United States Department of Agriculture
Rural Development
Texas State Office

TO: Interested Mortgage Lenders

SUBJECT: USDA Rural Development
Guaranteed Rural Housing Loan Program

Participating lenders must be approved by USDA Rural Development in order to originate and close loans for the USDA Rural Development Guaranteed Rural Housing (GRH) Loan Program. Lenders must meet one of the following requirements in order to qualify for approval by Rural Development: Any lender approved by Federal Housing Administration (FHA), Department of Veteran Affairs (VA), Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, a Farm Credit System (FCS) institution with direct lending authority, or any lender participating in other Rural Development guaranteed loan programs.

To obtain approval to participate in this program, you should submit a written request to this office. The request should state which of the above lender eligibility criteria you meet. You must return the original forms with original signatures. The following information must also be included in your request:

1. Evidence of approval for the criteria listed above (i.e. FHA approval letter, etc.).

2. The lender's tax ID number.

3. The name of the official who will serve as the contact person regarding the program.

4. A list of the names and titles of your principal officers. A detailed list of their responsibilities should also be included.

5. An outline of your loan criteria regarding credit history, repayment ability, and a copy of lender's quality control plan for monitoring production and servicing activities.

6. A completed and signed Form RD 1980-16 (revised 06-06), "Agreement for Participation in Single Family Housing Guaranteed/Insured Loan Programs of the United States Government.

We hope that this information is helpful and look forward to working with you in the future. Please contact Michael Canales, Housing Specialist, at (254) 742-9763, if you need assistance.

Thank you for your interest in the USDA Rural Development Guaranteed Rural Housing Loan Program.

101 South Main • Suite 102 • Temple, TX 76501
Phone: (254) 742-9770 • Fax: (254) 742-9735 • TDD: (254) 742-9712 • Web: http://www.rurdev.usda.gov

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

USDA RURAL DEVELOPMENT
RURAL HOUSING SERVICE

CONTACT
(Please print all information)

LENDER NAME: _____

CONTACT PERSON: _____

ADDRESS: _____

_____

TELEPHONE NUMBER: _____

FAX NUMBER: _____

E-MAIL ADDRESS: _____

Please return to USDA Texas Rural Development Housing Programs by FAX at 254-742-9735, or by e-mail to Michael.Canales@tx.usda.gov

AGREEMENT FOR PARTICIPATION IN SINGLE FAMILY HOUSING GUARANTEED/INSURED LOAN PROGRAMS OF THE UNITED STATES GOVERNMENT

INTRODUCTION

The purpose of this Agreement is to establish the Lender as an approved originator, servicer, or holder of single family housing loans for the Rural Housing Service (RHS), and to provide general terms and conditions for originating and servicing such loans.

Agency/Department Rural Housing Service	Participating Lender:
Address: USDA Rural Development 101 S. Main, Suite 102 Temple, TX 76501	Tax Identification No.:
	Home Office Address:
	Telephone No.: ( )

At the time of this agreement, the Lender is designated as an RHS Approved Lender, and has the authority assigned to such Lenders under Agency regulations. The Agency may, in its own discretion, change such designation upon written notification to the Lender.

PART I - GENERAL REQUIREMENTS

This part sets forth the requirements for participation in single family housing guaranteed/insured loan programs of the Federal Government. Notwithstanding any other provisions of this Agreement, should there be a conflict between this Agreement and any statute or Agency rule or regulation, the latter shall prevail.

A. Duties and Responsibilities of the Agency

1. Payment on Claims. The Agency agrees to make payment on its claims in accordance with the terms of the guarantee/insurance and consistent with Agency regulations.
2. Information on Regulations and Guidelines. The Agency shall make all reasonable efforts to provide the Lender with information concerning regulations and guidelines that the Lender is required to follow to be in compliance with the Agency's guaranteed/insured loan program.
3. Personnel Available for Consultation. The Agency shall make personnel available for consultation on interpretations of Agency regulations and guidelines. The Lender may consult with Agency personnel regarding unusual underwriting, loan closing, loan servicing, and loan liquidation questions.
4. Agency Review of Lender Actions. In conducting reviews of specific actions taken by the Lender, the Agency shall determine the propriety of any decision made by the Lender based on the facts available at the time the specified action was taken. It is understood by the Agency and intended by this Agreement that the Lender has the authority to exercise reasonable judgment in performing any non-supervised act within its authority. However, the Agency reserves the right to question any act performed or conclusion drawn by the Lender which is inconsistent with this Agreement or Agency regulations or guidelines.
5. Lender Right to Appeal Adverse Actions. The Agency shall clearly state in its regulations which adverse actions taken by the Agency may be appealed by the Lender. The regulations shall provide procedures and requirements for such appeals.

B. General Requirements for the Lender

1. Eligibility to Participate. The Lender, to be an approved participant with the Agency in its guaranteed/insured loan program, must be a corporation or other acceptable legal entity, as defined by Agency regulations, with legal authority to participate in the program.
   - The Agency will determine whether the Lender meets all eligibility requirements for participation in the Agency's guaranteed/insured loan program.
   - The Lender must continue to meet the Agency's lender eligibility requirements at all times, as determined by the Agency, during the term of this Agreement
2. Knowledge of Program Requirements. The Lender is required to obtain and keep itself informed of all program regulations and guidelines, including all amendments and revisions of program requirements and policies.
3. Notification. The Lender shall immediately notify the Agency in writing if the Lender:
   - Ceases to posses the minimum net capital and/or an acceptable level of liquidity/working capital, as required under this Agreement;
   - Becomes insolvent;
   - Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;
   - Has taken any action to cease operations, or to discontinue servicing or liquidating any or all of its portfolio guaranteed/insured by the Agency;

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0078. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

- Has changed its name, location, address, tax identification number, or corporate structure;
- Is no longer maintaining the fidelity bond and/or errors and omissions policy required by the Agency;
- Has become delinquent on any Federal debt, or has been debarred, suspended, or sanctioned in connection with its participation in any Federal guaranteed/insured loan program; or
- Has been debarred, suspended, or sanctioned in accordance with any applicable state licensing or certification requirement or regulation.

4. Financial Responsibilities. The Lender and its principals shall demonstrate financial responsibility and sound business practices.
   - The Lender shall satisfy, at all times, any requirement for minimum net capital and/or acceptable level of liquidity/working capital specified in Agency regulations.
   - In accordance with Agency regulations, the Lender shall maintain, at all times, a fidelity bond and/or a mortgage servicing errors and omissions policy, at its own expense, to cover losses incurred as a result of dishonest, fraudulent or negligent acts of employees or other parties acting on behalf of the Lender. The amount of coverage shall be defined by Agency regulations. The Agency may, as required, be listed as "loss payee" on the policy.
5. Employees. The Lender shall maintain a staff that is well trained and experienced in origination and/or loan servicing functions, as necessary, to assure its capability in adequately performing its responsibilities under this Agreement and Agency regulations and guidelines.
6. Facilities. The Lender shall operate its facilities and branch offices in a prudent and businesslike manner.
7. Policies. The Lender is required to establish and maintain adequate written policies for loan origination and servicing, including plans for quality control monitoring of production and servicing activities. Plans will be subject to review upon the request of the Agency to ensure the plans meet the Agency's requirements.
8. Escrow Accounts. The Lender must establish separate mortgage escrow accounts, as required by the guaranteed/insured loan program and by applicable Federal and State laws and regulations. All escrow accounts must be fully insured by the Federal Deposit Insurance Corporation.
9. Reporting Requirements. The Lender recognizes that the Agency, as guarantor/insurer, has a vital interest in ensuring that all acts performed by the Lender regarding the subject loans are performed in compliance with this Agreement and Agency regulations and guidelines. Information on the status of guaranteed/insured loans is necessary for this purpose, as well as to satisfy budget and accounting reporting required by the Department of the Treasury and the Office of Management and Budget.
   - The Lender agrees to provide the Agency with all data required under Agency regulations and any additional information necessary for the Agency to monitor the health of its guaranteed loan portfolio, and to satisfy external reporting requirements. Examples of data which may be required are:
     - The number and amount of guaranteed/insured loans outstanding, the number and dollar amount of collections on loans outstanding during the reporting period, and the number and amount of guarantee/insured loans made for the reporting period;
     - An aging schedule showing the number and amount of past due loans in each of the following categories: (1) 31-60 days, (2) 61-90 days, (3) 91-180 days, and (4) over 180 days; or
     - The number and amount of the past due loans rescheduled during the reporting period.
   - The Lender also agrees to provide to the Agency, as requested or as required by regulations:
     - Copies of audited financial statements, reports on internal controls, and management letters of the Lender, which should be completed at least on an annual basis;
     - Copies of compliance audits or agreed-upon procedures letter conducted of any underwriting and/or servicing function performed by the Lender; and
     - Such other information as may be required for the Agency to properly monitor the Lender's performance.

C. Underwriting Requirements

1. Responsibility. The Lender is responsible for following the requirements for originating, servicing, and collecting all loans under the Agency's guaranteed/insured loan program. The Agency shall specify which actions performed by the Lender are non-supervised acts and which acts require the Agency's review and approval. Both supervised and non-supervised actions must be performed in accordance with the Agency's regulations or guidelines.
2. Origination/Underwriting Process. The Lender shall, in accordance with Agency's regulations and guidelines:
   - Determine if loan applicants meet the general eligibility requirements of the Agency's guaranteed/insured loan program;
   - Determine whether or not the applicant is delinquent on any Federal debt. The Lender shall use private credit reports and any credit history available from a Federal database to ascertain whether the applicant has a delinquent Federal debt outstanding. If the applicant has a Federal debt delinquency, the Lender must suspend processing of the application. In accordance with Agency guidelines, the Lender may resume processing of the application if the applicant provides documentation from the Federal agency holding the delinquency that the debt has been repaid or that the delinquency has been otherwise resolved. The loan file must include appropriate documentation;
   - Ensure that the value of any collateral property or property to be purchased is determined by a qualified appraiser, including a state licensed or certified appraiser when required by Agency regulations. Lenders are responsible for being aware of and satisfying any other appraisal requirements in Federal and state law or regulation that exceed Agency requirements; and
   - Underwrite loans after viewing and determining the acceptability of the applicant's credit history and loan repayment ability, and the adequacy of any collateral securing the loan.
3. Origination – Disapproval. The Lender will disapprove applications where the applicant does not qualify for a guaranteed/insured loan under the requirements and procedures of the Agency.

4. Legal Closing. All loans guaranteed/insured by the Agency shall be closed by attorneys, escrow departments of lending institutions, or other person(s) or entities skilled and experienced in conducting loan closings. The Lender shall:
   - Ensure that documents, including the mortgage and any security agreements, chattel mortgagees or equivalent documents relating to it, have been properly signed, are valid, and contain terms enforceable by the Agency;
   - Ensure that a clean and defensible title is obtained; that is, the property is free and clear of all encumbrances and liens, unless waived in writing by the Agency;
   - Ensure that all closing documents required to be recorded are submitted to recording offices in a timely and accurate manner after closing;
   - Ensure that security interests in collateral are perfected according to applicable regulatory requirements and procedures;
   - Obtain title insurance policy or other title evidence acceptable to the Agency, in accordance with Agency guidelines;
   - Ensure that all required hazard insurance is obtained in accordance with Agency regulations;
   - Collect all fees and costs due and payable by the borrower in the course of the loan transaction and disburse payment directly to the responsible parties for services rendered; and
   - Ensure that all loan proceeds are used as authorized.

D. Servicing Requirements

1. Responsibilities. Servicing to be performed by the Lender on Agency guaranteed/insured loans must be at least equal in quality to that servicing provided by a prudent institutional lender for its own portfolio of similar loans which are not guaranteed/insured by the Government. The Lender, or its authorized agent, must take prudent steps to collect and apply loan payments; protect and preserve the loan collateral in accordance with Agency regulations when insured or guaranteed properties are vacant or abandoned; and liquidate the loan if repayment cannot be reasonably assured through the use of collections tools or loan adjustments permissible under Agency regulations or guidelines. The Lender shall maintain all records required to document or properly service a loan.
2. Payments. Payments from the borrower shall be processed upon receipt under Agency regulations or guidelines, and include sufficient escrow premiums for hazard insurance and real estate taxes.
3. Insurance. The Lender is responsible for maintaining hazard insurance if the borrower fails to do so to the extent required by Agency regulation. The Lender shall take all necessary steps, as required by Agency regulation, to maintain the collateral when the borrower fails to do so.
4. Special Requests. The Lender shall consider any requests for loan subordination, release of collateral, or reduction or temporary suspension of loan payments, in accordance with Agency requirements.
5. Delinquent Accounts. The Lender shall make a diligent effort to contact and collect payments from borrowers who fail to make payments as agreed; assure that collateral is maintained and protected; and work with borrowers to arrange forbearance, if appropriate, as required by Agency regulations.
6. Serious Default/Foreclosure. When a mortgage is in serious default, (i.e., over 90 days delinquent), the Lender must take prompt and diligent action. Actions to obtain property title through foreclosure or voluntary conveyance, as well as all incident actions, must be consistent with applicable laws and Agency regulations. The Lender is expected to preserve and protect the property and title in accordance with pertinent laws, and Agency regulations and guidelines.
7. Loan Servicers. The Lender shall transfer and/or assign the right to service single family housing guaranteed/insured loans only to servicers meeting applicable participation requirements and performance standards. Such servicers must agree to provide, either directly to the Agency or through the Lender, information necessary for the Lender to comply with the reporting requirements of this Agreement, as well as permit reviews of their operations under Paragraph E of the Part. Servicers may resell the loans only to qualified servicers.

E. Agency Reviews of Lender's Operations

The Agency shall have a right to conduct reviews, including on-site reviews of the Lender's operations and the operations of any agent of the Lender, for the purpose of verifying compliance with this Agreement and Agency regulations and guidelines. These reviews may include, but are not limited to: audits of case files, interviews with owners, managers and staff; audits of collateral; and inspections of the Lender's and/or its agent's underwriting, servicing and/or liquidation guidelines. The Lender and/or its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.

F. Conformance to Standards

1. Standards. The Lender shall conform to all originating, servicing, reporting, and operational standards imposed by the Agency in the execution of its guaranteed/insured loan program. Additionally, the Lender shall comply with all other applicable Federal and State laws, regulations, and guidelines.
2. Determination of Non-Conformance. The Agency shall carefully consider the facts and circumstances available when determining whether or not the Lender has acted in non-conformance with the applicable standards. The Agency's determination may be as a result of, but not limited to, a review of the following:
   - Conformance in meeting financial criteria of the Agency;
   - Adequacy in meeting the standards of the Agency, including origination, servicing, collection of fees and loan payments, and protection of collateral;
   - Adherence to the reporting requirements of the Agency;
   - Evidence that the Lender is operating in a sound and prudent businesslike manner;
   - Performance ratios of the portfolio compared to industry performance ratios for delinquency and default; and
   - Audit findings of on-site reviews conducted by the Agency of the underwriting and/or servicing performed by the Lender or the financial condition and viability of the Lender.
3. Agency Action. If the Lender is found to be in non-conformance with Federal or State law or regulation, Agency guidelines, or terms of this Agreement, the Agency reserves the right to take action in accordance with its laws and regulations.

G. Certification Regarding Debarment, Suspension, and Other Responsibility Matters – Primary Covered Transactions
This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 7 CFR Part 3017, Section 3017.510, Participants' responsibilities. The regulations were published as Part IV of the January 30, 1989, Federal Register (pages 4722-4733). Copies of the regulations may be obtained by contacting the Department of Agriculture agency offering the proposed covered transaction.

1. The prospective primary participant certifies to the best of its knowledge and believe, that it and its principals:
   a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transaction by an Federal department or agency;
   b) have not within a 3 year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or Local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
   c) are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
   d) have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause of default.
2. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

PART II – DURATION AND MODIFICATION

A. Duration, Termination and Extension of Agreement

1. Termination by the Agency. This Agreement shall be valid unless terminated by the Agency, in accordance with Agency requirements.
2. Termination by the Lender. This Agreement may be terminated by the Lender at any time, in accordance with program requirements.
   - The Lender shall remain obligated to service and liquidate the guaranteed/insured loans remaining in the portfolio. Unless and until the Agency or the Lender transfers the guaranteed/insured loans to a servicer acceptable to the Agency, all requirements concerning loan management of the Lender and rights of the Agency under this Agreement shall remain in full force and effect.
   - The Lender shall notify the Agency of its intent to terminate the Agreement in accordance with Agency regulations.
3. Effect of Termination on Responsibilities and Liabilities. Responsibilities or liabilities of the Lender that existed before the termination of the Agreement will continue to exist after termination, unless the Agency expressly releases the Lender from any of its responsibilities or liabilities in writing. This is true whether the Agreement was terminated by the Lender or by the Agency.

B. Entire Agreement
This Agreement, Parts I through III inclusive, and any regulations or guidelines incorporated by reference, shall constitute the entire Agreement. There are no other agreements, written or oral, regarding the terms contained in this Agreement which are or shall be binding on the parties.

PART III – ENDORSEMENT
The undersigned Lender and Agency do hereby agree to the participation requirements and other provisions of this Agreement.

	Lender	Agency
NAME:	_____	_____
BY:	_____	_____
TITLE:	_____	_____
DATE:	_____	_____