

RD AN No. 3937 (1980-D)
February 13, 2004

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors, Guaranteed Rural Housing
Specialists, Rural Development Managers, and Community
Development Managers

FROM: Arthur A. Garcia *(Signed by Arthur A. Garcia)*
Administrator
Rural Housing Service

SUBJECT: Single Family Housing Guaranteed Loan Program
Official Record – Minimal Essential Documents

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to provide guidance in identifying the minimum essential documents for permanent record retention for loans guaranteed under the Single Family Housing Guaranteed Loan Program (SFHGLP). The intended outcome is to eliminate non-essential documentation once the guarantee has been granted, and to reduce valuable floor and file cabinet space in preparation for a future digital storage system with electronic imaging.

This AN provides guidance only for the SFHGLP. This abbreviated documentation list is applicable to Rural Development state and field offices only. Lenders are expected to retain complete origination records for each guaranteed loan in addition to the documents listed here.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

EXPIRATION DATE:
January 31, 2005

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

BACKGROUND:

With an increasing SFHGLP portfolio, it has become necessary to explore alternative methods to management of essential program records for individual borrowers. Each state is responsible for maintaining adequate documentation of official records. The office having primary responsibility for processing and/or servicing of GRH loans typically maintains the “official” individual borrower case record.

Recognizing the necessity to develop alternative sources of storage for official records, the National Office, Information Resources Management, and the Centralized Servicing Center (CSC) commenced a Pilot program early last year with the vision that States will utilize high speed fax machines to fax document records to the CSC for imaging into their system. Pilot participants are Vermont/New Hampshire and Maine. The pilot has been authorized for a two-year period, with nationwide rollout some time in the future.

It is understood that a borrower receiving program assistance under the SFHGLP differs from Single Family Housing Direct Loan Program (SFHDLP). The holding lender for a SFHGLP transaction retains the original security instruments for evidence of indebtedness or obligation, such as the original Promissory Note, recorded mortgage or deed-of trust, Form RD 1980-17, “Loan Note Guarantee”, issued by the Agency. In the SFHDLP, the Agency retains the original official record for evidence of indebtedness and obligation. For this reason, the official record of a guaranteed borrower differs from that of a direct borrower. Since the lender is required, by program participation, to maintain the official records, it has been determined that an abbreviated record can be maintained by the Agency for SFHGLP cases folders.

State and field offices are reminded that lenders are responsible for maintaining all documents pertaining to loan origination, in addition to the original security instruments, including any documents received during origination that influenced the loan decision process. The instructions and documentation list in this Administrative Notice do not apply to private sector lenders approved to participate in the SFHGLP.

IMPLEMENTATION RESPONSIBILITIES:

In preparation for future digital storage and electronic imaging, and in order to maximize the use of filing space and equipment, the Agency endorses retention of the following minimum documents for long-term preservation in the official SFHGLP case folder:

1. Form RD 1980-86, “Request for Reservation of Funds”;
2. Form RD 1980-18, “Conditional Commitment for Single Family Housing Loan Guarantee”, with conditions, requirements and Lender Certification;
3. Promissory Note;
4. Form RD 1980-19, “Guaranteed Loan Closing Report”;

5. Initial (handwritten) and Final (typed) Loan Applications;
6. Employment/Income Verifications;
7. Credit Report(s);
8. Form RD 1980-21, "Request for Single Family Housing Loan Guarantee";
9. Forms related to the Agency's environmental review (Form RD 1940-20, "Request for Environmental Information", Form RD 1940-22, "Environment Checklist for Categorical Exclusions", etc.);
10. Uniform Underwriting and Transmittal Summary or the lender's loan approval sheet;
11. Form RD 1980-17, "Loan Note Guarantee";
12. Property Inspection(s) or the lender's certification that requirements under RD Instruction 1980-D, Section 1980.341(b)(2) have been met;
13. Appraisal Report(s); and
14. Form RD 1922-15, "Administrative Appraisal Review for Single Family Housing.

States may retain any other documentation they deem necessary for retention.

Due to provisions of the Debt Collection Improvement Act (DCIA), the original Form RD 1980-21, "Request for Single Family Housing Loan Guarantee" revised in January 2003, signed in ink by the borrower(s), must be maintained. This is necessary in order to pursue collection and recover any federal debt owed through methods such as offset for any loss claims paid on behalf of a defaulted SFHGLP loan.

Retention of the official record indicated above is applicable to the SFHGLP origination case file once a guarantee is granted. States may implement this procedure immediately for future guarantees and at their option consider it for backfile conversion.

This documentation list is not intended for lenders participating in the SFHGLP. Participating lenders are responsible for maintaining the complete origination file, including the original indebtedness and security instruments, for audit and compliance purposes.

Digital imaging with nationwide rollout will take place some time in the future. Due to budget constraints and priorities of other projects, an anticipated accomplishment date cannot be projected. In the interim, the National Office supports individual States pursuing data imaging efforts on a local level. The National Office will support these initiatives as long as States ensure that the local digital imaging processes may eventually be integrated into the nationwide digital imaging system currently being developed.

Any questions concerning this AN should be addressed to Joaquín Tremols at (202) 720-1465 or joaquin.tremols@usda.gov.