

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN**

**UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL HOUSING SERVICE**

**AND**

**(insert name of entity)**

This Memorandum of Understanding (MOU) is entered into between the Rural Housing Service (RHS) of the United States Department of Agriculture (USDA), hereinafter referred to as the “Agency,” and (insert name of entity), hereinafter referred to as the “intermediary.”

The purpose of this MOU is to establish the intermediary as an approved quality assurance reviewer of packaged loan applications for the Agency’s Section 502 Single Family Housing (SFH) direct loan program, and to provide general terms and conditions for the packaging process, quality standards, and accountability for the intermediary.

Refer to the intermediary coverage map for the state(s) served under this MOU.

**PART I - GENERAL REQUIREMENTS**

This part sets forth the requirements for participation as an intermediary in the SFH direct loan program. Notwithstanding any other provisions of this MOU, should there be a conflict between this MOU and any statute or regulation, the latter shall prevail.

Under the certified loan application packaging process, a certified loan application packager (hereinafter referred to as certified packager) and its qualified employer (who together with its certified packager are hereinafter referred to as a certified packaging body) will submit applications to the Agency via an intermediary (unless the applicable Rural Development State Director approves the certified packaging body to opt-out of this condition or unless a state does not have an intermediary). The intermediary will conduct outreach to recruit additional parties who may serve as certified packaging bodies within the state(s) they cover. Additionally, the intermediary will perform quality assurance reviews on the packaged loan applications as well as provide supplemental training, technical assistance, and support to certified packaging bodies to promote quality standards and accountability.

**IT IS MUTUALLY UNDERSTOOD AND AGREED BETWEEN THE PARTIES THAT:**

- 1) The Agency is solely responsible for offering and negotiating any loan terms to and with the applicant; and making any underwriting or final decisions on the loan and communicating those decisions to the applicant; and denying applications. The intermediary and certified

packaging body will not engage in these activities, and will not make representations that they can engage in these activities.

- 2) Applications may be submitted directly to the Agency by an applicant. An applicant's use of a certified packaging body and/or an intermediary is optional, not required.
- 3) The loan application packaging fee charged to the applicant at closing must comply with the fee schedule outlined in Rural Development's Handbook (HB)-1-3550, Attachment 3-A.
- 4) As described in this MOU and the HB-1-3550, the applicant shall be notified of the fee in writing during the applicant's initial meeting with the certified packager.
- 5) Pursuant to Agency regulations, Section 502 direct loan funds may be used to pay the packaging fee, provided the applicant has repayment ability and provided that this does not cause the loan to exceed the maximum allowable loan amount.
- 6) It is understood by all parties that a packaging fee may be charged only for closed loans.
- 7) The intermediary represents to the Agency that the intermediary and the certified packaging bodies funneling loan application packages through them meet the requirements of the certified loan application packaging process as described in 7 CFR 3550.75, this MOU, and other applicable guidance. In the event of a conflict between this MOU and the 7 CFR 3550, the regulation will prevail.
- 8) This MOU does not promise to obligate any Federal funds.
- 9) If an Agency-approved intermediary agreement form is developed, parties are expected to sign if continued participation in the certified packaging process is appropriate, and it will replace this MOU.
- 10) The intermediary will make a written request to the Agency should they wish to expand the states they serve under this MOU. The written request must identify the additional state(s) they wish to serve and address their capacity to serve their previously approved coverage area plus the additional state(s). The Agency will respond to the request in writing.

## **PART II – DUTIES AND RESPONSIBILITIES**

### **A. Duties and Responsibilities of the Agency:**

- 1) **Intermediary Eligibility.** The Agency will determine whether the intermediary meets all eligibility requirements for participation in the certified loan application packaging process.
- 2) **Information on Regulations and Guidelines.** The Agency shall make all reasonable efforts to provide the intermediary with information concerning laws and guidelines that the intermediary is required to follow to be in compliance with the Agency's SFH direct program.
- 3) **Agency Reviews of Intermediary's Operations and Actions.** The Agency shall have a right to conduct reviews for the purpose of verifying compliance with this MOU and Agency regulations and guidelines. These reviews may include, but are not limited to: on-site reviews of the operations and actions of the intermediary and any agent of the intermediary, requests for information, audits of case files, interviews with certified packaging bodies, managers and staff; audits of collateral, inspections of the intermediary's facility, and review of the intermediary's records. The intermediary 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.

- 4) **Point of Contact.** Each state served by this MOU will designate one Agency point of contact to serve as the main contact for questions.
- 5) **Lending Decisions.** Lending decisions are expressly limited to Agency staff.

## **B. Duties and Responsibilities of the Intermediary:**

- 1) **Staff Training and Certification.** The intermediary will ensure that its quality assurance staff completes an Agency-approved loan application packaging course and successfully pass any corresponding test within 12 months of being accepted as an intermediary. The intermediary shall maintain documentation identifying the staff members who have completed the course.
- 2) **Electronic Submission of Loan Application Packages.** The intermediary's quality assurance staff will obtain Level 2 eAuthentication identifications and submit application packages to the Agency using the Agency-approved stacking order, via its eForms website (or any superseding automated system implemented by the Agency) when submitting applications to the Agency.
- 3) **Continued Eligibility.** The intermediary must continuously meet the applicable requirements to be an intermediary and demonstrate to the Agency's satisfaction annually, or in another timeframe as determined by the Agency that it still meets all the requirements to be an intermediary.
- 4) **Knowledge of Program Requirements.** The intermediary is required to obtain and keep itself informed of all program laws and guidelines, including all amendments and revisions of program requirements and policies. Intermediary staff participating in the program will sign up to receive SFH listserv updates using the following link:  
<https://public.govdelivery.com/accounts/USDARD/subscriber/new?preferences=true>
- 5) **Performance Elements.**
  - a) The intermediary will outreach to parties that could potentially serve as a certified packaging body.
  - b) It is expected that packaged loan applications funneled through the intermediary will receive a high rate of Agency approval (with minimal need for the Agency to request additional information) in accordance with the performance elements as outlined in HB-1-3550, Attachment 3-A.
  - c) On a per state basis and for timeframes to be determined by the Agency, at least 30 percent of the applications submitted under this MOU must be from eligible very low-income applicants, with the balance from eligible low-income applicants.
- 6) **Revocation.** The designation as an Agency-approved intermediary is subject to revocation by the Agency under any of the following conditions:
  - a) The rate of submitted packaged loan applications that receive RHS approval is below the acceptable limit as determined by the Agency.
  - b) The rate of submitted packaged loan applications from very low-income applicants is below the acceptable level as determined by the Agency.
  - c) Violation of applicable laws, guidance or any of the terms of this MOU.
  - d) No viable packaged loan applications are submitted to the Agency in any consecutive 12-month period.
- 7) **Certified Packaging Body Identification.** The intermediary must identify to the Agency the certified packaging body (i.e. name and contact information of the qualified employer

and the name of the certified packager(s)) before a loan application package is funneled through the intermediary. The intermediary must also provide a list of certified packaging bodies working through them on the intermediary's website; this list must be updated as changes are made.

- 8) **Packaging Process.** The intermediary will ensure that the following steps are taken during the loan application packaging process under this MOU:
- a) During the certified packager's initial discussion with a potential applicant, the certified packager shall provide them with general counseling about the home buying experience and inform the potential applicant that: (i) the certified packager will charge a fee, including the maximum amount of such fee and the methods by which the fee may be paid; (ii) the potential applicant has the option of applying for the loan directly with the Agency at no cost; and (iii) the packager does not guarantee that the application will be approved or funded by the Agency. Written notification must also be provided (either in person or by mail). The written notification, which requires acknowledgement of receipt, must follow the Agency's required format as provided in Chapter 3 of HB-1-3550.
  - b) The certified packager shall conduct a pre-qualification assessment of each potential applicant; the intermediary will instruct the certified packager whether or not the results must be shared with the intermediary for review prior to the certified packager proceeding. Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant would be program eligible. If the potential applicant appears to be eligible for a Section 502 direct loan, the certified packager shall proceed in working with the potential applicant to prepare the loan application package.
  - c) After a pre-qualification assessment indicates that the potential applicant appears eligible, the certified packager shall collect verification of income and assets, and conduct a preliminary credit analysis that is free of charge to the applicant (or included as part of the allowable packaging fee).
  - d) The certified packager shall assist applicants who are first-time homebuyers in obtaining homebuyer education that meets the Agency's minimum requirements.
  - e) The certified packager shall assist the applicant with the completion of the loan application in accordance with Agency requirements.
  - f) If the certified packager submits an incomplete application to the intermediary, the intermediary will return the incomplete application to the certified packager, who subsequently will be required to correct any deficiencies, if possible.
  - g) A loan application package prepared by a certified packager and submitted to Rural Development must only contain the items needed by the Agency to determine whether to issue Form RD 1944-59, Certificate of Eligibility (COE):
    - i. The initial submittal of information will be related only to the applicant's eligibility.
    - ii. Clients/applicants should be instructed that a property must not be identified in the application until such time as a COE is issued.
    - iii. If a COE is issued, it is at this point and only at this point where the loan certified packager would assist their client in gathering the property related items needed by the Agency.

- 9) **Intermediary Review Process.** The intermediary shall, in accordance with Agency's regulations and guidelines:
- a) Review the certified packager's pre-qualification determination for accuracy and viability if the intermediary instructs the certified packager to submit the pre-qualification results for review prior to proceeding.
  - b) Ensure that application documents have been properly signed and completed.
  - c) Utilize an automated method of documentation delivery, as provided by the Agency.
  - d) Utilize a consistent method of application submission (such as a stacking order checklist, etc.) as provided by the Agency.
- 10) **Quality Assurance.** The intermediary will develop and document quality assurance procedures that it will follow during the review of all loan application packages received from the certified packaging body.
- a) The quality assurance process shall be designed to prevent submitting to the Agency incomplete loan applications or loan applications not recommended for approval.
  - b) The intermediary will complete a review of loan application packages received from the certified packaging body as soon as possible, and no later than within five business days of receipt. Once the loan application package has progressed through the quality assurance process and is determined viable (i.e. the applicant appears program eligible), the intermediary will send the loan application package to the designated RD Field Office.
- 11) **Records.** The intermediary's records must sufficiently document information on the applicants (i.e. the applicant's name, Social Security number, and state where they wish to reside) and on the certified packaging body (i.e. name of certified packager and qualified employer) and their performance (e.g. package was returned to the certified packaging body as incomplete or unviable; package was submitted to the Agency; submitted package resulted in a closed loan; etc.). This information will allow the intermediary to make a sound decision to support or rebut a certified packaging body's request to an RD State Director to submit packaged applications directly to the Agency instead of via an intermediary. The records must also sufficiently document that the intermediary and certified packaging bodies working with the intermediary are in compliance with 7 CFR 3550.75, including: the certified packagers' resumes that confirms they meet the experience and employment requirements; the certified packagers' packaging course completion certifications and test scores that confirms they meet the training requirement; proof that the qualified employers are affordable housing nonprofits that are tax exempt under Internal Revenue Code; and proof the qualified employers are in good standing in their states of operation. Qualified employers can self-certify to the intermediary they are in good standing. Annually, the intermediary will be required to submit a certification on the certified packaging bodies funneling loan application packages through them. Details on the timing and format of this certification will be provided by the Agency.
- 12) **Marketing Materials.** While the intermediary and the certified packaging bodies can prepare marketing materials regarding certified loan application packaging 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 intermediary and the certified packaging bodies will not use the USDA logo in any marketing materials.

- 13) **Financial Interest.** Whenever the intermediary submits a loan application to the Agency, the intermediary shall notify the Agency and the applicant if the applicable certified packaging body is the developer of or has a financial interest in the proposed housing project. The intermediary may not be the builder, developer, or seller of the subject home. Note: An intermediary that is also a Community Development Financial Institution (CDFI) will not be considered noncompliant when CDFI funds are tied to the transaction.
- 14) **Personally Identifiable Information (PII).** The intermediary will ensure that all of its employees and agents use due diligence to safeguard applicant information and maintain confidentiality of PII and other information subject to federal or state privacy laws.
- 15) **Debarment.** The intermediary will certify that the intermediary and the certified packaging bodies are not suspended or debarred from participating in Federal programs.
- 16) **Notification.** The intermediary shall immediately notify the Agency in writing if the intermediary or the certified packaging body:
  - a) Fails to meet any of the requirements of the certified packaging application process, including those in 7 CFR 3550.75 and the terms of this MOU;
  - b) Becomes insolvent;
  - c) Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;
  - d) Has taken any action to cease operations, or to discontinue serving in the capacity of an intermediary;
  - e) Has changed its name, location, address, tax identification number, or contact person;
  - f) Has become delinquent on any Federal debt, or has been debarred, suspended, or sanctioned in connection with its participation in any Federal program; or
  - g) Has been debarred, suspended, or sanctioned in accordance with any applicable state licensing or certification requirement or regulation.
- 17) **Operations.** The intermediary and its principals shall demonstrate financial responsibility and sound business practices.
- 18) **Employees.** The intermediary shall maintain a quality assurance staff that is experienced with packaging, originating, or underwriting affordable housing loans.
- 19) **Conformance to Standards.** The intermediary shall conform to all applicable laws and guidance imposed by the Agency in the execution of its intermediary responsibilities under the terms of this MOU. Additionally, the intermediary shall comply with all other applicable Federal and State laws, regulations, and guidelines.
- 20) **Determination of Non-Conformance.** If the intermediary is found to be in non-compliance with Federal or State law or regulation, Agency guidelines, or terms of this MOU, the Agency reserves the right to take appropriate action.

### **PART III - DURATION AND MODIFICATION**

- A. **Duration and Termination of MOU.** This MOU shall become effective on the date of the last signature and continue in effect until terminated or superseded by another MOU or agreement between the parties. Either party may terminate this MOU on written notice to the other party.
- B. **Completion of Services.** In the event of termination, the intermediary shall continue to perform quality reviews on applications received before the date of termination until the Agency or the intermediary transfers those applications to a replacement intermediary acceptable to the Agency, or as otherwise provided by the Agency.

### **PART IV – CONTACT PERSONS**

Rural Development\*: Tammy Repine  
Finance and Loan Analyst  
USDA Rural Development  
Email: Tammy.Repine@usda.gov  
Phone: 360-999-0251

Intermediary:

\* While Ms. Repine will be the primary contact for Rural Development National Headquarters, the intermediary is encouraged to initially work with the Rural Development State Office point of contact that will be identified through Part II A. 4. Agency point of contacts are mainly for program related questions; they are generally not the Agency staff underwriting or making final decisions on the loan requests.

**PART V. APPROVALS**

- 1) **Entire MOU.** This MOU, Parts I through IV inclusive, and any laws or guidelines incorporated by reference, shall constitute the entire MOU.
- 2) **Signatures.** The undersigned intermediary and Agency do hereby agree to the participation requirements and other provisions of this MOU. The parties indicate acceptance with this MOU by their signatures.

\_\_\_\_\_  
(insert entity name/title)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
**BRUCE W. LAMMERS**  
Administrator  
Rural Housing Service

\_\_\_\_\_  
DATE