

UNNUMBERED LETTERS ISSUED FOR THE APRIL OF 2014

Dated	Subject	Distribution
04-15-14	Guidance for Processing FY 2014 Rural Housing Demonstration Proposals	S/D
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04-23-14	The Verification Process Single Family Housing Direct Program	S/D

April 15, 2014

TO: All State Directors
Rural Development

ATTENTION: Program Directors
Single Family Housing

FROM: Joyce Allen /s/ Joyce Allen
Deputy Administrator
Single Family Housing

SUBJECT: Guidance for Processing FY 2014 Rural Housing Demonstration
Proposals

In accordance with RD Instruction 1940-L, Exhibit A, Attachment 2, \$1 million has been set aside for Fiscal Year (FY) 2014 Innovative Demonstration Initiatives under the Section 502 Direct Loan Program for eligible very low and low-income applicants who wish to purchase approved demonstration housing. Details of the Program are in Appendix 15 of Handbook 1-3550. This Appendix includes the State Office Roles and Responsibilities, Application for Approval of Housing Innovation, the State Office Technical Evaluation Sheet, and Proposal Content and Evaluation Criteria, respectively.

The objective of the Rural Housing Demonstration Program is to test new approaches to construct innovative housing. Under Section 506(b) of the Housing Act of 1949, Rural Development provides loans to eligible Section 502 customers for innovative housing designs, units, and systems which do not meet existing published standards, rules, regulations, or policies. These innovative housing units reduce costs, raise living standards, and improve rural area living environments.

Currently, the Agency will accept eligible proposals which will provide loans to low income borrowers to purchase Section 502 housing that does not meet the existing regulation. The proposals must be creative, affordable, durable, energy efficient, and include a diversity of housing types. Examples of eligible proposals include, but are not limited to: new or improved energy-saving houses, roofing that cools, building techniques that cut costs and improve the quality of rural housing.

EXPIRATION DATE:
May 30, 2015

FILING INSTRUCTIONS:
Housing Programs

The proposals submitted must meet the following criteria:

- The proposal must be beyond just an “idea” state.
- The organization must have experience and “know-how” in relation to the requirements of Rural Development’s housing program.
- There must have been sufficient testing of the proposal.
- The proposal must be ready for full scale testing in a rural setting.
- The housing must provide for the protection and safety of the applicant and general public.
- The proposal must have the ability to adjust or modify unit size and arrangement.
- The materials must be durable and have an ease of maintenance.
- The cost and price of the proposal must be realistic.

All proposals will be accepted and considered by the National Office until the close of business, Friday, July 11, 2014. Funds are subject to the requirements of RD Instruction 1940-L and are based on the availability of funds prior to the National Office year-end pooling date. Rural Development is not liable for any expenses incurred by respondents in the development and submission of applications. There is no guarantee that a market exists for demonstration dwellings, and the Agency cannot ensure that an eligible loan applicant will be available for a Section 502 innovative housing dwelling. Grant funds for innovative proposals are not authorized by the Agency. Funds cannot be reserved or guaranteed under the demonstration housing concept.

Each State Director should review Handbook-1-3550, Appendix 15, discuss the need for the program in their State, and must ensure all ethnic and racial groups have information on the program. The application package will be reviewed and processed on a first-come, first-served basis based on the date a completed application was received and determined acceptable for funding under the Innovative Demonstration Initiative. Documentation of the actions taken on applications must be maintained to verify compliance with this policy.

All application packages received by the State Director must be evaluated and all acceptable application packages submitted to the National Office for concurrence. Each proposal must include a proposed allocation for the dwellings to be built and may not exceed five houses.

Attached is a fact sheet that can be used in coordinating outreach efforts for the rural housing demonstration program. Questions concerning this memorandum should be directed to Gloria L. Denson of the Single Family Housing Direct Loan Division, at (202) 720-1487.

Attachment

Sent by Electronic Mail on April 15, 2014, at 8:00 a.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

April 17, 2014

TO: State Directors

ATTN: Area Directors
Area Specialist
Rural Housing Program Directors

FROM: Tony Hernandez (*signed Tony Hernandez*)
Administrator
Housing and Community Facilities Programs

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

The following interest rates, effective February 1, 2014, are reported as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
ALL LOAN TYPES		
Treasury Judgment Rate	0.120%	0.140%

The new rate shown above is as of the week ending December 27, 2013. The actual judgment rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield *

RURAL HOUSING LOANS

Rural Housing (RH) 502 Very-Low or Low	3.750	3.750
Single Family Housing (SFH) Nonprogram	4.250	4.250
Rural Housing Site (RH-524), Non-Self-Help	3.750	3.750
Rural Rental Housing and Rural Cooperative Housing	3.750	3.750

EXPIRATION DATE:
May 31, 2014

FILING INSTRUCTIONS:
Administrative/Other Programs

* (http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y1.txt).

Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

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Please notify appropriate personnel of these rates.

Sent by Electronic Mail on 2/24/14, at 8:00 am by Policy Analysis Branch. State Directors should advise other personnel as appropriate.

April 23, 2014

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

FROM: Tony Hernandez /s/ Tony Hernandez
Administrator
Housing and Community Facilities

SUBJECT: The Verification Process
Single Family Housing Direct Program

PURPOSE:

The purpose of this memorandum is to clarify and/or modify the sources and timing of the verifications.

BACKGROUND:

During the last several years, changes to Handbook-1-3550 have been made to move from an origination process that relied heavily on written third-party verifications to a process that utilizes documents that tend to be readily at an applicant's fingertips. This shift was made to streamline the process while ensuring that the Agency's loan application decisions are based on reliable information.

This shift is well summarized in Paragraph 3.16 A., which explains that the preferred form of verification are those documents generated by a third-party to officially record their financial dealings or involvement with the applicant (e.g. paycheck stubs), written third-party verifications tend to be used as an alternative form of verification (e.g. Form RD 1910-5, Request for Verification of Employment), and oral verifications should only be used to complement the other types of verifications.

EXPIRATION DATE:
April 30, 2015

FILING INSTRUCTIONS
Housing Programs

While the aforementioned paragraph summarizes the sources of verifications, Paragraph 4.3 E.2. summarizes the timing of verifications.

Per this paragraph, “Documentation used to verify employment, income, assets, and deductions must be no more than 120 days old, or 180 days old for new construction, by closing date. If any of the verification documents are older than allowed, the Loan Originator must update them before settlement. The age of certain documents, such as divorce decree and tax returns, do not necessarily affect the validity of the underwriting decision. These types of documents are exempt from the document age restriction unless there is evidence that the applicant’s circumstances have changed thus warranting updated verifications.”

The timing of the verifications should generally start when they are obtained during the borrower eligibility stage following a selection for processing and are measured when making the underwriting decision as well as when preparing for loan closing.

IMPLEMENTATION RESPONSIBILITIES:

Loan Originators are reminded:

- To use the preferred source of verification when that documentation is available and reliable. The need to request a written verification from a third party should be the exception; not the norm.
- If an employer declines to comment on the applicant’s probability of continued employment while orally verifying the applicant’s employment, document this fact in the running record. The analysis of the applicant’s employment record will proceed without the employer’s confirmation of continued employment and will consider the applicant’s past employment record, qualifications for the position, previous training/education, and the type of employment.
- That they must conduct the oral verifications. Oral verifications completed by loan application packagers or self-help grantees cannot be used.
- To avoid requesting verifications prematurely and/or over requesting re-verifications.
- When the applicant is not expected to resume employment with a particular past employer, verifying that particular past employment once is sufficient.
- For self-employed applicants and for applicants who are seasonally employed, the last two consecutive tax returns filed with the Internal Revenue Service (IRS) are required. For other applicants, only the latest tax return filed with the IRS is needed. The tax return must be signed and include the applicable schedules and forms (e.g. IRS Form W-2 and IRS Form 1099).

- If the applicant is a seasonal employee, the age of the income verification document is not subject to the 120/180 days requirement outlined in Paragraph 4.3 E.2. By way of example, consider an application that was submitted in March 2014 where the applicant works for the same farmer in June and July harvesting cherries and the preferred source of verification was obtained (complete tax returns for 2012 and 2013 along with the applicable schedules and forms). Re-verification of the seasonal income would not be appropriate until the applicant filed their 2014 tax return with the IRS.

Guidance found in Handbook-1-3550, Paragraph 4.3 E. will be modified to reflect the following changes that are effective with this memorandum:

- Facsimiles, photocopies, computer images, and computer-generated documents may be used instead of original documents. However, the documents must have complete information (e.g. clearly identify the applicant and/or household member associated with the subject document and contain sufficient information regarding the income received), be legible and free of any alternations, erasures, white-outs, or similar indications that changes have been made.
- The note under the verification requirements for self-employed persons should be disregarded; the note states that commercial software sources, such as TurboTax, are not acceptable alternatives.
- The preferred source for seasonal employment should read, “A household member who is a seasonal worker must provide the last two consecutive tax returns filed with the IRS along with the applicable schedules and forms (e.g. IRS Form W-2 and IRS Form 1099). IRS Form 4506-T may be used to obtain a copy of a transcript of tax return(s) if the household member cannot provide copies of actual returns filed.”

Questions about this memorandum may be directed to Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250 or at brooke.baumann@wdc.usda.gov.