UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE

Form RD 3550-23
(03-00)

Form Approved
OMB No. 0575-0172

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 Agency staff have 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, Agency staff can supply additional detail based on the guidance provided in this handbook.

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

3. **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.

4. **Closing Agency.** The applicant must choose a closing agent who is acceptable to the Agency.

5. **Down Payment.** Applicants who have nonretirement 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 nonprogram borrowers are required to make a down payment at loan closing with the exception of nonprofit and public agencies.

6. **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 title insurance, appraisal fees, notary fees, recordation costs, land surveys, attorney's

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(see reverse)

Used to summarize relevant information on the direct Single Family Housing (SFH) program to loan recipients.

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PREPARED BY : Field Office.

NUMBER OF COPIES : Original and one.

SIGNATURES REQUIRED : Original signed by all applicants.

DISTRIBUTION OF COPIES : Original to be filed in the applicant's case file. Copy to applicant.

(03-29-00) PN 318

PAGE 2 OF FORM RD 3550-23

fees, and application packaging fees. The applicant also must make an initial deposit to the escrow account. Program borrowers may finance these costs.

7. **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, ad whether it appears to meet the program's site and dwelling requirements.

C. **ON-GOING OBLIGATIONS**

8. **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.

9. **Payments.** Regular payments must be made on or before the due date and will not be applied until the schedule 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.

10. **Preauthorized Debit.** A borrower may choose to have preauthorzed 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.

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

12. **Nonsufficient Funds.** Borrowers will be required to pay a fee for any check returned for nonsufficient funds.

13. **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. Annual-pay borrowers are responsible for paying their own taxes and insurance and providing evidence of payment to CSC.

PAGE 3 OF FORM RD 3550-23

14. **Insurance.** Borrowers are responsible for obtaining and continuously maintaining 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 for the cost of the insurance. Flood insurance also is required in Special Flood Hazard Areas (SFHA). 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.

15. **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 nonmonetary default and could result in foreclosure.

16. **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 officers may be able to suggest ways to conserve energy.

D. ASSISTANCE

17. **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, can access account information.

18. **Payment Subsidy.** 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 nonemployment income increases by more than 10 percent.

19. **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 2 years or the remaining term of the loan, whichever is shorter.

20. **Moratorium.** Borrowers who continue to personally occupy the property may apply for a postponement of payments for up to 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.

PAGE 4 OF FORM RD 3550-23

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.

21. **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 fulfil their obligations, 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.

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

E. SPECIAL OBLIGATIONS

23. **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.

24. **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.

25. **Recapture of Subsidy.** 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.

26. **Unauthorized Assistance.** Unauthorized assistance includes any loan, payment subsidy, deferred mortgage payment, or grant for which there was no regulatory 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

PAGE 5 OF FORM RD 3550-23

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.

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

_____ _____ **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: _____

Attorney's Name

_____

_____

Attorney's Address

PAGE 6 OF FORM RD 3550-23

I/we understand this 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 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