

SFH Guaranteed Origination

September 27, 2023

Updated HB-1-3555, Chapters 9 and 10

The Single Family Housing Guaranteed Loan Program (SFHGLP) is pleased to announce revisions to technical [Handbook-1-3555](#), Chapter 9, Income Analysis and Chapter 10, Credit Analysis. These changes became effective upon the recent issuance of a [Procedure Notice \(PN\)](#). Below are the highlighted revisions:

Chapter 9 – Income Analysis

- Paragraph 9.3 was revised to clarify that although loan closings may proceed without tax transcripts (when permissible), lenders are responsible for obtaining transcripts for their permanent loan file, and the request for tax transcripts must be made timely.
- Paragraph 9.4 was revised to clarify that in cases where an applicant owns a business, the lender needs to verify that assets are not transferred between a personal account and a business account. The accounts should function separately. If the accounts are co-mingled, the assets would need to be included in the calculation of net family assets.
- Attachment 9-A was revised as follows:
 - Income and Documentation Matrix - Rental Income: Revised to clarify that unless manually overwritten, GUS auto-calculates net rental income by employing a 25% vacancy factor.
 - Assets and Reserves: Revised to clarify that when assets are entered into GUS and used as reserves, lenders must ensure that the funds will be available to the borrowers post-closing. In addition, the guidance was revised to clarify that unverified funds are not an acceptable source of funds for down payment or closing costs.
 - Assets and Reserves - Business Accounts: Revised to state that for reserves, lenders must use the balance as reflected on the most current bank statement or Verification of Deposit (VOD), if the date on the VOD is after the bank statement. Please note, loans already underwritten by the approved lender using the previous, more conservative, asset guidance will continue to be accepted.
 - Assets and Reserves - Depository Accounts: Revised to state that for reserves, lenders must use the balance as reflected on the most current bank statement or Verification of Deposit (VOD), if the date on the VOD is after the bank statement. Please note, loans already underwritten by the approved lender using the previous, more conservative, asset guidance will continue to be accepted.
 - Assets and Reserves – Gift Funds: Revised to clarify the sourcing requirements for gift funds.
- Attachment 9-C was revised to include a scenario where household members have assets that exceed \$50,000 to demonstrate the appropriate calculation that would apply.

Chapter 10 – Credit Analysis

- Attachment 10-A, Credit Inquiries/Recent Debts/Undisclosed Debts, was revised to clarify that undisclosed debts that are not listed on the loan application, but discovered during the mortgage loan application process, must be manually entered into GUS.

- Attachment 10-A, Overdraft/Non-Sufficient Funds (NSF), was added to include the definition for both overdraft and non-sufficient funds (NSF), to clarify that lenders may choose to include these types of fees in monthly debt, and to clarify that underwriters should consider these types of events in their credit decisions.
- Attachment 10-A, Chapter 7 Bankruptcy, was revised to clarify that for manually submitted loans, a bankruptcy debt that was discharged within the previous 36 months is considered significant derogatory credit.
- Attachment 10-A, Chapter 11, 12, or 13 Bankruptcy, was revised to clarify that for GUS Refer, Refer with Caution, and manually underwritten files, the lender must obtain, and retain, documentation to verify that 12 months of the debt restructure plan has elapsed.
- Attachment 10-A, Delinquent Court Ordered Child Support, was revised to clarify that the lender must provide certification of the applicant's eligibility as part of the application submission. Any documentation obtained to support the lender's certification to the Agency will be retained in the lender's permanent loan file.
- Attachment 10-A, Delinquent Federal Non-Tax Debt, was revised to clarify the lender must provide certification of the applicant's eligibility to the Agency as part of the application submission. Any documentation obtained to support the lender's certification to the Agency will be retained in the lender's permanent loan file.
- Attachment 10-A, Federal Taxes, was revised to clarify that proof of all repayment plans the applicant has with the IRS must be obtained, and a minimum of three timely payments is required on each active repayment plan. The lender must provide certification of the applicant's eligibility to the Agency as part of the application submission.
- Attachment 10-A, Foreclosure or Repossession, was revised to clarify that foreclosures or repossessions can refer to any type of property and to clarify that on manually submitted loans, a foreclosure or repossession that was discharged within 36 months prior to the date of application is considered significant derogatory credit.
- Attachment 10-A, Previous USDA Loss, was revised to clarify that a previous USDA loss that occurred within the last seven years is considered significant derogatory credit.

Attachment 10-A, Rent/Mortgage Payment History, was revised to clarify that underwriters should review and evaluate the risk factors associated with applicants who will be paying a higher proposed mortgage payment compared to their existing housing payment. In addition, this section was revised to clarify that all housing payments entered in GUS should be verified and documented; and rent or mortgage payments received from family members, or other interested parties, must include 12 months of canceled checks, money order receipts, or electronic payment confirmations.