



United States
Department of
Agriculture

Rural Development



How To Become An Intermediary Under The
Section 502 Direct Loan Program's Certified Packaging
Presented by Tammy Repine
Single Family Housing Direct Loan Division

Revision Date: March 5, 2018

Welcome to this webinar on how to become an intermediary under the Section 502 Direct Loan Program's certified loan application packaging process (referred to as the certified packaging process throughout this webinar). This webinar is presented by the Single Family Housing Direct Loan Division and has a revision date of March 5, 2018. In this webinar, we will review what an intermediary is as well as how a qualified party can apply to become an intermediary.

What Is An Intermediary?

- An affordable housing nonprofit, public agency, or State Housing Finance Agency
- Approved by Rural Development (RD or Agency)
- Performs a Quality Assurance Review (QAR) on packages submitted via the certified packaging process

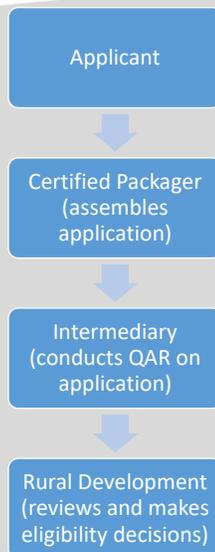
An intermediary is an affordable housing nonprofit, public agency, tribal housing authority, or State Housing Finance Agency which is approved by Rural Development (aka RD or Agency) to perform a quality assurance review on packages prepared by Agency-certified loan application packagers through their qualified employers. Throughout this webinar, the quality assurance review will be referred to as the QAR.

7 Code of Federal Regulations (CFR) § 3550.75 is the regulation on the certified packaging process. The regulation outlines the criteria to become an intermediary as well as the intermediary's roles and responsibilities. In addition to the regulation, the program's Handbook-1-3550, Chapter 3, Attachment 3-A provides further details on how to apply to be an intermediary.

Since the intermediary role is exclusive to the certified packaging process, the next slide will briefly explain what certified packaging process is.

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.



The certified packaging process provides 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.

Within the certified packaging process, there are several parties who have been approved to act. When an applicant uses the certified packaging process, their first contact will be with a certified packager. A certified packager must work for a qualified employer (a tax-exempt non-profit, public entity, tribe housing authority, or State Housing Finance Agency). 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 the intermediary for a QAR.

The intermediary conducts a QAR. If the application is in order and the applicant appears to be eligible for the program, it is transmitted 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 CFR 3550 and Attachment 3-A.

For the remainder of this webinar, we will focus on the steps required to become an approved intermediary.

Intermediary Application Process

- Demonstrate qualifications
- May apply at any time
- Submit applications to:
SFHDIRECTPROGRAM@wdc.usda.gov

To apply to be an Agency-approved intermediary under the certified packaging process, an interested party must furnish sufficient documentation to demonstrate to the Agency's satisfaction that they meet each of the conditions specified in 7 CFR 3550.75(b)(3) and as further detailed in the cover sheet for submittal of intermediary application found in Attachment 3-A. There is no application form to complete; the needed documentation consists of copies of existing documents and plans/policies which you develop to show what processes you will use.

In the following slides, we will review the items which compose the application as well as discuss examples of items to submit.

Applications are welcome at any time and should be emailed to SFHDIRECTPROGRAM@wdc.usda.gov. The application will be reviewed by RD National Headquarters with input from the applicable RD State Office(s).

Once approved, the Agency will execute a Memorandum of Understanding (MOU) with the intermediary which outlines the roles and responsibilities of both parties.

Eligible Entity Types

- Public agency
- Section 501 (c)(3) nonprofit organization

An intermediary must be a public agency or a Section 501 (c)(3) nonprofit organization.

A public agency may include:

- (a) Any state board, commission, committee, department, educational institution, or other state agency which is created by or pursuant to state statute, other than courts and the legislature;
- (b) Any county, city, school district, special purpose district, or other municipal corporation or political subdivision of the state;
- (c) Any subagency of a public agency which is created by or pursuant to statute, ordinance, or other legislative act, including but not limited to planning commissions, library or park boards, commissions, and agencies;
- (d) Any policy group whose membership includes representatives of publicly owned utilities formed by or pursuant to the laws of this state when meeting together as or on behalf of participants who have contracted for the output of generating plants being planned or built by an operating agency.

To show that this requirement has been met:

A public agency would provide a copy of their state statute, ordinance, or similar document.

A Section 501 (c)(3) nonprofit organization would provide a copy of the organization's Internal Revenue Service nonprofit determination letter for 501 (c)(3) status.

Evidence of Good Standing

From the applicable Secretary of State(s) or recent State filings:

- Certificate of Good Standing
- Equivalent documentation

In addition to providing evidence you are an eligible entity, the Agency also requires evidence that your entity is in good standing within the state(s) of its operation.

Documentation which can be provided to meet this requirement includes a Certificate of Good Standing or equivalent documentation from the applicable Secretary of State(s) or recent State filings.

Capacity

Demonstrate the capacity to:

- Serve multiple qualified employers and their Agency-certified loan application packagers
- Conduct QARs on a large volume of packaged loan applications within three to five business days of receipt

The next part of the documentation process involves demonstrating that you have the capacity to cover your proposed service area. This documentation will vary depending on how many state(s) you plan to serve.

When assembling the documentation, make sure to demonstrate how you will serve multiple qualified employers and their Agency-certified loan application packagers throughout your proposed service area. You need to document your capacity to perform QARs on a large volume of packaged loan applications within three to five business days of receipt. Capacity should also include consideration for marketing the program, recruiting packagers, and assisting packagers with ongoing training/feedback.

As a simplified example, you may currently have three persons on staff. Your plan might indicate that each of these staff members will spend 20% of their time on the certified packaging process and that you anticipate working with ten qualified employers, but as you grow the program, your intent is to hire a full time staff person dedicated to the certified packaging process. Plans will vary by entity as well as service area, so customize the information to address capacity to fit within your goals, and document with as much detail as possible.

Identify Service Area

- Identify service area
- Detail capacity



Identifying your service area is a critical aspect of the application process. At a minimum, you need to identify a single state that you will serve in its entirety. Provided you have the capacity, you can identify up to all 50 states and U.S. territories (Puerto Rico, the Virgin Islands, and the Western Pacific). Smaller entities may want to serve one state where larger entities with multiple office locations/staff may want to serve a multiple state region.

Service area and capacity are intertwined. When assembling the documentation, make sure to demonstrate what your proposed service area is and how you will provide coverage to that requested geographical area.

States can be served by multiple intermediaries.

Affordable Housing



- Be engaged in affordable housing
- Demonstrated with regulations, articles of incorporation, or bylaws

As an entity, you must be engaged in affordable housing. This is demonstrated by providing a copy of your regulations, articles of incorporation, or bylaws which indicate that affordable housing is part of your mission.

Financially Viable Entity

- Be financially viable
- Demonstrate positive operating performance



The entity must provide evidence that it is financially viable and demonstrate that it has a positive operating performance. This is evidenced by providing a copy of the most recent audit for the entity which was completed by an independent auditor. The entity pays for this audit; Rural Development will not cover any part of this cost.

Experience Requirements

Minimum of five years experience with:



- Section 502 direct single family housing loan program
- Section 504 single family housing repair programs
- Section 523 mutual self-help housing technical assistance program

The entity must have at least five years of verifiable experience with the Agency's direct single family housing programs. These programs include the Section 502 direct single family housing loan program, the Section 504 single family housing repair programs, and/or the Section 523 mutual self-help housing technical assistance program.

Because you are proposing to oversee the submission of applications, you must demonstrate that you have previous experience with Rural Development's direct single family housing programs. We will discuss how to document that in the next slide.

Experience Documentation

Who?
What?
When?
Where?
How Much?

Documenting your entity's experience is much like creating a personal resume, except that you will want to provide detailed documentation of your entity's experience.

As you think about documenting your entity's experience with Rural Development's direct single family housing programs, ask yourself these questions:

WHO?

This ties back to the capacity issue as well. Who within the entity has the experience? For instance: If you have three staff who will be part of the QAR team, do they all have experience (and if so, what is it), or is there one staff person with experience who needs to train the rest of the team?

WHAT?

What RD programs did you work with?
Were you involved as a lender (i.e. leveraging with RD funding), as a packager, or both?

WHEN?

When did this occur?

Document the timeframe to show that you meet the 5-year minimum requirement.

WHERE?

Where did you gain the experience?

Were you working with one or more local RD office, an entire state, or within multiple states?

HOW MUCH?

Document the number of loans/grants with which you were involved.

Indicate whether you were packaging loans, leveraging resources or both.

If you were leveraging – document activity volume and amount of assistance provided.

If your experience includes being a self-help grantee or technical and management assistance contractor, how many homes did you build/provide technical assistance for?

To the greatest extent possible, the submission should provide details to verify your experience level.

Staff Qualifications



- Resume for each quality assurance staff member
- Evidence of taking Agency-approved loan application packaging course
- Evidence of successfully passing corresponding test

Because an intermediary will oversee the work of others as part of the QAR, it is important to demonstrate that your quality assurance staff has experience with packaging, originating, or underwriting affordable housing loans. For each quality assurance staff member, a resume must be provided. The breadth and depth of their combined skills and qualifications will be considered during the Agency's application review process.

In addition to the resume, you should provide evidence that the quality assurance staff have taken the Agency-approved loan application packaging course and successfully passed the corresponding test. While it is preferred that the staff have completed this requirement prior to submitting your application, it is understood that you may have staff who have not yet met this requirement. If that is the case, the Agency may approve your application subject to completion of this requirement within a timeframe specified by the Agency.

Quality Control Plan

- Customized document
- Identifies the controls in place to process application packages that will likely result in an eligibility determination by the Agency



If approved, your main objective is to provide a QAR for applications submitted to you from certified packagers. Therefore, it is important to have a quality control plan customized to your entity which outlines the processes and controls you have in place. The goal is to have applications which will likely result in an eligibility determination by the Agency, so the plan should outline the steps involved and controls in place to reach that goal.

Quality Control Plan Details

- Procedures for obtaining and evaluating loan application documents
- Measures you will take to prevent the submission of incomplete or ineligible application packages to the Agency
- Standard operating procedures for employees who will be involved with or affected by the quality control process
- Procedures for ensuring accurate information is submitted to the Agency

The Quality Control Plan will look different for each entity. It should include at a minimum, but not limited to:

- Procedures for obtaining and evaluating loan application documents (e.g. credit checks and income verification).
For instance, will you accept applications electronically, hard, copy; will credit checks be ordered for fee, or will you use a free credit report service?
- Measures the applicant will take to prevent the submission of incomplete or ineligible application packages to the Agency.
As an example – if an application is received from a packager and it is incomplete or the applicant is clearly not eligible, how will you handle that – will it be returned, will the packager receive training, etc.?
- The standard operating procedures for employees who will be involved with or affected by the quality control process.
This is your opportunity to provide the details of who is involved, what will the process look like for your entity, what is your goal for review times, how will application information be protected, retained, etc.
- Procedures for ensuring accurate information is submitted to the Agency.
Perhaps all of your staff will have “approval” to submit directly to the Agency – or maybe one person is designated to do a final review before submission.

Additionally, if an incomplete application is submitted, how will you prevent that from happening in the future?

Your entity may already have a document which outlines some of these factors. You may be able to provide that and add details specific to the QAR process. Or, you may have to develop a plan which addresses the protocols you will follow if approved as an intermediary.

Affirmations



- Letter affirming the entity will not be the developer, builder, seller of, or have any other such financial interest in the properties for which the application packages are submitted

You will also provide a letter jointly signed by the entity's Executive Director and Board President affirming the entity will not be the developer, builder, seller of, or have any other such financial interest in the properties for which the application packages are submitted by the entity as an intermediary.

An intermediary that is also a Community Development Financial Institution (CDFI) will not be considered noncompliant when CDFI funds are tied to the transaction.

Training and Support Plan

- What measures will you take to provide packagers and qualified employers with:
 - Supplemental training
 - Technical assistance
- Document how this support will promote:
 - Quality standards
 - Accountability



The next important document is the training and support plan. Again, this is a document unique to your entity. It should focus on the measures that you will take to provide supplemental training, technical assistance, and support to certified loan application packagers and qualified employers to promote quality standards and accountability.

Be as detailed as possible – Will you hold routine training with your packagers? If so, how often? Will you require them to receive one-on-one training if their performance level falls below a certain standard? If so, what is the standard and how will they receive the training?

Remember that your role is to ensure quality application submittals. Packagers funneling through you will only be as successful as the training, feedback, and technical assistance that you provide. So make sure that you have a plan for consistent, ongoing training and support.

Note that the Agency may require implementation of Agency developed and/or approved training and support plan once accepted as an intermediary.

Other Items

- Letter of recommendation from the RD Housing Program Director for each state you are proposing to serve
- Who will serve as your point of contact (name, title, and contact information)
- Who is authorized to sign documents on behalf of your entity (name, title, and contact information)
- Cover sheet for submittal of intermediary application

Other items you will need to provide include:

- A letter of recommendation from the RD Housing Program Director for each state you are proposing to serve.
- Who will serve as your point of contact (name, title, and contact information). This is the person who will be contacted by the Agency and packagers.
- Who is authorized to sign documents on behalf of your entity (name, title, and contact information).
- A completed cover sheet for submittal of intermediary application. The cover sheet is found in Attachment 3-A.

Be sure your application to be an intermediary is complete before sending it to the Agency.

State Housing Finance Agency

Streamlined application process which waives most experience and capacity requirements

Consult Attachment 3-A for additional details

Given their purpose, vision and structure, State Housing Finance Agencies qualify for a streamlined application process which waives some of the experience and capacity requirements, while focusing on the entity's plans and policies. If you are a State Housing Finance Agency interested in being an Agency-approved intermediary, please consult Attachment 3-A for additional details.

Approval Decisions

Approved

Sign Memorandum
of Understanding
(MOU)

Not Approved

Not appealable

May reapply later

A copy of the MOU template can be located on the Single Family Housing Direct Home Loans Forms and Resources page at: <https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans>

Once your application is received, it will be reviewed to determine if it is complete. If incomplete, you will be contacted and provided a timeframe in which to submit additional items. If the application is complete, it will be reviewed to determine if you meet the minimum requirements and can be approved to act as an intermediary.

If the application is approved, you will receive an approval letter, with a Memorandum of Understanding (MOU) which outlines the roles and responsibilities of the intermediary and Rural Development. Once the MOU is signed and returned, we will announce your approval and you may begin serving in the role of an intermediary.

If the application is not approved, you will be notified. The decision is not appealable. However, you may reapply at a later date once you meet the requirements.

A copy of the MOU template can be located on the single Family Housing Direct Home Loans Forms and Resources page, using the link shown in the slide.

Single Family Housing Direct Programs Updates

Sign up for GovDelivery to receive email updates on the Single Family Housing Direct Programs.

Using the link below, enter your email and select the “SFH Direct Loan and Grant Programs” (and any other programs of interest) and then click “Submit”.

https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25

This email subscription service is used to provide updates regarding changes to the:

- Section 502 program’s interest rate,
- Handbook-1-3550,
- **Certified packaging process,**
- **And much more....**



Rural Development



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.

Contact information can be found at <https://www.rd.usda.gov/contact-us/state-offices>.

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.