

SFH Guaranteed Origination

March 5, 2021

Notification of HB-1-3555, Chapter 9, Mortgage Credit Certificate Guidance

The Agency has updated several chapters in Handbook 1-3555, including Chapter 9, in conjunction with the implementation of the new Guaranteed Underwriting System (GUS) on March 1, 2021. Chapter 9 guidance regarding the treatment of Mortgage Credit Certificates (MCC) has changed in the new GUS. Previously, Mortgage Credit Certificates were treated as a reduction of the principal, interest, taxes, and insurance (PITI) payment; however, new GUS requires the MCC as an addition to repayment income. This change aligns the program with the rest of the mortgage industry and the new Uniform Residential Loan Application (URLA).

An advanced copy of Chapter 9 was published on February 23, 2021, which provided lenders notification of this policy change. During this transition period, lenders may utilize one of the following two options:

1. Process loan applications utilizing GUS, which follows the proposed guidance from the Advanced Copy of Chapter 9 by adding the MCC to repayment income. This guidance will be applicable for all GUS Submissions and recommendations that receive GUS Accept, GUS Accept with Full Documentation, Refer, and Refer with Caution.
 - GUS Instructions: On the "Borrower Information" page under "Income from Other Sources" use the dropdown button in the Income Source field and select "Mortgage Credit Certificate". Tab to the Monthly Income field and enter the amount.
2. Process loan applications utilizing a Manual Submission method, which will follow current Chapter 9 guidance calculating the MCC by reducing the PITI. In addition, all manual underwriting guidelines are applicable for manual loan submissions.
 - Manual Underwrite: Deduct the monthly benefit from the PITI payment before the ratio calculation and do not include the MCC as income.

These options are available for all loan applications received by the Agency prior to April 1, 2021. **Effective April 1, 2021, all applications must adhere to the new guidance, requiring the Mortgage Credit Certificate to be applied to repayment income.**

Questions regarding program policy and this announcement may be directed to the National Office Division at sfhgld.program@usda.gov or (202) 720-1452. Thank you for supporting the Single-Family Housing Guaranteed Loan Program!

USEFUL LINKS:

USDA LINC Training and Resource Library:

<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

SFHGLP Lending Partner Webpage: <https://www.rd.usda.gov/page/sfh-guaranteed-lender>

SFHGLP Webpage: <https://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program>

USDA URLA Frequently Asked Questions: <https://www.rd.usda.gov/sites/default/files/RD-SFH-URLALenderFAQ.pdf>

Procedure Notices: <https://www.rd.usda.gov/resources/directives/procedures-notice>