

Loan Closing and Issuance of the Loan Note Guarantee



Committed to the future of rural communities.

Loan Closing

- Suggest using the attachment to the Conditional Commitment as checklist to ensure that all conditions are met prior to closing the loan
- Lenders can use their closing documents but there are USDA RD forms that must be included

RD Forms

- Form RD 4279-4, “Lender’s Agreement,” must be signed by lender, unless a valid Lender’s Agreement already exists
- Form RD 4279-14, “Unconditional Guarantee,” must be signed by all guarantors
- Form RD 1980-19, “Guaranteed Loan Closing Report,” must be completed and signed by lender

Closing documents

- Provide the forms listed above along with:
 - Lender certification as set forth in RD Instruction 4279-B, section 4279.181
 - Settlement statement
 - Signed copy of the loan agreement
 - Borrower(s) balance sheet as of loan closing demonstrating required tangible balance sheet equity

Closing documents, continued.

- Send forms, documents and payment for guarantee fee to RD office

Loan Note Guarantee

- Loan Note Guarantee will be provided at or immediately after loan closing once all loan conditions are met and the Agency fee and closing documents are provided.

Issuing the Loan Note Guarantee

- After all closing documents are received, the Loan Note Guarantee (Form RD 4279-5) can be issued
- If selling the note under the single note option, complete Assignment Guarantee Agreement (Form RD 4279-6)

Guarantee

- Is incontestable except for fraud or misrepresentation
- Is unenforceable to the extent any loss is due to violation of usury laws, negligent servicing, failure to obtain required collateral, or use of funds for purposes other than those approved

Selling the loan

- May sell all or part of guaranteed portion
- Must retain at least 5% of the total loan amount which must be of the non-guaranteed portion of the loan
- There are single note or multi-note options
- The lender earns a premium for selling the loan and retains a servicing fee