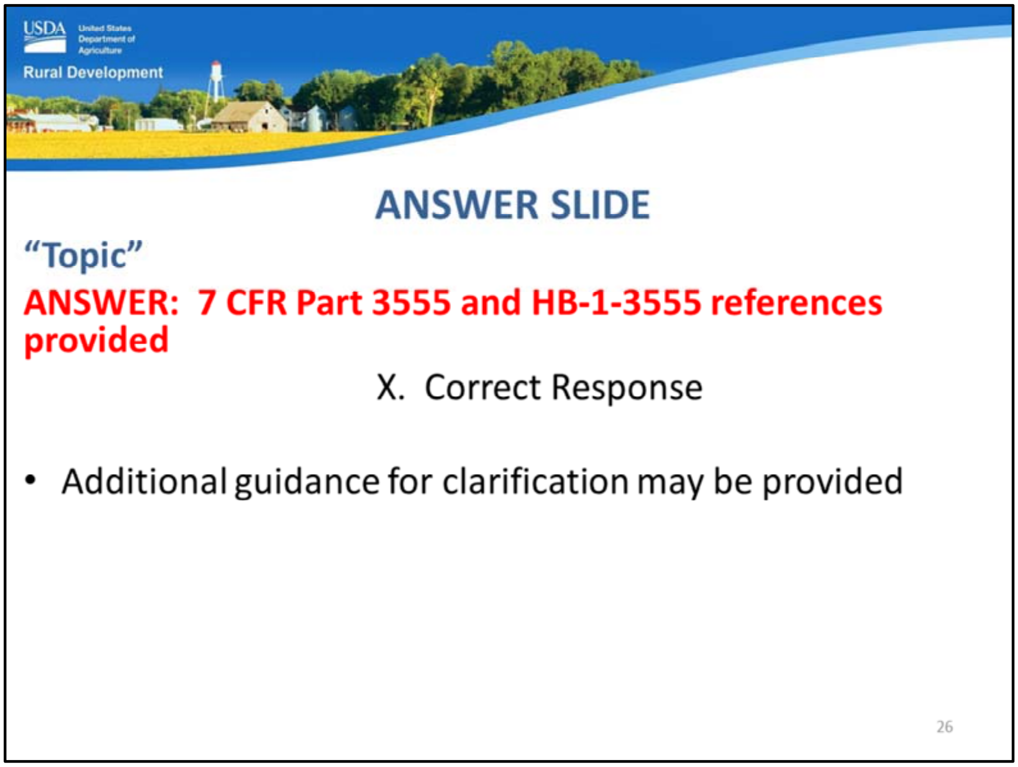


The best way to learn information is to test your knowledge!



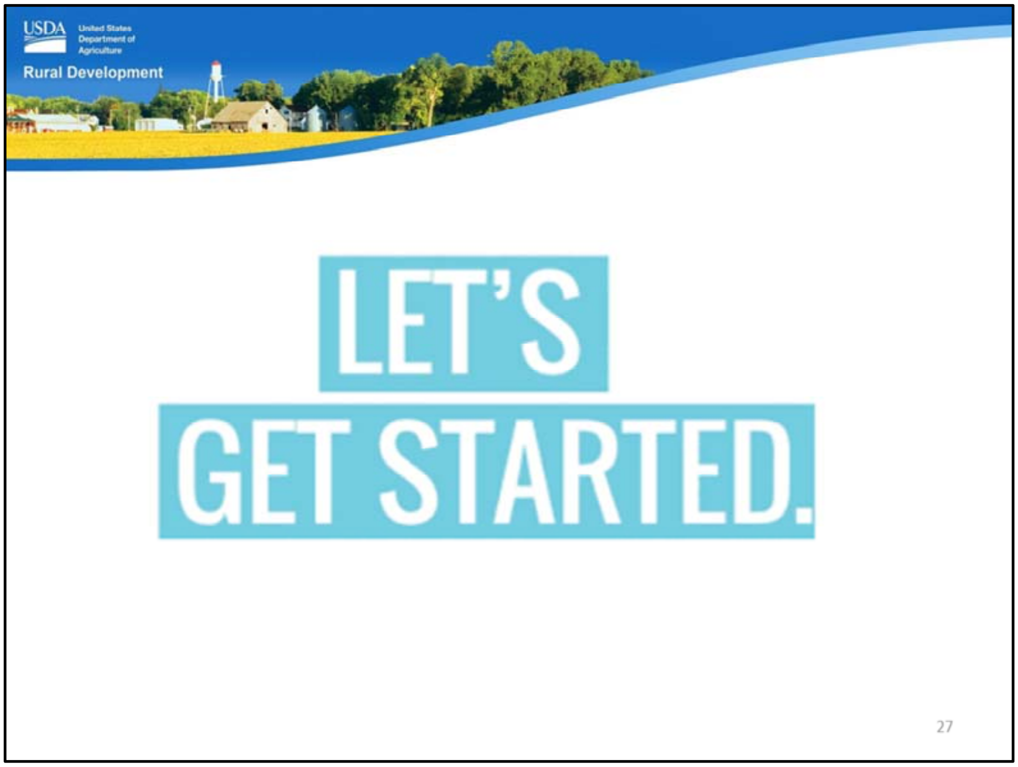
Each question slide will list:

- the topic
- A question or scenario, and
- potential responses.

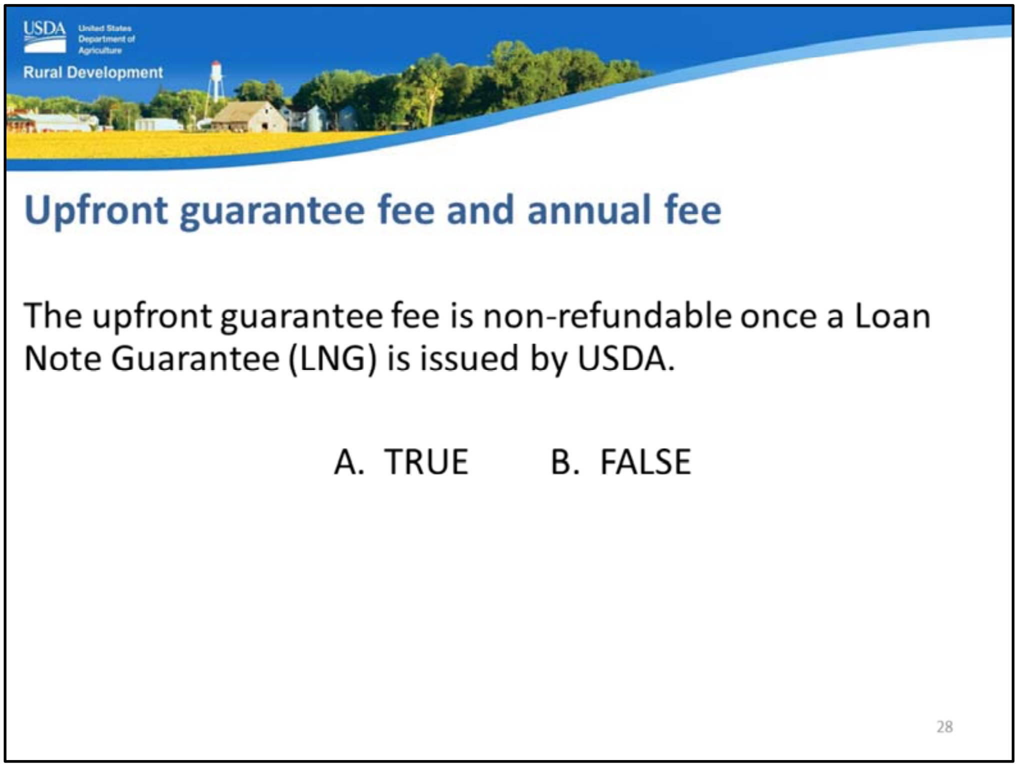


The answer slide will list:

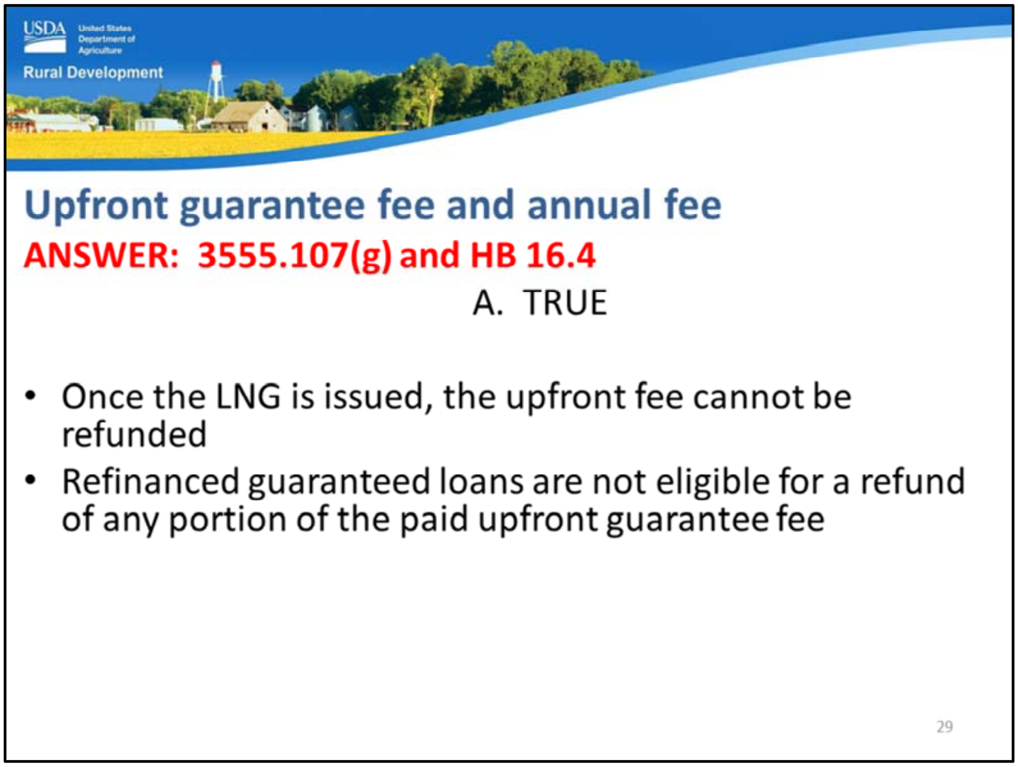
- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.



Let’s get started!

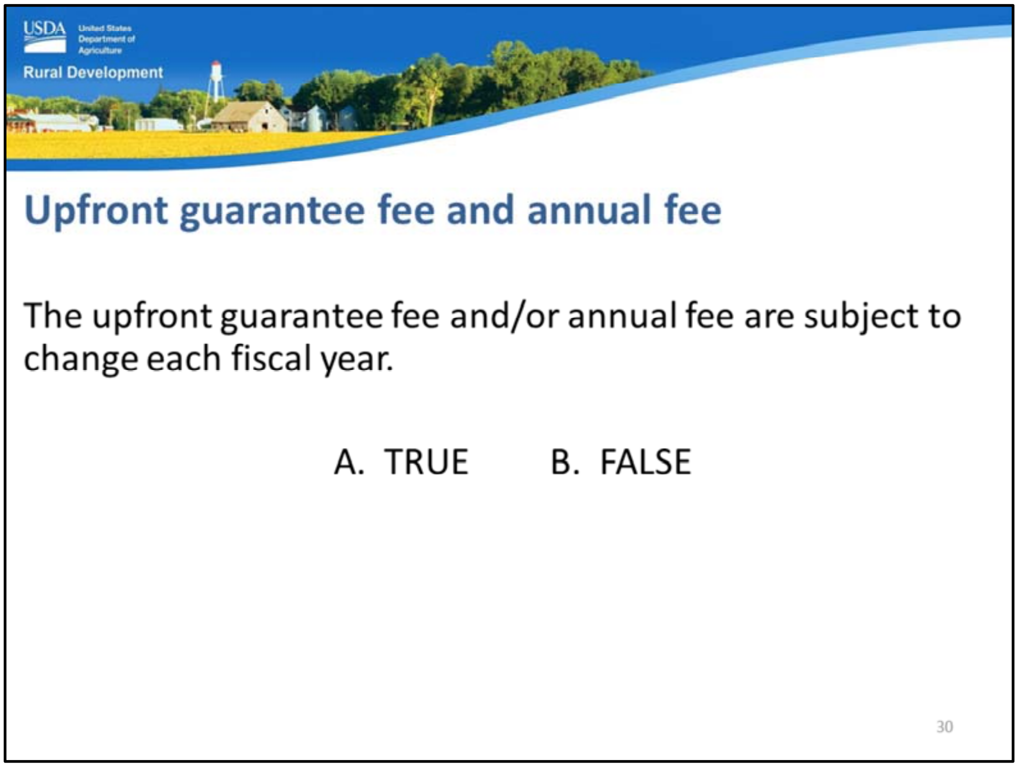


Read the question on the slide and select a response.



True
After USDA processes the upfront guarantee fee and a Loan Note Guarantee is issued to the approved lender, the upfront guarantee cannot be refunded for any reason.

Guaranteed loans that are refinanced into a new guaranteed loan or refinanced into a different loan program are not eligible for a refund of any portion of the upfront guarantee fee that was paid at the time of loan closing.



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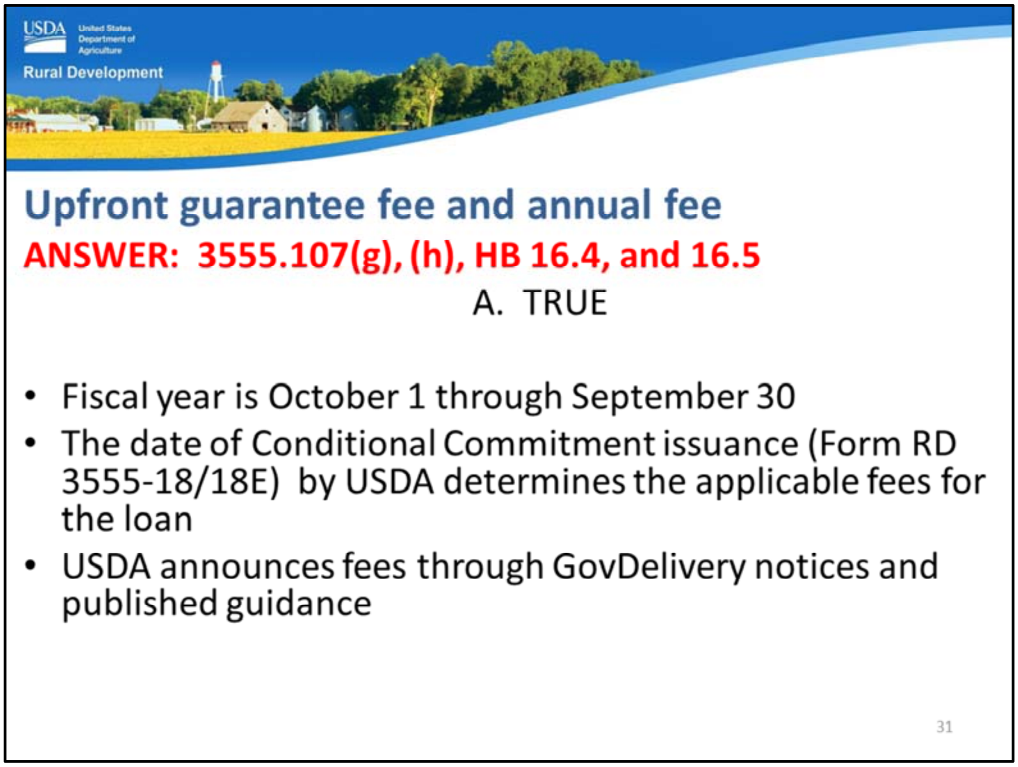
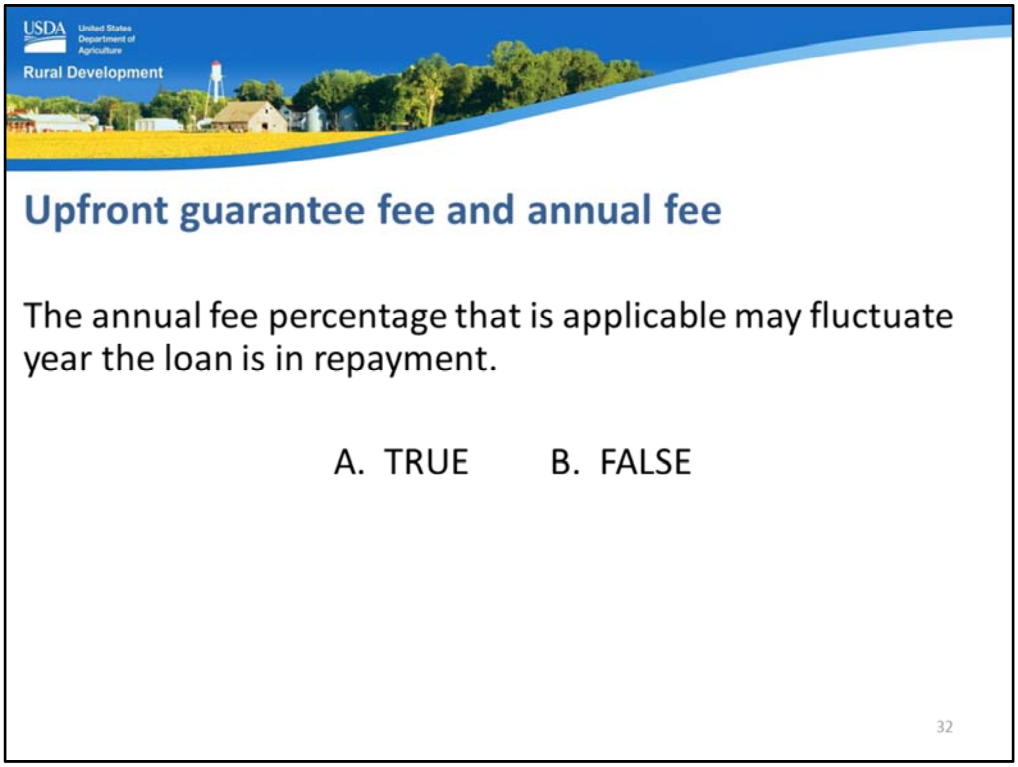


True
The fee is set for each fiscal year.
The fiscal year is from October 1st through September 30th. There are typically no changes to the fees within a fiscal year.
The date the Conditional Commitment is issued by the Agency will determine the applicable fee structure.
USDA announces fee changes through published Instructions and GovDelivery notices.



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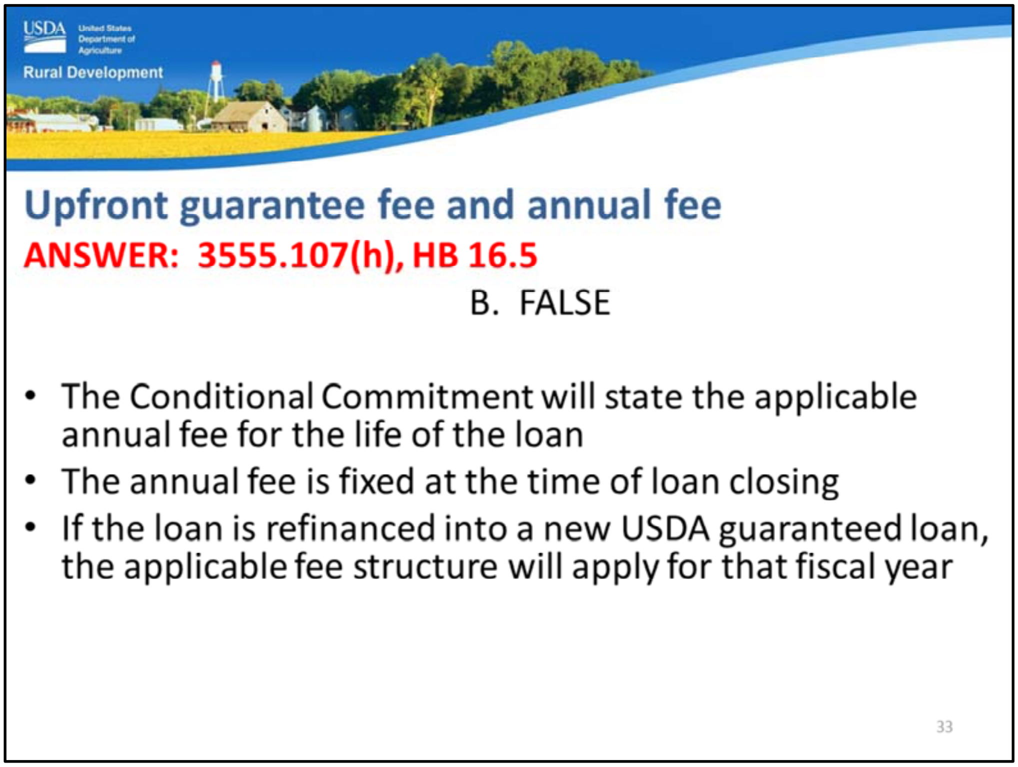
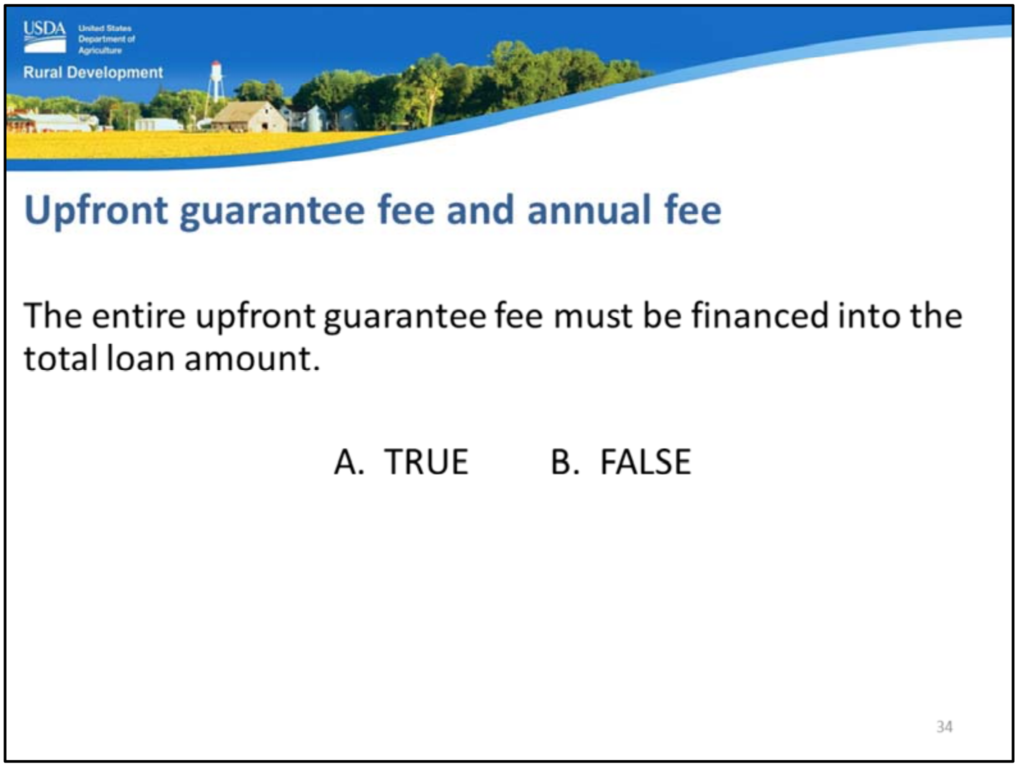


False
The Conditional Commitment will state the annual fee that is applicant to the loan at the time it is issued.
The annual fee that applies to the loan is fixed at the time of loan closing.
Even if the annual fee structure for guaranteed loans changes in subsequent fiscal years, closed guaranteed loans are not affected.
If the guaranteed loan is refinanced into a new guaranteed loan, then the applicable fee for the fiscal year in which the funds are obligated for the refinance will be effective.



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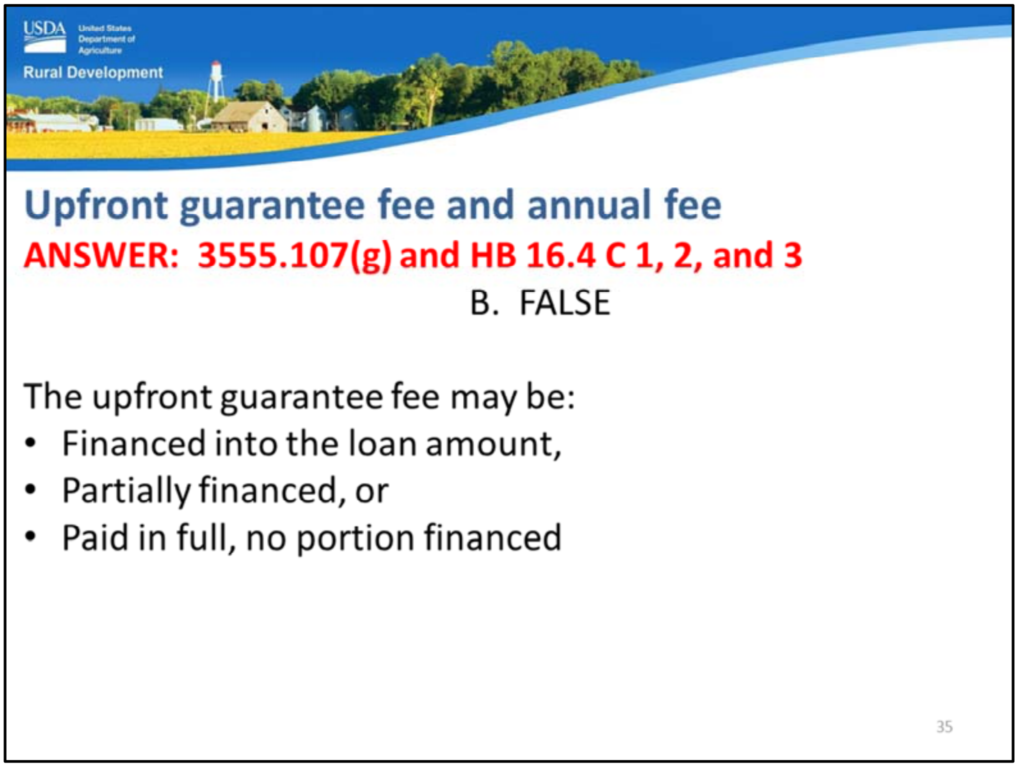
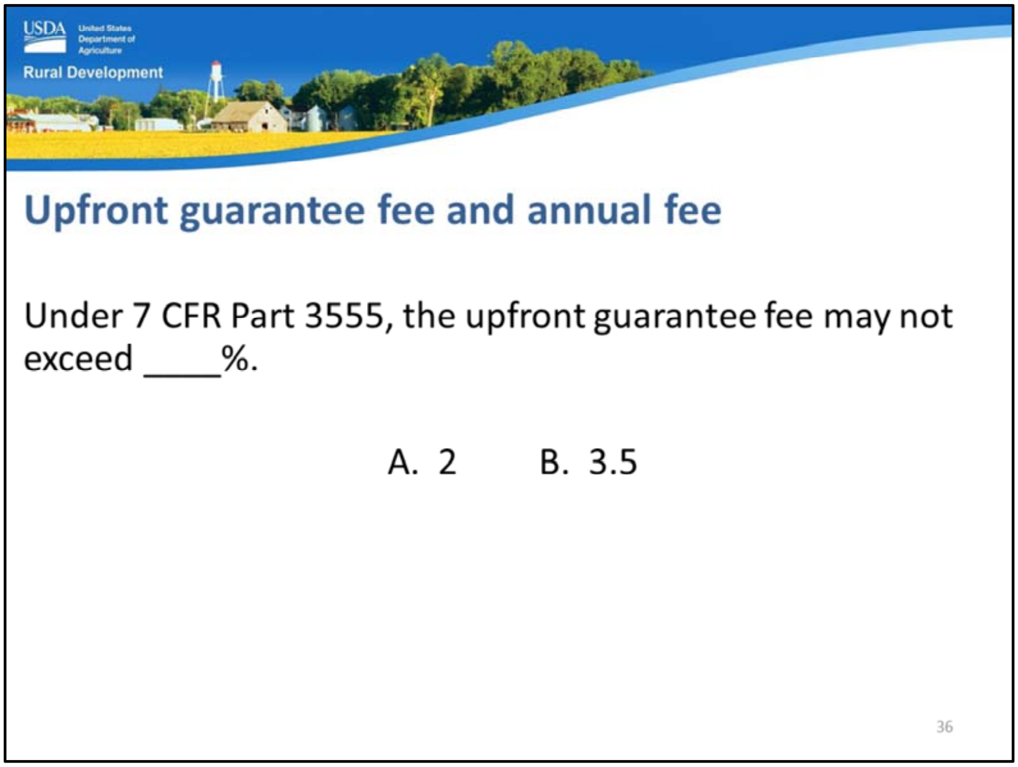


False
The upfront guarantee fee allows borrowers many options:
- The entire fee may be financed into the loan amount,
- A portion of the fee may be financed, or
- The entire upfront fee may be paid in full at loan closing with no portion financed.

The upfront guarantee fee may be paid with borrower funds, seller concessions, gift funds, grant funds, or lender contributions.



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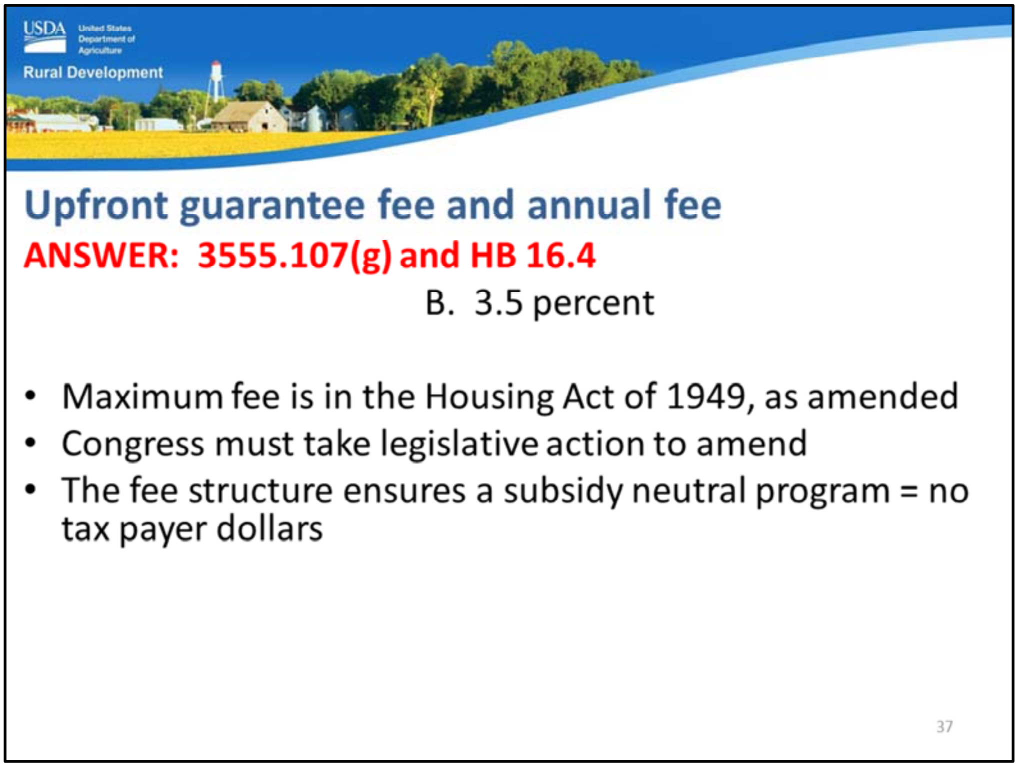
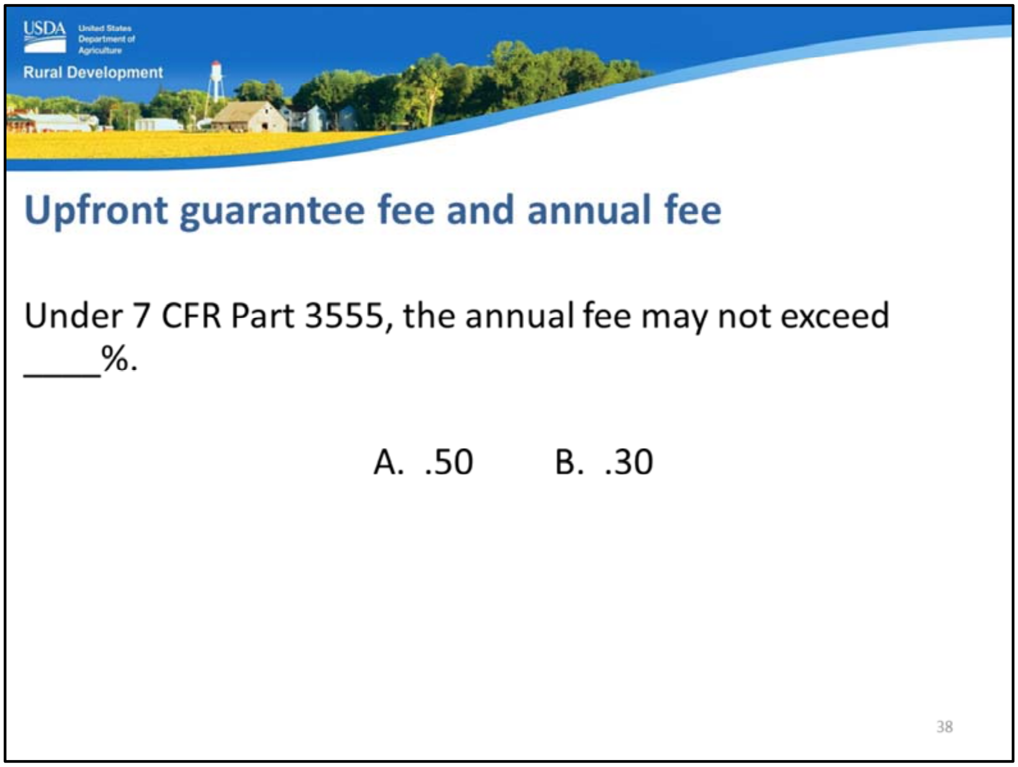


Response B: 3.5 percent
The Housing Act of 1949 as amended has currently capped the maximum upfront guarantee fee at 3.5 percent.
Congress must take legislative action to amend the Housing Act and fee structures if applicable. USDA does not set the maximum fee percentages.
The fee structure ensures a subsidy neutral program which means tax payer dollars do not fund the program.



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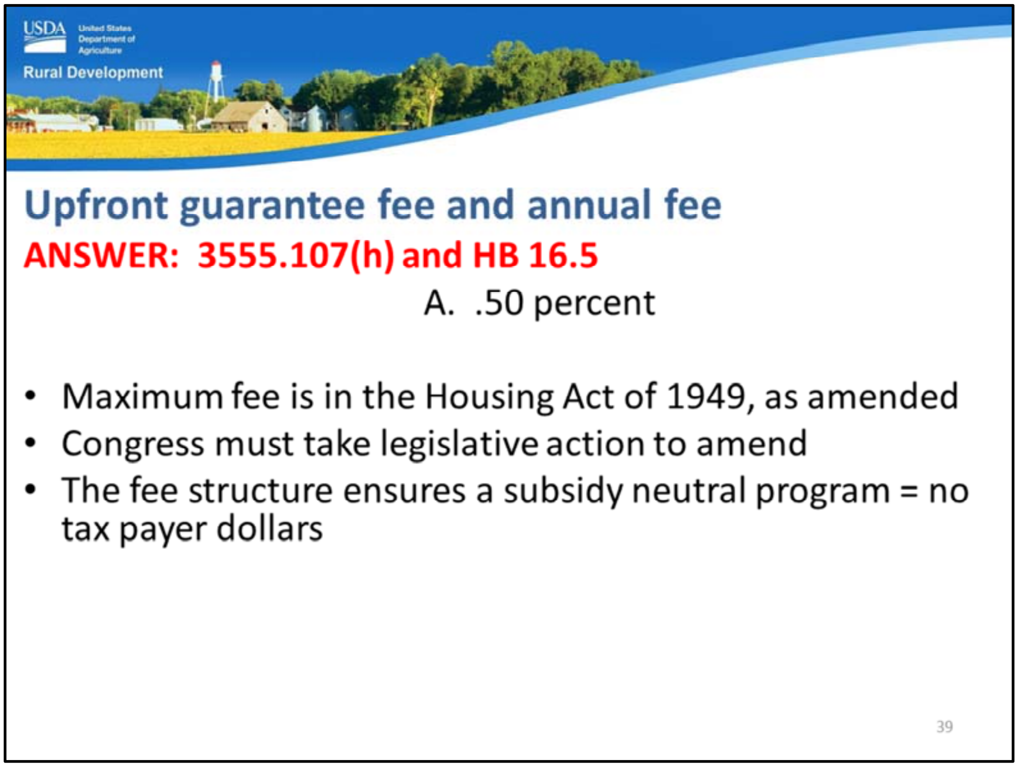
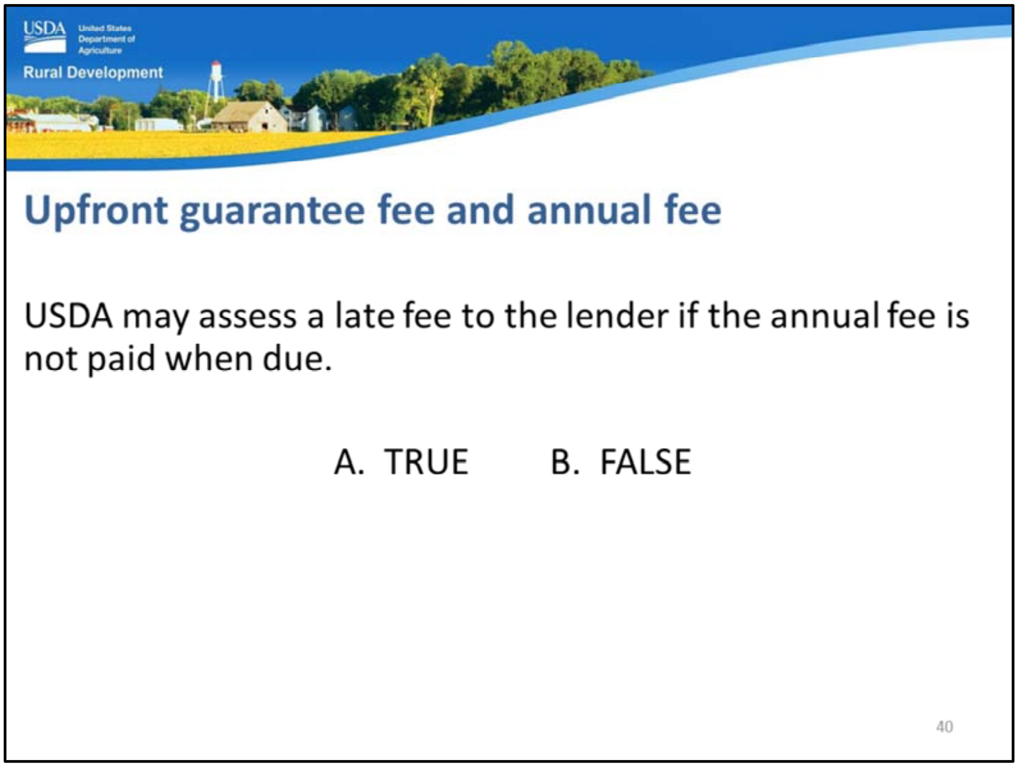


Response A
The maximum annual fee allowed under the current Housing Act of 1949 as amended is .50 percent.
Again, Congress is the body that enacts legislation to amend and enforce the fee structures. The combination of the upfront guarantee fee and the annual fee allows USDA to balance the two in order to offer an affordable subsidy neutral program.



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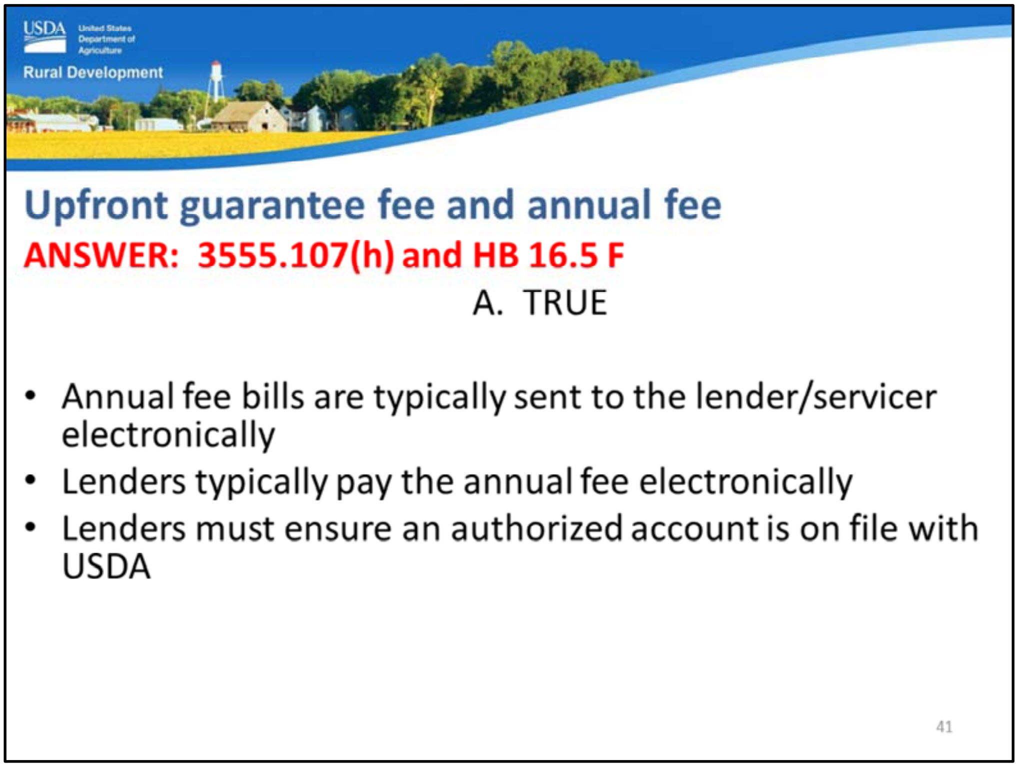
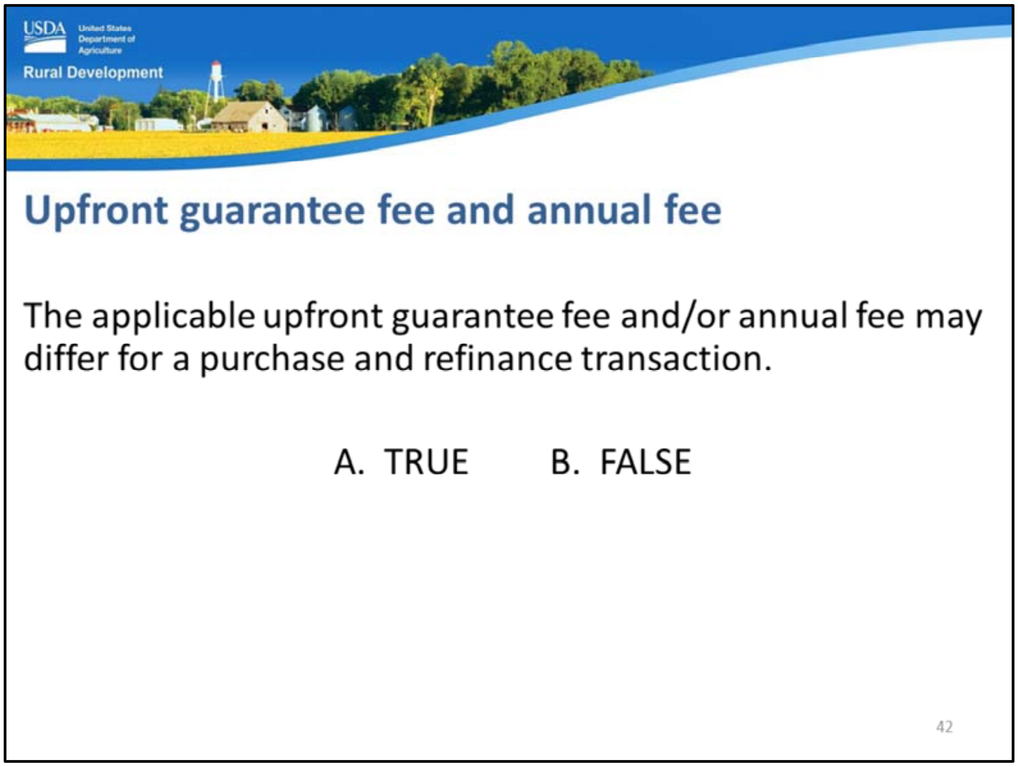


True
The bill for the annual fee will be electronically delivered to the servicing lender on record.
Lenders will remit the payment to USDA electronically.
When the lender signs up to electronically pay the annual fee, they will register an account with USDA that will allow them to remit payment to the Agency.



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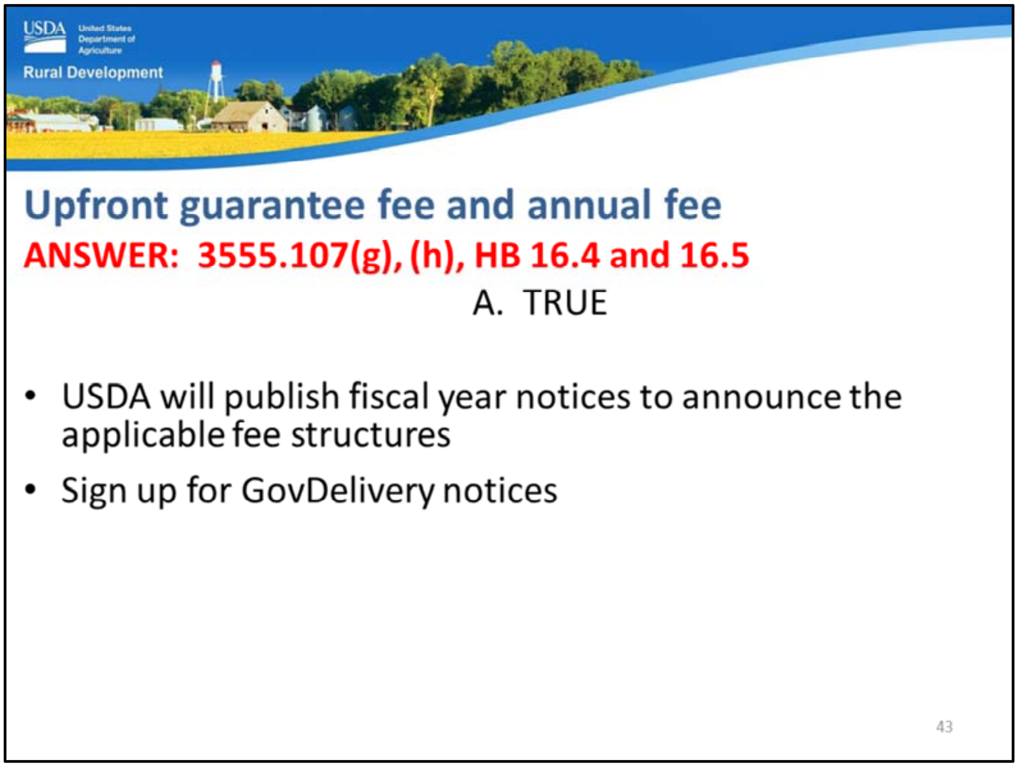
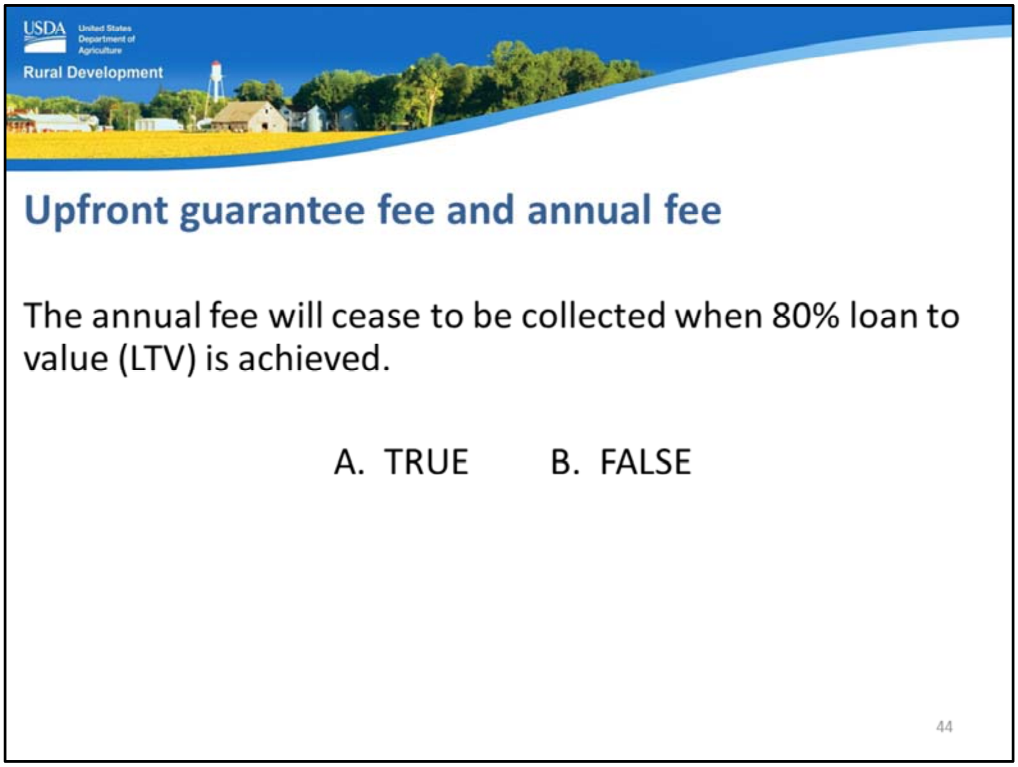


True
The upfront guarantee fee and annual fee may not be the same for a purchase and refinance transaction that are obligated and closed in the same fiscal year.
USDA will publish the applicant fee structures in an Unnumbered Letter, Exhibit K that we reviewed earlier in this training, and of course through our email subscription services such as GovDelivery.



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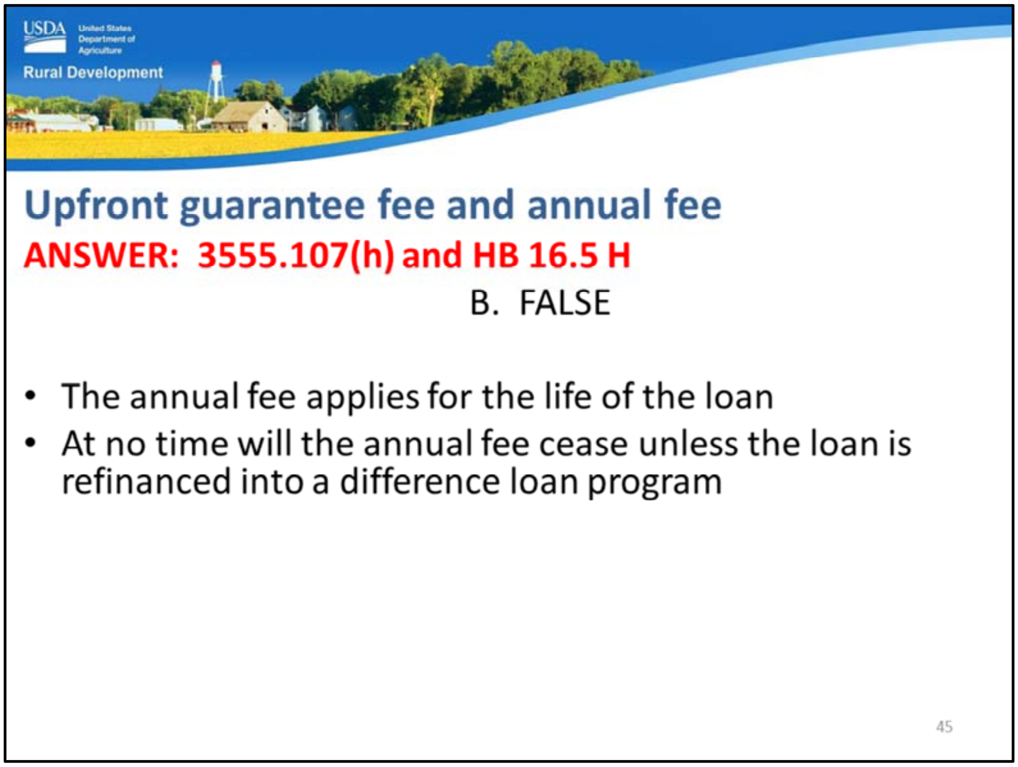
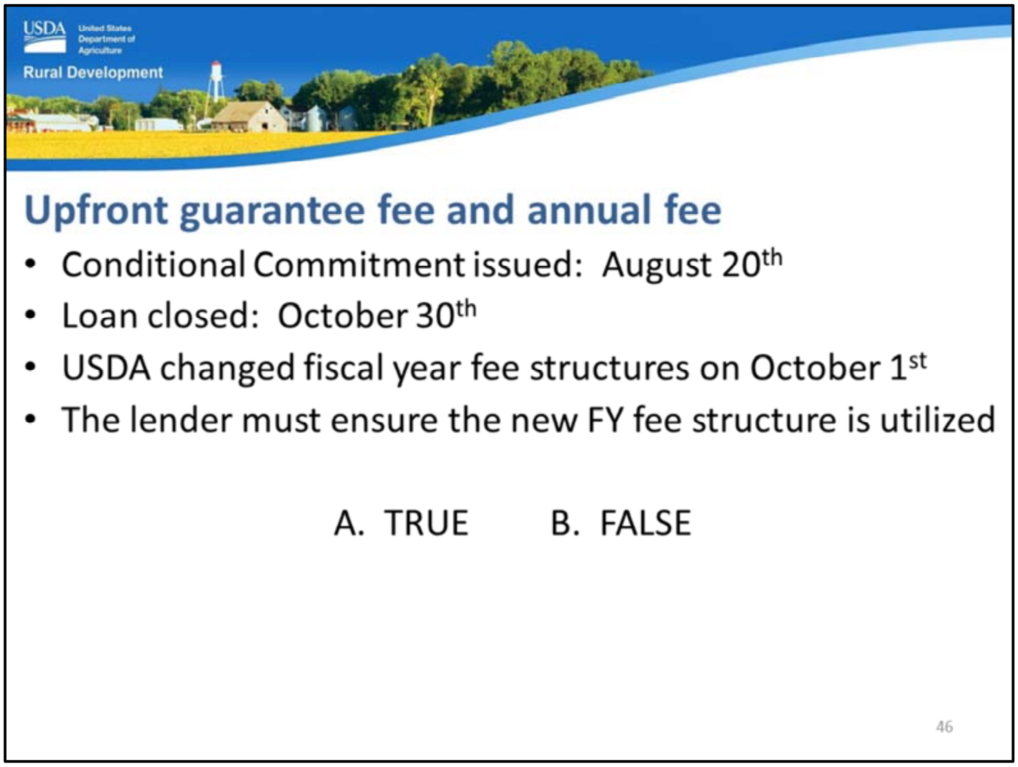


False
The annual fee applies for the life of the loan.
The annual fee will not cease unless the loan is refinanced into a new guaranteed loan (where an annual fee may or may not apply) or into a non-USDA loan program.



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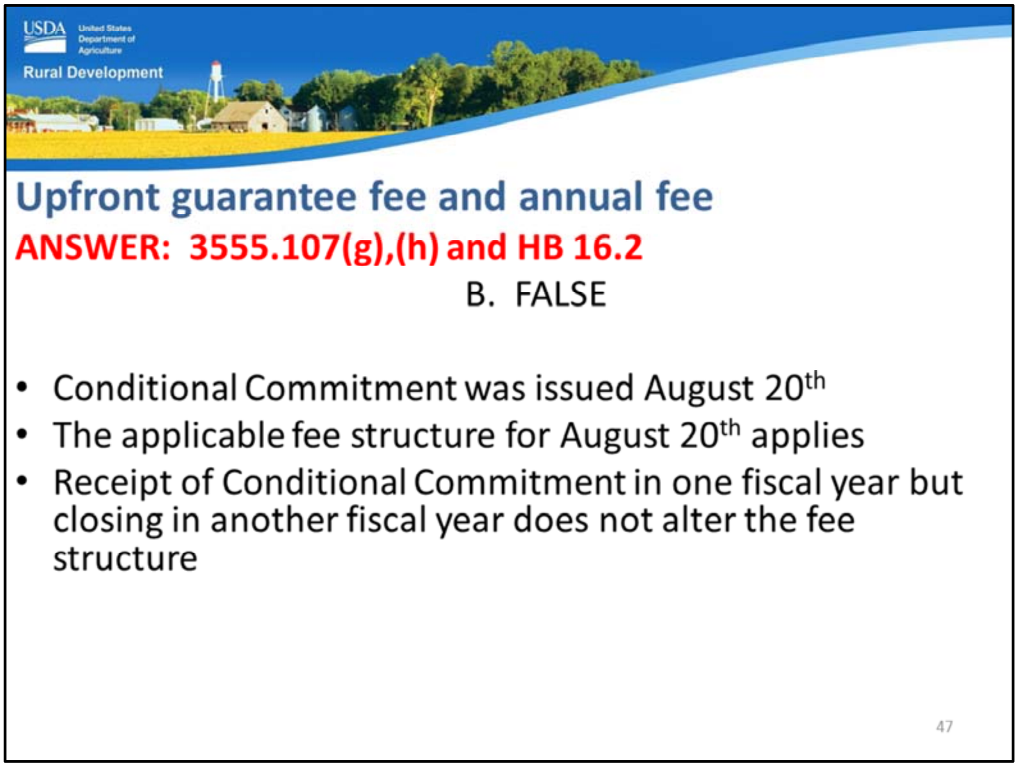
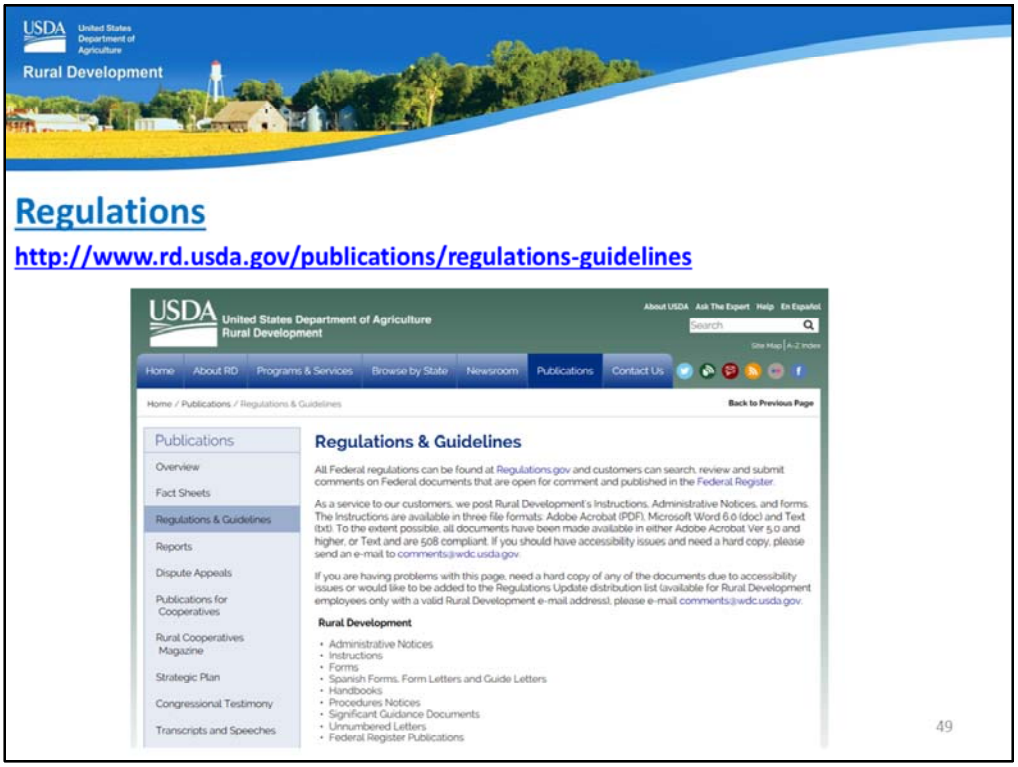
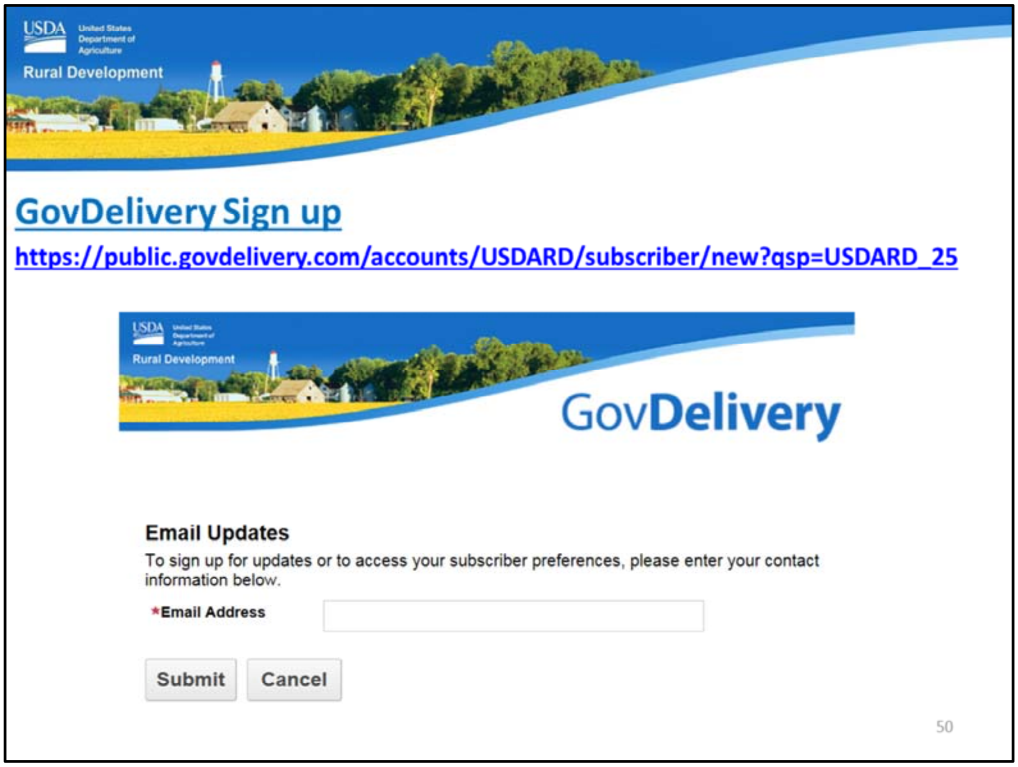


False
The Conditional Commitment was issued on August 20^{th}.
The applicable fee structure in effect for the fiscal year at the time the Conditional Commitment was issued will be effective.
The lender must close the loan for the terms authorized on the valid Conditional Commitment they have received from the Agency.
The fee schedule documented on the Conditional Commitment does not change even if the loan is closed in a new fiscal year.

Way to go! You have completed the learning checks!

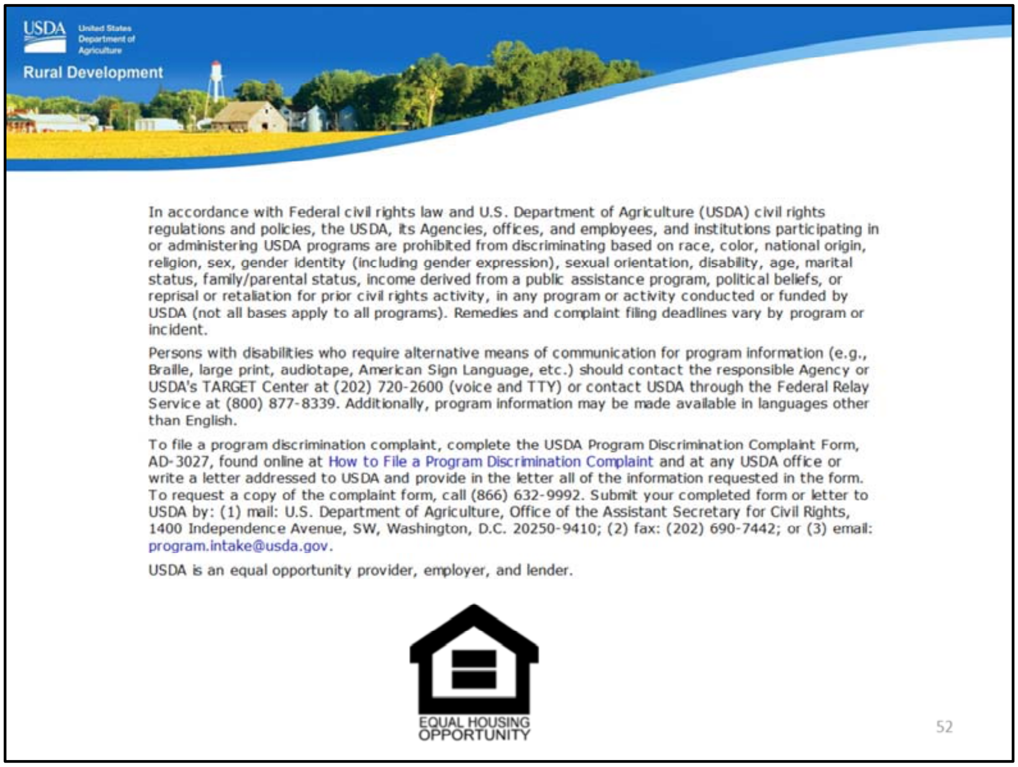


Don’t forget the Regulations and Guidelines website is a wonderful source of USDA guideline knowledge.



Please sign up for GovDelivery messages. USDA sends out origination (including GUS) and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program! We appreciate the opportunity to help you serve more rural homebuyers!



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This will conclude the training module. Thank you and have a great day!