

## Becoming A Certified Loan Application Packager for the Section 502 Direct Loan Program

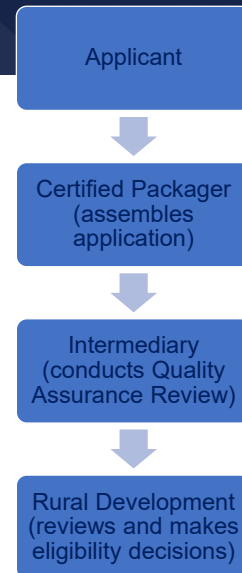
**USDA** Rural Development  
U.S. DEPARTMENT OF AGRICULTURE  
Revision Date: September 1, 2023

Presented by the  
Single Family Housing Direct Loan Division

Welcome to this training on becoming a certified loan application packager for the Section 502 Direct loan program certified packaging process. This training is presented by the Single Family Housing Direct Loan Division and has a revision date of September 1, 2023. In this training we will review what a certified packager is, as well as how to become certified.

## What is the Certified Packaging Process?

Persons interested in applying for a Section 502 loan may, but are not required, to submit an application through the certified packaging process.



What is the certified packaging process? It is a method by which persons interested in applying for a Section 502 loan may, but are not required, to submit an application to the Agency.

When an applicant uses the certified packaging process, their first contact will be with a certified packager. The packager spends time with the prospective applicant to review their credit, eligibility for the program, and assists with assembling a complete application. Once the application is assembled, the certified packager makes a recommendation and submits the file to an approved intermediary.

The intermediary conducts a quality assurance review (QAR). If the application is in order and the applicant appears to be eligible for the program, the intermediary transmits the application electronically to Rural Development for the Agency's review and eligibility decision. If the application is incomplete, the intermediary works with the certified packager to resolve any deficiencies.

This is a description of the basic process. Additional details can be found in both the 7 Code of Federal Regulations (CFR) 3550 and Handbook (HB)-1-3550, Attachment 3-A.

## Purpose of the Certified Packaging Process

- Awareness of Agency homeownership opportunities
- Assistance with the application process
- Application quality assurance reviews

The purpose of the certified packaging process is for knowledgeable third parties engaged in the process to help ensure that:

- Rural residents are made aware of homeownership opportunities offered through the Agency,
- Potential applicants are guided through the application process, with the assistance of the certified packager, and
- Application packages received by Rural Development (RD) have undergone a quality assurance review by the intermediary to ensure that they are ready for processing.

Next, let's look more closely at the role of the certified packager...

## What is the Role of the Certified Packager?

- Market the 502 program
- Meet with potential applicants
  - Discuss program and eligibility requirements
  - Provide counseling for those who do not appear eligible
  - Collect and submit application and supporting documentation to RD, via an intermediary, for an eligibility determination to be made
- Assist applicants to assemble the property information once the Certificate of Eligibility has been issued and a property identified

The certified packager's role is centered around assisting potential applicants to determine if the 502 program is a good fit for them, as well as assisting applicants with the submission of an application package.

First, the certified packager markets the 502 program to attract potential applicants. Some packagers are employed with affordable housing or credit counseling programs and may already work with clients seeking affordable housing options, while others may not. The marketing strategies will vary by location and clientele but should always have a focus on very low and low income households, as well as those populations least likely to apply.

Once a potential applicant is found, the packager meets with them to discuss the program and its eligibility requirements to determine if the 502 program is a good fit.

When a potential applicant does not appear to be eligible for the program, the packager will provide counseling regarding the issues (such as credit, lack of repayment ability, etc.) to assist with future eligibility.

If the potential applicant does appear eligible and desires to submit an application, the certified packager assists with completion of the package. This includes completing the application, collecting supporting verification documents (such as pay stubs, bank statements, etc.), making a recommendation regarding eligibility and submitting to RD via the intermediary.

The intermediary completes a quality assurance review (QAR) of the application prior to submittal to RD. If questions arise during the QAR, the intermediary will work with the packager to correct the issues prior to submittal to RD.

Once RD has the application, an eligibility determination is made and after a Certificate of Eligibility (COE) is issued, the applicant may then look for a property. When the property has been found and a purchase agreement or contract signed, the packager then assists with assembling the property information for submittal to the intermediary and RD for underwriting.

## Certification: First Step

- Contact the intermediary(ies) in the state(s) in which you wish to package loan applications
  - Discuss packager certification requirements and whether you meet them
  - Enter into an agreement with the intermediary to package loan applications through them
- Complete remaining certification requirements within 12 months

If you are interested in becoming a certified packager, the first step is to contact the intermediary(ies) in the state(s) in which you wish to package loan applications. There may be multiple intermediaries in your state and you may choose to work with one or all of them.

Once you have contacted an intermediary, discuss the packager certification requirements and identify whether you meet all of them or not (we will be discussing those requirements in this presentation shortly).

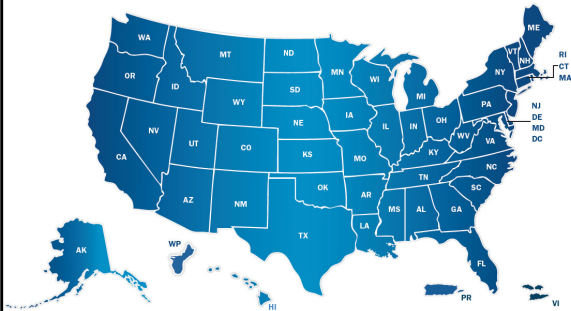
Each intermediary will have an agreement for you to review/sign in order to package loan applications through them. Once you have signed an agreement with at least one intermediary, you will have 12 months from that date to complete your certification.

Your next question may be: Great but how do I find an intermediary?

## Who are the Intermediaries?

### Rural Development Single Family Housing Intermediary Coverage Map

Select a state from the map below to view intermediaries that provide services for the counties in that state. For a listing of coverage by intermediary, [click here](#)



The Direct Loan Application Packagers page provides an interactive map with intermediary service area and points of contact:

<https://www.rd.usda.gov/direct-loan-application-packagers>

You can either click on a state to be taken to the contacts for that state, or for a complete listing of all intermediaries, select the “click here” feature just under the header.

To locate an intermediary, use the Direct Loan Application Packagers page on the Agency website, using the address listed on this slide. You will want to bookmark this address for future reference as it contains links to program information, training information, and other tools which you will need as a certified packager.

You can either click on a state to be taken to the contacts for that state, or for a complete listing of all intermediaries, select the “click here” feature just under the header, which will take you to the last pages which contain an alphabetical listing of the intermediaries.

## What If There Is No Intermediary In My State?

- The packager will work directly with the applicable RD State office, rather than an intermediary
- The State office will:
  - Ensure that a certified packaging body meets and continues to meet the certification requirements
  - Enter into a MOU with the certified packaging body using a standardized format
  - Update the Agency's state-level website using a standardized template to identify certified packaging bodies with an approved opt-out

In some cases, the map may reveal that there is no intermediary in your state. When an intermediary is not involved because an opt-out request was approved by the State Director or because an intermediary doesn't cover a particular state, the packager must work with the RD State Office who will :

- Ensure that a certified packaging body meets and continues to meet the conditions outlined in 7 CFR 3550.75(b)(1), (b)(2), (d), and (e).
- Enter into a MOU with the certified packaging body using the standardized Agency format.
- Update the Agency's state-level website using a standardized template to identify certified packaging bodies with an approved opt-out.

Now that we have discussed how to find an intermediary, or what to do when there is no intermediary in your state, let's review the certification requirements for an individual packager.

## Certification: The Individual

- An individual who:
  - Has at least one year of affordable housing loan origination and/or affordable housing counseling experience
  - Is employed (as a part/full time employee or independent contractor) by a qualified employer (QE)
  - Has completed Agency approved training course
  - Has passed the corresponding test
- Certification is verified by the intermediary with whom you are working

A certified packager is an individual who must document to the intermediary that they have:

- At least one year of affordable housing loan origination or affordable housing counseling experience.
- Is employed (as a part/full time employee or independent contractor) by a qualified employer (QE). A QE is defined as a tax-exempt non-profit, public entity, tribal housing authority, or State Housing Finance Agency. The combination of the individual and the qualified employer is referred to as the “certified packaging body”.
- Has completed the Agency approved training course. Upcoming classes are posted on the Direct Loan Application Packagers page which was reviewed previously and we will discuss the training in more detail shortly.
- Upon completing the course, the individual must pass the corresponding test.

Once an individual has signed an agreement with an intermediary and has evidenced that they meet the experience requirements and are employed by a qualified employer, they have one year to complete the course/exam and may package as a certified packager during this time.

The Memorandum of Understanding (MOU) signed by the intermediaries with the Agency specifies that the intermediary will verify that the packager meets these requirements.

## Certification: Training

- A 3-day in-person or 5-day online classroom session  
<https://www.usda502directtraining.org/>
- Completed within 12 months of identifying with an intermediary
- Classes are posted on the Direct Loan Application Packagers website
- Exception: A recent, now former, RD employee with five or more years of residential loan experience acquired while working in the Agency's single family housing programs

In order to become certified, an individual must complete an Agency approved course which meets the requirements of 7 CFR 3550.75. These can be fulfilled by the three-day in-person or five-day online classroom sessions offered by NeighborWorks, the Housing Assistance Council, and Rural Community Assistance Corporation – in conjunction with RD. Upcoming classes can be found at <https://www.usda502directtraining.org/>

As indicated previously, once you have identified with an intermediary as being part of the certified packaging process, you have 12 months to take the loan application packaging course and pass the corresponding test. It is your responsibility to provide evidence to the intermediary that you have completed this requirement. During the 12 month period, you may package loan applications and funnel them via the intermediary who will conduct the quality assurance review and provide technical assistance.

Failure to provide the necessary evidence within the allotted time will result in removal from the certified packaging process. For certified packagers funneling through an intermediary, the intermediary is responsible for monitoring compliance with the course requirements and notifying the certified packager of

their removal from the process if not met. Once removed, the party won't be able to participate in the process until the course requirements have been met (and all other requirements continue to be met).

An exception may be made to this requirement for a recent, now former, Rural Development employee with five or more years of residential loan experience acquired while working in the Agency's single family housing programs.

## Certification: Testing

- Take (open book) test within 30 days of course completion
- Passing score: 70% percent or higher
- If below 70%, retry up to two more times within 90 days from taking the course
- Failure to pass after three attempts = retake class



Course participants should take the corresponding test within 30 days of completing the course. This is an open book test and participants are encouraged to use their manuals and Agency guidance when answering test questions.

In order to pass, participants must obtain a score of 70% or higher.

If the participant does not pass the initial test, they can retry up to two more times within 90 days from taking the course.

Failure to pass the test after three attempts will result in the need to retake the three-day classroom training.

## Re-certification

- Lack of activity
- Unacceptable performance
- Intermediary recommendation
- Other

While there is no ongoing re-certification requirement after having taken the course and passed the test, the Agency may require a certified packager to retake the course/test in order to continue participating in the certified packaging process. This requirement may be triggered by an extended period of packaging inactivity, unacceptable packaging performance, a recommendation from the intermediary, or other justifiable reason.


## I'm certified – now what?

- Start marketing!
- Materials may be created independent of the Agency
- Agency reserves the right to require alterations to any marketing material
- USDA logo may not be used



Once you are signed up with an intermediary and considered certified, begin marketing to potential applicants. While an intermediary or a certified packaging body can prepare certified loan application packaging marketing materials without Agency involvement, the Agency reserves the right to require alterations to any marketing material to ensure the accuracy of the program information and/or the appropriateness of the message. The USDA logo may not be used in any marketing materials of the intermediary, certified packager, or qualified employer.

# Stay informed!

Together, America Prospers

- Laws
- Guidelines
- Handbooks
- GovDelivery

## Email Updates

To sign up for updates or to access your subscriber preferences, please enter your contact information below.

Subscription Type

Email

Email Address \*

Submit

Cancel

<https://public.govdelivery.com/accounts/USDARD/subscriber/new?preferences=true>

Once approved, it is the responsibility of the packager to stay up to date on program guidance. This can include laws, guidelines, handbooks, amendments and revisions of program requirements and policies.

The Agency will typically issue notifications regarding changes via the GovDelivery system. Therefore, certified packagers should sign up to receive SFH listserv updates from GovDelivery, using the website link as shown on this slide.

Once on the site, enter your email, select the “SFH Direct Loan and Grant Programs” (and other programs of interest) and then click “Submit”.

## Packaging Fees

Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?	Distinct Access to National Office Reserve?
Certified Packaging Body Via An Intermediary	Up to \$2,000 split between certified packaging body and intermediary	<b>Yes</b> 3550.52 (d)(6) and 3550.75	<b>Yes</b>	<b>Yes</b>
Certified Packaging Body Without An Intermediary	Up to \$1,750	<b>Yes</b> 3550.52 (d)(6) and 3550.75	<b>Yes</b>	No
Intermediary Acting As Certified Packaging Body	Up to \$1,750	<b>Yes</b> 3550.52 (d)(6) and 3550.75	<b>Yes</b>	<b>Yes</b>
Approved Non-Certified Application Packager	Up to \$750	<b>Yes</b> 3550.52 (d)(6)	<b>Yes</b>	No
Other Packaging Arrangements	Not regulated and discouraged when a fee is charged	No	No. The Agency will review the impact of the fee and will make the determination if it adversely impacts the applicant's qualification.	No

Because there are a variety of packaging types, this chart (as found in Attachment 3-A of HB-1-3550) identifies the maximum fees allowed under each of the packaging types. When a certified packager is submitting applications via an intermediary, the maximum fee which may be charged to the applicant is \$2,000. This fee is split between the certified packager and the intermediary. The fee may be included in the loan and because the application is routing through an intermediary, in the event of funding shortages, these type of applications have access to national office reserves because they receive a "Priority 4" processing priority.

One thing to keep in mind as a packager is that while the fee can be included in the loan, it can only be included if there is adequate room between the appraised value and the purchase price; and the applicant has adequate repayment ability with inclusion of this fee. It is in the best interest of the applicant to consider other ways for the fee to be paid, rather than relying on including it in the loan amount. Let's discuss these further....

## How is the Packaging Fee Paid?



- Applicant funds
- Seller concession
- Other funding sources (i.e. down payment/closing cost assistance, gift funds)
- Included in the loan
  - Applicant has adequate repayment ability, and
  - Loan does not exceed the area loan limit or the market value, whichever is lower

The packaging fee may be paid in a variety of ways:

- Applicant funds – the fee is considered a closing cost which the applicant can pay at closing with their own assets.
- Seller concession – when making an offer on the property, the buyer may request that the seller pay a certain amount of their closing costs. Closing costs would include the packaging fee which is paid at closing.
- Other funding sources (i.e. down payment/closing cost assistance, gift funds) – the applicant may qualify for other funding assistance to help pay their closing costs, or may receive gift funding from a 3<sup>rd</sup> party.
- When the packaging fee is identified as an eligible loan purpose on the preceding chart, the fee may be included in the loan, provided that:
  - The applicant has adequate repayment ability, and
  - The loan does not exceed the area loan limit or the market value, whichever is lower.

The intermediary and packager may also decide to reduce the fee and not charge the maximum allowed amount. When the application is submitted to the intermediary, the packager should identify their fee to the intermediary so that the invoice submitted to the Agency includes all fees to be paid to the

intermediary and packager at closing.

In no event will RD be responsible for paying the packaging fee to the extent that the maximum fee cannot be paid at closing using one of these alternatives.

As part of the closing instructions, the Agency will submit the fee invoice to the closing agent with instructions that it be paid at closing.

## Packaging Process



Now that you are marketing and have a fee structure established, potential applicants will be inquiring about the program.

As you work with applicants, you will start with a pre-qualification assessment. This assessment is typically done before an application is completed and is a brief assessment of the prospective applicant's income, credit, assets, and other eligibility requirements to see if the 502 loan program is a good fit. If it does not appear to be a good fit, the packager will counsel the prospective applicant on ways to become eligible in the future.

If the program does seem to be a good fit, the packager will issue the disclosure letter found in HB-1-3550, Attachment 3-A and assist the applicant with completing the application, collecting verifications, and conducting a preliminary credit analysis. If after verifying the information, the applicant still appears to be eligible – they should be advised to take a homebuyer education course.

Finally, the certified packager assists the applicant with the completion of the loan application in accordance with Agency requirements, taking care to only submit the items needed by the Agency in order to determine eligibility. The

packager should instruct the applicant that a property should not be identified in the application until the COE is issued.

Once the application is complete, the certified packager submits to the intermediary for the quality assurance review.

## Quality Assurance Review (QAR) Process

- Ensure that all required application and verification documents have been properly signed, completed and submitted
- Review the packager's income and repayment calculations to verify that the applicant appears eligible
- Utilize an automated method of documentation delivery, as provided by the Agency

Once the intermediary has received the package, the quality assurance review process begins. The intermediary should:

- Ensure that all required application and verification documents have been properly signed, completed and submitted.
- Review the packager's income and repayment calculations to verify that the applicant appears eligible.

If the application is incomplete or the intermediary has questions related to the viability of the application, the intermediary will contact the packager to obtain any additional items. Once the application is complete, the intermediary will:

- Utilize an automated method to submit the application. At this time, the eForms system is required for transmission of all packages submitted via an intermediary.
- Upon receipt of the application from the intermediary, the Agency will review the application and make an eligibility determination.

## The Applicant is Eligible – What's Next?

Once the Certificate of Eligibility (COE) is issued

- Applicant locates property
- Packager assists the applicant to assemble property information such as:
  - A fully executed purchase agreement with applicable addendums
  - A copy of the property eligibility website determination confirming the property is in an eligible rural area
  - For existing properties:
    - Copy of a whole house inspection
    - Identification of proposed repairs/how repairs will be completed
  - For new construction:
    - Plans and Specs
    - Contract

When the applicant is determined eligible, a Certificate of Eligibility is issued which identifies the loan amount for which they qualify – including other funding sources involved in the transaction, and provides a timeframe to find a property.

The applicant then locates property and the packager assists the applicant to assemble property information in accordance with HB-1-3550, Attachment 3-A. Property information includes such items as:

- A fully executed purchase agreement with applicable addendums
- A copy of the property eligibility website determination confirming the property is in an eligible rural area
- For existing properties:
  - Copy of a whole house inspection
  - Identification of proposed repairs/how repairs will be completed
- For new construction:
  - Plans and Specs
  - Contract

## What is an Opt-Out?

Under the certified packaging process, an experienced and competent certified packaging body can request to submit loan application packages directly to the Agency. This request is known as an “opt-out” request and requires RD State Director approval.

If a certified packaging body serves multiple states, the request must be made on a per state basis.

Under the certified packaging process, an experienced and competent certified packaging body can request to submit loan application packages directly to the Agency. This request is known as an “opt-out” request and requires RD State Director approval.

RD State Directors may approve an opt-out request from a certified packaging body when:

- The request is supported by the intermediary based on the quality and quantity of loan application packages submitted by the certified packaging body through the intermediary.
- The certified packaging body must have funneled at least 20 loan application packages through the same intermediary and have funneled packages through the same intermediary for a period of at least 12 months.
- With these minimums in mind, the intermediary will support the request if the certified packaging body has a 90% or higher success rate.

If a certified packaging body serves multiple states, the request must be made on a per state basis.

When an opt-out is approved, the State office will:

- Ensure that a certified packaging body meets and continues to meet the certification requirements
- Enter into a MOU with the certified packaging body using a standardized format
- Update the Agency's state-level website using a standardized template to identify certified packaging bodies with an approved opt-out

## Records

- Applicant descriptive information
- Maintain documentation to support processing times, recommendations, etc.
- Protect Personally Identifiable Information
  - Store hard copies in locking cabinets
  - When transmitting via email - encrypt and password protect



While the Agency does not mandate specific record retention requirements, the certified packaging body should maintain records which sufficiently document their activities related to the certified application packaging process.

Records should include but are not limited to:

### **Applicant information:**

The applicant's name, Social Security number, and state where they wish to reside.

Evidence related to the application to document processing timeframes, recommendations, etc.

When storing records, remember that the Personally Identifiable Information (or PII) for the applicant should be protected at all times whether it is stored by hard copy or electronically.

Intermediaries are required to submit an annual report documenting the details of each of the certified packaging bodies with whom they work/have worked. The report is submitted by email to Rural Development National Headquarters at

[SFHDIRECTPROGRAM@wdc.usda.gov](mailto:SFHDIRECTPROGRAM@wdc.usda.gov) no later than December 31<sup>st</sup> of each year. It is strongly recommended that this report be maintained and updated throughout the year as certified packaging bodies are added, so that it can be used as a way to easily verify qualifications when application packages are received.

## Other Items of Note

Packagers should be:

- Well acclimated with 7 CFR Part 3550 and Handbook-1-3550, found at <http://www.rd.usda.gov/publications/regulations-guidelines/handbooks>

Packagers are required to:

- Comply with the Equal Credit Opportunity Act and the civil rights requirements contained in RD Instruction 1901-E
- Prepare an Affirmative Fair Housing Marketing Plan (AFHMP)
- Understand and (if applicable) comply with the SAFE Act
- Provide the Agency with complete, accurate, and timely information needed to comply with the disclosure requirements under the Truth in Lending and Real Estate Settlement Procedures Act Integrated Mortgage Disclosures
- Be in good standing with the Government

Packagers should be well acclimated with 7 CFR Part 3550 and Handbook-1-3550, both of which can be found at

<http://www.rd.usda.gov/publications/regulations-guidelines/handbooks>.

Packagers are required to:

- Comply with the Equal Credit Opportunity Act and the civil rights requirements contained in RD Instruction 1901-E.
- Prepare an Affirmative Fair Housing Marketing Plan (AFHMP), if they intend on submitting five or more loan application packages to purchase and/or construct dwellings in the same subdivision. The completed AFHMP must be submitted to the local Rural Development office for review and approval.
- Understand and (if applicable) comply with the SAFE Act. The SAFE Act, which is a Federal regulation with state-level enforcement and possible requirements over and above the federal minimum standards, addresses those engaged in loan originator activities. Rural Development does not enforce or monitor SAFE Act compliance.
- Provide the Agency with complete, accurate, and timely information needed to comply with the disclosure requirements under the Truth in Lending and Real Estate Settlement Procedures Act Integrated Mortgage Disclosures. Packagers are not authorized to issue the Loan Estimate or Closing Disclosure on behalf of the Agency.
- Be in good standing with the Government (e.g. not suspended or debarred from participating in Federal programs).



Are you interested in learning more about the  
Single Family Housing Direct Programs?  
Please contact your applicable RD State Office.  
<https://www.rd.usda.gov/contact-us/state-offices>

USDA is an equal opportunity provider, employer, and lender.

Thank you for joining us today for this presentation which covered how to become a certified packager, as well as information related to the responsibilities of packagers in the certified process. If you are interested in learning more about the SFH Direct programs, contact information can be found at the website listed on this screen.

Finally, please note that the contents of this training are current as of this presentation's revision date. Please refer to Handbook-1-3550 for the most recent guidance on the programs.