

**Module 8: Preparing for Loan Closing**  
**Learning Activity**  
**Activity #1 – “What If…” Scenarios**



As you close loans there are a number of variables that must come together including people, required paperwork, and funding. Daily you will face answering questions from applicants and borrowers that will require you to be able to locate the appropriate rules and procedures that can answer their questions. This learning activity is designed to prepare you to handle many of the “what happens if…” scenarios you may encounter in most Rural Development offices.

**Activity #1 Instructions:** Utilize your present knowledge and available resources to complete the following questions.

- ✓ Record your response in the space provided. Try to be as specific as possible. For example, if a conversation with someone is involved try to outline the key points you hope to convey exactly as you will say them.
- ✓ Finally, check your responses to the “what if” questions with your supervisor. Keep track of relevant tips/recommendations/information they have to share in the space provided.

**1. What happens if the Agency underestimates the amount of escrow needed to cover the borrower’s taxes, insurance premiums, and assessments?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**2. What happens if the Agency overestimates the amount of escrow needed to cover the borrower’s taxes, insurance premiums, and assessments?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**





3. What happens if the applicant selects a title company or attorney as my closing agent that is not on the State Office approved list?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:

4. What will happen if the applicant’s attorney is approved by Rural Development to execute his or her loan closing?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:

5. What if the applicant’s attorney wants to review information about the amount of personal funds required from the applicant, the appropriate disbursement of funds, any remaining requirements that he or she must meet, and the instruments and forms required for closing?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:





6. What happens if I want to receive closing documents via e-mail?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:

7. What happens if, on the day of closing, the applicant is found to have an outstanding judgment/ entry of record against them?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:

8. What happens if, upon receipt of the title insurance binder, the loan originator notices several exceptions listed that will adversely affect the property’s title and security value?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:





9. What happens if, during re-verification of the applicant’s income, you discover that he has recently changed jobs and is no longer income eligible?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:

10. What happens if, during re-verification of the applicant’s income, you discover that she is eligible for 100 percent private financing?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:

11. What happens if, during the ACH disbursement, the funds were sent to the wrong closing agent ?

Your Response:

Key Points to Remember from Your Discussion with Your Supervisor:





**12. What happens to the funds disbursement if, the loan is a section 502 Note only loan that will be closed in the Field Office?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**13. What happens if, borrower cannot occupy the property within 30 days after the closing?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**14. What happens if funds for repairs on a permanent loan are not fully disbursed at loan closing?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**





**15. What interest rate is used if the borrower is taking out a leveraged loan for construction or rehabilitation?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**16. What happens when the final disbursement is made on a construction loan?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**17. What happens if the original recorded copy of the deed of trust is retained by the filing official?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**





**18. What happens to the default “First Due Date” in UniFi if the closing is scheduled on the 29<sup>th</sup>, 30<sup>th</sup> or 31<sup>st</sup> of the month?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**19. What should you do as you enter escrow information on the Escrow Disclosure Statement in UniFi if taxes are paid at closing?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**

**20. What happens if taxes will be due within 60 days of closing and the tax bill has been released from the taxing authority?**

**Your Response:**

**Key Points to Remember from Your Discussion with Your Supervisor:**



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**Answer Key:**

1. If the Agency underestimates the amount needed, the Agency will advance funds to pay the tax or insurance bill, and raise the borrower's escrow payments during the following year to repay the amount advanced. *HB-1-3550, Chapter 7, paragraph 7.2*
2. If the Agency overestimates the funds needed, a refund may be issued if the amount is greater than \$50.00. If the amount of overage is less than \$50.00, it will be credited to the next year's escrow. *HB-1-3550, Chapter 7, paragraph 7.2*
3. If the attorney or title company selected is not on the list, they should provide an acceptable closing protection letter from an approved title insurance company. Alternatively, title companies may submit Form RD 1927-20, Certification of Title Insurance Company and attorneys may submit Form RD 1927-19, Certification of Attorney, to request Agency approval. *HB-1-3550, Chapter 8, paragraph 8.4C*
4. To notify a title company or attorney of their selection and approval, the Loan Originator should send Form RD 1927-4, Transmittal of Title Information and attach Form RD 1927-9, Preliminary Title Opinion if an attorney is performing loan closing. *HB-1-3550, Chapter 8, paragraph 8.4D*
5. The Loan Originator must provide Form RD 3550-25, Loan Closing Instructions and Loan Closing Statement to the Closing Agent/Attorney. This form provides information about the amount of personal funds required from the applicant, the appropriate disbursement of funds, any remaining requirements that the applicant must meet, and the instruments and forms required for loan closing. The Loan Originator also should attach all forms needed for loan closing as well as copies of other documents to facilitate the Closing Agent's/Attorney's review (e.g., tax bills, legal descriptions, or surveys). *HB-1-3550, Chapter 8, paragraph 8.5*
6. Closing documents may be sent via e-mail "IF THE E-MAIL ATTACHMENT IS ENCRYPTED WITH A SECURITY PASSOWRD TO PROTECT THE APPLICANT'S/BORROWER'S SENSITIVE INFORMATION WHICH INCLUDES THE SOCIAL SECURITY NUMBER, ADDRESS, DATE OF BIRTH, etc." *HB-1-3550, Chapter 8, paragraph 8.5*
7. If any additional entries of record are identified, the loan cannot be closed until these entries are cleared or approved. *HB-1-3550, Chapter 8, paragraph 8.5*
8. If the exceptions listed on the title insurance binder will adversely affect the property's title, suitability, or security value, the loan cannot be closed. The Loan Originator should return it to the Closing Agent/Attorney for corrections. *HB-1-3550, Chapter 8, paragraph 8.6B*
9. A program loan cannot be granted if the applicant's adjusted income exceeds the moderate-income level at closing. *HB-1-3550, Chapter 8, paragraph 8.6D*
10. If the applicant could obtain 100 percent private financing refer them to a private lender, if appropriate. *HB-1-3550, Chapter 8, paragraph 8.6D*



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11. In the event the funds were sent to the wrong Closing Agent/Attorney, call CSC at the Field Support/ACH Help Desk. *HB-1-3550, Chapter 8, paragraph 8.7*
12. Any loan that is closed in the Field Office will use a paper check, i.e. Native American loans closed via Office of General Counsel (OGC) and section 502/504 Note only loans. Checks are generated the day they are requested and are dated for 3 days later. *HB-1-3550, Chapter 8, paragraph 8.7*
13. To avoid requiring borrowers to repay an Agency loan while continuing to pay other housing costs, borrowers who cannot occupy the property within 30 days are permitted to defer loan payments. *HB-1-3550, Chapter 8, paragraph 8.8*
14. If funds for repairs are not fully disbursed at loan closing, the undisbursed loan proceeds are deposited into an escrow account supervised by the Closing Agent/Attorney, or into a supervised bank account and disbursed in accordance with RD Instruction 1902-A. *HB-1-3550, Chapter 8, paragraph 8.8A*
15. For leveraged loans, always use the Equivalent Interest Rate (EIR). *HB-1-3550, Chapter 8, paragraph 8.8B*
16. The construction loan is converted into a permanent loan in MortgageServ when the final disbursement is made. *HB-1-3550, Chapter 8, paragraph 8.8B*
17. If the original is retained by the filing official, a conformed copy showing the date and place of recordation must be provided. *HB-1-3550, Chapter 8, paragraph 8.11D*
18. If closing on the 29<sup>th</sup>, 30<sup>th</sup>, or 31<sup>st</sup>, the First Due Date will be the 28<sup>th</sup> day of the following month. *DLOS Manual, Chapter 10, Loan Closing, Stage Updating Screen*
19. If taxes are paid at closing, please write “PREPAID TAXES” on the Initial Escrow Disclosure Statement, the Tax Information Worksheet and the Funds Transmittal Report (use Reason Code 40) to assist CSC. If there is money remaining, send it to CSC. *DLOS Manual, Chapter 10, Loan Closing, Checklist to Prevent Common Mistakes Reserves Deposited with Lender Screen*
20. If taxes will be due within 60 days of closing and the tax bill has been released from the taxing authority, they should be paid at closing by the closing agent. *DLOS Manual, Chapter 10, Loan Closing, Checklist to Prevent Common Mistakes Reserves Deposited with Lender Screen*

