

RD AN No. 4423 (1980-D)  
March 26, 2009

TO: All State Directors  
Rural Development

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

FROM: James C. Alsop (*Signed by James C. Aslop*)  
Acting Administrator  
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program  
Guaranteed Underwriting System

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to elaborate and clarify guidance on the availability and use of the Single Family Housing Guaranteed Loan Program's (SFHGLP) automated underwriting system, known as the Guaranteed Underwriting System (GUS). GUS is available, at no cost, to all approved lenders. Although its' use is not required at this time, lenders are encouraged to fully utilize GUS in their SFHGLP activity.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces AN 4330 issued January 30, 2008, on this subject.

EXPIRATION DATE:  
March 31, 2010

FILING INSTRUCTIONS:  
Preceding RD Instruction 1980-D

## **BACKGROUND:**

GUS was developed to automate the process of credit risk evaluation for the SFHGLP. Automated underwriting (AU) systems are an efficient, consistent, objective and accurate method of mortgage underwriting compared with traditional manual methods. AU is the predominant mortgage underwriting analysis method in the mortgage lending industry.

The GUS was introduced as a pilot in July 2006 with 15 lenders participating. A nationwide rollout commenced the following spring. Since inception, many enhancements to GUS have been implemented to create a friendlier user experience. The majority of GUS enhancements was developed due to direct feedback from agency staff and approved GUS lenders. Recent developments include importing an approved lender's file into GUS directly from their loan origination system (LOS) and Point of Sale (POS). Future developments for GUS include allowing access to GUS by submitting lenders (i.e. mortgage brokers).

GUS incorporates applicant eligibility and underwriting requirements of Rural Development (RD) Instruction 1980-D and associated ANs by utilizing a modified version of the Federal Housing Administration (FHA) mortgage scorecard known as Technology Open To Approved Lenders (TOTAL) concurrently with a rules based engine. GUS is accessed through a secure web-based automated underwriting environment at: <https://usdalinc.sc.egov.usda.gov/>. GUS considers mortgage loan application data entered by the originator, credit repository data, and property information to evaluate a potential borrower's ability to meet a proposed mortgage obligation. GUS evaluates select components in a mortgage loan application and provides a credit evaluation and underwriting recommendation within seconds.

Incorporated within the functionality of GUS are the following components:

### **Property and Income Eligibility**

- The dwelling offered as collateral for the proposed mortgage loan is located in an eligible rural area; and
- The applicant's annual household income meets the adjusted income limits in accordance with size of household, county and State in which the applicant(s) will reside.

### **GUS Rules Based Engine**

- The Engine incorporates the guidelines found in RD Instruction 1980-D, supplemented by AN regarding originating SFHGLP loans, that are published to clarify RD Instruction 1980-D.
- Periodically new rules may be created to respond to issues analyzed within the SFHGLP portfolio.

## **TOTAL Scorecard**

- GUS uses a modified version of the FHA mortgage scorecard, known as TOTAL, exclusive to Rural Development.
- The scorecard has been validated and adjusted for SFHGLP use.
- The TOTAL scorecard, including the modified version validated for SFHGLP use, is intellectual property that is proprietary to HUD.
- Factors considered under the scorecard include credit history, payment-to-income ratios, and loan-to-value ratios.
- The scorecard allows favorable consideration to applicants that exhibit positive compensating factors such as available reserves for housing payments after loan closing, which expands upon guidance provided in Rural Development Instruction 1980-D and associated ANs.
- Periodically, the scorecard may be modified to react to the changing lending market. When modifications occur, loans remaining as a preliminary recommendation may not receive the same underwriting results upon a final submission.

## **Credit Bureau Interface**

- GUS links with hundreds of credit providers nationwide. Users may link to a full list of credit providers at:  
<https://www.efanniemae.com/sf/refmaterials/creditproviders/index.jsp>
- An interface occurs between GUS and the credit bureaus through a platform known as the Fannie Mae Credit Interface Service.
- The interface is seamless to lenders and only acts as a conduit. An attempt to access information from all national credit repositories will occur, but GUS can complete its credit risk evaluation with information from only one repository.
- New or re-issued credit can be pulled through GUS.
- Credit reports pulled through GUS are valid for 180-days. Credit providers may expire the report earlier.
- Lenders are not required to be a Fannie Mae subscriber or partner to utilize the credit report interface in GUS.

## **IMPLEMENTATION RESPONSIBILITIES:**

### **Gaining Access to GUS**

Lenders who have executed a Lender Agreement with a State may request an electronic “Starter Package” which includes a rollout letter, User Agreement, Steps to Utilize GUS and a Transmittal Cover through their State SFHGLP Coordinator. The SFHGLP Coordinator will collect vital lender point of contact information, which in turn can initiate the “Starter Package.” SFHGLP Coordinators may access the “Starter Package” spreadsheet at the Rural Development internal SharePoint website. Completed

spreadsheets may be forwarded to the National Office point of contacts (POC) to initiate a “Starter Package” to the lender. The POCs are:

Debbie Terrell	918.534.3254	<a href="mailto:debra.terrell@wdc.usda.gov">debra.terrell@wdc.usda.gov</a>
Kristina Zehr	309.452.0830 x 111	<a href="mailto:kristina.zehr@wdc.usda.gov">kristina.zehr@wdc.usda.gov</a>
Josh Rice	304.253.9597 x 112	<a href="mailto:joshua.rice@wdc.usda.gov">joshua.rice@wdc.usda.gov</a>

Nationally approved lenders may request a “Starter Package” directly from the POC.

Once the lender receives the “Starter Package,” the lender must assign a Security Administrator (SA), who will create a Level 1 e-Authentication account at the following website: <http://www.eauth.egov.usda.gov/eauthCreateAccount.html>.

The lender completes and executes the User Agreement recording the SA user ID created at the e-Authentication website.

Once our centralized office in St. Louis, Missouri receives the lender’s request for access to GUS and verifies information, the SA will receive an email notification confirming activation. Once the lender is activated to use GUS, users within the lender’s organization will create Level 1 e-Authentication account. The SA will assign roles and responsibilities to lender users.

Authorized users will access GUS at the following website: <https://usdalinc.sc.egov.usda.gov/>. Select “Guaranteed Underwriting System (GUS)”.

### **Assist Lenders with Assigning Correct Lender Roles and User Types**

States are encouraged to be familiar with the guidance provided in the lender User Guide. The lender User Guide may be accessed online by a lender from the main menu or navigation bar of GUS or by any user at the USDA LINC website. Select *Rural Housing Service* (RHS) followed by *Training and Resource Library* at: <https://usdalinc.sc.egov.usda.gov/>.

Lender roles define the level of functionality and capability a user has in GUS. Lender roles are assigned by the lender’s Security Administrator (SA).

Lenders may request, through completion of the User Agreement, to approve only the location identified on the User Agreement **or** all locations of the organization. When a lender requests only the location noted on the User Agreement, only that particular branch has approved access to GUS. When a lender requests all locations, all branches created under the taxing identification number assigned to the approved lender are approved to utilize GUS. **If the lender is a State approved lender, the lender is approved only to perform business within the State in which a Lender Agreement has been executed.** This applies to lenders seeking GUS approval also.

There are four roles that can be assigned – as Lender or Branch.

***Security Administrator (SA)*** - This type of user has been identified by the lending institution as the point of contact within the lender's organization. The SA is responsible for accurately assigning the roles and responsibilities of other users within their organization in the *Application Authorization Security Management System (AASM)*. The AASM is accessed either from the SA's main menu of GUS or the RHS Lender Interactive Network Connection (LINC) under *Application Authorization*. The SA has full authority in GUS, which includes performing a final submission. It is recommended that the organization have multiple SAs to account for separations in employment and illnesses, etc. To replace or modify an organization's SA, state coordinators should forward the request by email to the National Office POCs with the name of the new security administrator(s), their phone/fax numbers, their e-mail address and their assigned Level 1 e-authentication ID.

***Representative With Final Submit Authority*** - This type of user is typically an underwriter. This user may enter applications through a final submission to the Agency. This user certifies the data entered in GUS is true, correct and accurately represented.

***Representative*** - This type of user is typically a processor or originator who creates the application to the point of underwriting. This user may perform a preliminary submission; however, final submission authority is restricted.

***Viewer*** - This user may view all loans associated with the tax ID, or if assigned as branch viewer, with that branch. This user may not enter applications, nor perform preliminary or final underwriting.

### **Entering and Submitting Data**

***Data Integrity with GUS*** - The responsibility of loan data integrity remains with the lender. The data provided for a loan guarantee request must correspond to the loan application and underwriting documentation. Upon submission to the Agency, the lender represents that all information submitted is true, complete and accurate.

- GUS evaluates the credit risk of mortgage loan requests based upon information provided by the credit repositories and the data input by the lender.
- The responsibilities associated with producing loans of acceptable quality for loan guarantees by Rural Development remains the same for GUS evaluated mortgages or manually underwritten mortgages.
- GUS is intended to compliment and not replace the judgment of experienced underwriters. A GUS decision is NOT the basis for granting or denying credit and is not a replacement for a lending decision by the lender. The decision to grant or deny credit to a potential borrower remains with the lender.
- For all GUS underwriting recommendations, including ACCEPT/ELIGIBLE, lenders must apply due diligence when reviewing the documentation in the loan file to determine if there is potential derogatory or contradictory information that is not part of the data submitted to GUS or if there is erroneous information in the

data submitted to GUS. Underwriters must take action of known contractions of data.

**The GUS Process (direct data entry)** - The following table provides a high-level overview of direct data entry the GUS process:

Step	Action
1.	Obtain borrower information by completing a mortgage loan application.
2.	Enter the borrower, property and mortgage loan information directly into GUS.
3.	Submit the mortgage loan request to GUS for a loan underwriting recommendation. The evaluation is based upon: <ul style="list-style-type: none"> <li>▪ Data entered directly by the lender.</li> <li>▪ Credit information obtained from national credit repositories.</li> <li>▪ Risk evaluation through use of the modified TOTAL scorecard, adjusted for SFHGLP use.</li> <li>▪ Application of rules that apply to RD Instruction 1980-D and related AN releases.</li> </ul>
4.	The lender will review the GUS Findings and Underwriting Analysis for feedback messages regarding the results of the GUS underwriting recommendation and the credit reports.
5.	The lender will document the mortgage loan request according to Rural Development guidelines.
6.	The lender will make a lending decision using the GUS Underwriting Findings Report, credit report (s), income, employment, asset, collateral and other file documentation. The lender will submit, through a final submission, the GUS file to Rural Development for Conditional Commitment. Documentation for Conditional Commitment will be based upon the rendered underwriting recommendation by GUS.



**The GUS Process (file import)** - The following table provides a high-level overview of the GUS process when a file has been imported through a lender’s loan origination system:

Step	Action
1.	Obtain borrower information by completing a mortgage loan application.
2.	Import the loan in an approved XML format from the menu or navigation menu of GUS. A list of LOS/POS vendors whom have successfully tested import in GUS can be located at the USDA LINC website <a href="https://usdalinc.sc.egov.usda.gov/">https://usdalinc.sc.egov.usda.gov/</a> . Select <i>Rural Housing Service</i> followed by <i>Training and Resource Library</i> :
3.	Update GUS with property and income eligibility. The user will be provided with a “Data Modified by GUS During Import” page if data cannot be recognized or was modified during import. Imported files will also receive the “Submit Application Errors” page if errors exist that would prevent preliminary or final underwriting submissions.
4.	Make any changes to the imported GUS application. Note: Any changes made in the lender’s LOS/POS following import to GUS will not be reflected in GUS.

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|----|---|
| 5. | <p>Submit the mortgage loan request to GUS for a loan underwriting recommendation. The evaluation is based upon:</p> <ul style="list-style-type: none"> <li>▪ Data entered directly by the lender.</li> <li>▪ Credit information obtained from national credit repositories.</li> <li>▪ Risk evaluation through use of the modified TOTAL scorecard, adjusted for SFHGLP use.</li> <li>▪ Application of rules that apply to RD Instruction 1980-D and related AN releases.</li> </ul> |
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### **Documenting and Underwriting a Mortgage Loan Request through GUS**

When a lender enters mortgage loan data into GUS and requests a loan underwriting evaluation, a two part underwriting summary is delivered to the lender through a GUS Underwriting Findings Report. The first portion of the underwriting summary will render an underwriting recommendation of ACCEPT, REFER or REFER WITH CAUTION. An INELIGIBLE or UNABLE TO DETERMINE may also be delivered. The underwriting recommendation is followed by a risk evaluation of ELIGIBLE, INELIGIBLE, or UNABLE TO DETERMINE. The second portion represents a combined analysis of property, income, and loan and borrower eligibility. An example of the display on the Underwriting Findings Report is as follows:

		<input type="text" value="Borrower Name"/>	<input type="text" value="Lender Loan Number"/>	<input type="text" value="Application ID Number"/>	
<a href="#">Underwriting Findings</a>   <a href="#">Underwriting Analysis</a>   <a href="#">Credit Report</a>					
<b>GUS UNDERWRITING FINDINGS REPORT</b>					
<b>UNDERWRITING SUMMARY</b>					
		<b>Underwriting Recommendation: ACCEPT / ELIGIBLE</b>			
Eligibility	Property Eligibility	Eligible	Primary Borrower		
Loan Terms	Income Eligibility	Eligible			
Borrower	Loan Eligibility	ELIGIBLE	Submission Type	Final	
Employment	Borrower Eligibility for:		Submission Date	01/22/2009	
Income and Expenses	Alfaro, Hector	ELIGIBLE	Submitted By		
Assets and Liabilities	Alfaro, Hirene	ELIGIBLE	Loan Status	Pending	
Transaction Details	Loan Risk Evaluation	ACCEPT			
Additional Data	Borrower Risk Evaluation				
Credit / Underwriting	Alfaro, Hector	ACCEPT			
View Findings	Alfaro, Hirene	ACCEPT			

### **ACCEPT/ELIGIBLE Underwriting Recommendation**

If GUS renders an underwriting recommendation of ACCEPT and ELIGIBLE, based on the analysis of the credit, capacity and other loan characteristics, the loan is eligible for Rural Development’s loan guarantee. This is provided the data entered in GUS by the lender is true, complete and accurate.

Minimal documentation provisions apply to GUS underwriting recommendations that receive an ACCEPT. The lender may submit the following three completed documents

to obtain a Conditional Commitment when the GUS underwriting recommendation is ACCEPT:

1. “Uniform Residential Appraisal Report” (URAR) for single family dwelling units or its equivalent, or condominiums or manufactured homes [FNMA Form 1004 or Freddie Mac Form 70].
2. “Standard Flood Hazard Determination Form” [FEMA Form 81-93].
3. “Request for Single Family Housing Loan Guarantee” [Form RD 1980-21].

Accurate data is the responsibility of the approved lender. By submitting the mortgage loan application request through GUS, the lender is representing that the data input is true, complete and accurate. Underwriting is the responsibility of the approved lender. Only a nominal amount of time by Agency personnel should be spent on GUS mortgage loan applications receiving an ACCEPT. During the review process, should data appear to be questionable, Rural Development does reserve the right to request further supportive information. Additionally, files may be called for full file review if the lender is a new user to GUS, has demonstrated a disregard for Rural Development policies and procedures, has a high first year delinquency rate, or loss payments in excess of the national average.

Mortgage loan documents may be photocopied, scanned, emailed, faxed or delivered by regular or express mail. All documents must be clear and legible. The necessity to collect an original Form RD 1980-21 is not required. A photocopy, scanned, emailed or faxed Form RD 1980-21 is acceptable.

### **ACCEPT/INELGIBLE Underwriting Recommendation**

Loans receiving this recommendation have been determined as meeting Rural Development’s risk standards for loan guarantee; however do not meet certain eligibility guidelines. Typical reasons for an ACCEPT/INELIGIBLE recommendation may include:

- Property not located in a rural area.
- Program eligible income exceeds RD guidelines.
- Non-owner occupied transaction.
- Not a qualified alien.

Loans that receive a recommendation of ACCEPT/INELIGIBLE may still be eligible for a Rural Development loan guarantee. To achieve eligibility, the lender’s underwriter should analyze the findings report and determine the basis for the ineligibility and determine if the reason for ineligibility can be resolved in order to comply with Rural Development guidelines. Issues that caused the loan to be ineligible may be resubmitted to obtain a correct underwriting recommendation.

## **REFER or REFER WITH CAUTION Underwriting Recommendation**

GUS loans receiving an underwriting recommendation of REFER or REFER WITH CAUTION will require further review by the lender. Risk factors have been identified based upon the data entered in to GUS. The credit risk evaluation represented by a REFER WITH CAUTION is greater than the credit risk of loans that receive a REFER. The lender's underwriter must perform a manual underwriting evaluation of the mortgage loan application to determine if the borrower is creditworthy in accordance with Rural Development standard credit policies and guidelines found at RD Instruction 1980-D and associated ANs. Full documentation provisions, as required for present manually underwritten mortgage loan applications apply to GUS underwriting recommendations receiving a REFER or REFER WITH CAUTION. Credit documentation, mitigating circumstances, and compensating factors considered in the manual underwriting analysis should be recorded in the lender's permanent case file. It is recommended that compensating factors considered in the evaluation of the mortgage loan application be documented on the underwriting analysis and summary [typically the Uniform Underwriting Transmittal Summary – FNMA Form 1008/Freddie Mac Form 1077 or equivalent].

Loans should not be denied solely on the basis of a risk evaluation generated by GUS. Mitigating circumstances, according to Rural Development standard guidelines, may be considered.

## **Documentation Requirements**

As instructed in RD Instruction 1980-D, and keeping with the standards of the loan mortgage industry, lenders permanent case files will include documents verifying:

- Credit history
- Income
- Assets
- Collateral requirements
- Any other documentation supporting the mortgage loan request

Assets are not required for the SFHGLP. However, the presence of assets and cash reserves after closing, if disclosed on the GUS mortgage loan application, can influence the outcome of the GUS underwriting recommendation. If assets are considered in a GUS transaction, the lender's permanent case file will document the borrower's assets.

Assets may also influence program eligible income. Assets meeting the requirements of Section 1980.347(d)(3) of RD Instruction 1980-D also require verification documentation for the lender's permanent case file.

## **Data Modification/Loan Resubmission Requirements**

The lender is responsible for the integrity of the data used to obtain an underwriting evaluation in GUS. Data entered in GUS must correspond to documentation retained in

the lender's case file. If data changes during the loan application stage, after Conditional Commitment or prior to loan closing, the GUS underwriting recommendation could be compromised. Lenders are responsible for resubmitting the loan to GUS when material changes are discovered. Under the following conditions, lenders must resubmit the loan through GUS for an updated evaluation:

- Borrowers were either added or deleted from the loan application or critical information has changed.
- A decrease in the borrower's income and/or cash assets/reserves.
- An increase in loan amount or interest rate on the mortgage loan request.
- Any changes that would negatively affect the borrower's ability to repay the mortgage.
- Information regarding the property changes – such as a change in sales price or value.

The lender must request the loan be released from Rural Development to the lender. The lender should modify the data and resubmit the loan through GUS for an updated final evaluation underwriting recommendation.

Some data changes do not affect the outcome of an underwriting recommendation. Once a mortgage loan has been sent to the Agency as a "Final Submit," the following data changes do not require that the GUS loan application be updated:

- A decrease in loan interest rate.
- A decrease in loan amount.
- A decrease of mortgage or personal liabilities.
- An increase of assets.

### **Documentation of Underwriting Recommendation**

Lenders who utilize GUS to obtain their underwriting recommendation, do not need to prepare a Uniform Underwriting Transmittal Summary (FNMA Form 1004/Freddie Mac Form 1077), or equivalent, to document the underwriting analysis and decision. The final Underwriting Findings and Analysis report produced by GUS will be maintained in the lender's permanent loan file, in accordance with standard mortgage industry guidelines.

### **Encourage Full Utilization of GUS**

It is anticipated that lenders who enter into a User Agreement to access the GUS system will utilize GUS for all future SFHGLP applications. While lenders cannot be required to submit applications through GUS, strong encouragement and positive support from states can result in a willingness to utilize the system.

Lenders who create electronic applications in GUS with preliminary decisions and later submit a full documentation paper file to Rural Development should be encouraged to transfer the file electronically to the agency as a final submission, regardless of the underwriting decision. All decisions – ACCEPT, REFER, and REFER WITH

CAUTION can and should be transferred to the agency with a final submission, once created in GUS.

Loan applications created in GUS without a final submission to the agency can lead to inaccurate data reporting. This data collection assists the agency in determining if GUS is working properly, and if any adjustments may be necessary to ensure the integrity of the GUS portfolio.

Promote the beneficial use of GUS to lenders. GUS offers fast and objective risk assessments, enhanced loan quality, reduced data entry requirements, reduced documentation to the agency for conditional commitments, and a comprehensive GUS Underwriting Findings Report to guide the lender and underwriter through the SFHGLP submission process.

### **Education and Training**

States should educate staff on the role and duties of USDA Rural Development in the implementation, training and marketing of GUS. Learn the GUS application system (as a lender and employee) by taking advantage of valuable online training provided at the USDA LINC website located at <https://usdalinc.sc.egov.usda.gov/>. Select *Rural Housing Service* followed by *Training and Resource Library* for valuable courses regarding e-Authentication and utilization of GUS. Also access the internal USDA training website, *AgLearn*, for Rural Development employee training regarding GUS. Become your lenders point of contact for questions regarding GUS.

### **Help Center**

A Centralized Help Desk (CHD) is available to assist employee and lender users regarding functionality of GUS and GUS e-authentication questions:

Contact the CHD at: 1.800.457.3642. To reach the help desk, choose **Option 2** on the 1<sup>st</sup> menu item (USDA Applications) and **Option 2** on the 2<sup>nd</sup> menu (RD) to obtain assistance from a Rural Development representative. Or, by email: [RD.HD@stl.usda.gov](mailto:RD.HD@stl.usda.gov).

Program related questions will continue to be referred to Rural Development SFHGLP State Coordinators or National Office.

### **Additional Resources**

Lenders may access the GUS Lender User Guide from the navigation toolbar while online with GUS or at the USDA LINC website at: <https://usdalinc.sc.egov.usda.gov/>. Select *Rural Housing Service* followed by *Training and Resource Library*.

RD Instruction 1980-D and related AN that supplement standard guidelines are available online at: <http://www.rurdev.usda.gov/regs/>. To navigate the regulation website easily, it is suggested that users utilize the *search* capability of the website and request documents related to *RD Instruction 1980-D*.

## **Automatic Notification of GUS Changes**

To remain informed of changes to GUS and origination of the SFHGLP, we encourage lenders to sign up for an automated notification by accessing the following website:

<http://www.rdlist.sc.egov.usda.gov/listserv/mainservlet>.

## **Questions**

Any questions concerning this AN should be addressed to:

Debbie Terrell	918.534.3254	<a href="mailto:debra.terrell@wdc.usda.gov">debra.terrell@wdc.usda.gov</a>
Kristina Zehr	309.452.0830 x 111	<a href="mailto:kristina.zehr@wdc.usda.gov">kristina.zehr@wdc.usda.gov</a>
Josh Rice	304.253.9597 x 112	<a href="mailto:joshua.rice@wdc.usda.gov">joshua.rice@wdc.usda.gov</a>
Joaquin Tremols	202.720.1465	<a href="mailto:joaquin.tremols@wdc.usda.gov">joaquin.tremols@wdc.usda.gov</a>

or, the National Office division at 202.720.1452.