CHAPTER 1: OVERVIEW ................................................................................................................. 1-1

SECTION 1: INTRODUCTION TO THE FIELD OFFICE HANDBOOK
1.1 WELCOME TO THE FIELD OFFICE HANDBOOK
1.2 USING THIS HANDBOOK
   A. Handbook Symbols
   B. Citations and Text Boxes
   C. Attachments and Appendices
   D. Terminology

SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM 1-5
1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM
1.4 SECTION 502 -- AN OVERVIEW
   A. Program Loans
   B. Nonprogram Loans
   C. Demonstration Programs
1.5 SECTION 504 -- AN OVERVIEW
   A. Section 504 Grants
   B. Section 504 Loans
1.6 LOAN SERVICING
1.7 SECTION 306C WATER AND WASTE DISPOSAL (WWD) GRANT TO INDIVIDUALS

SECTION 3: GENERAL PROGRAM REQUIREMENTS ................................................................. 1-9
1.8 CIVIL RIGHTS
   A. Nondiscrimination
   B. Reasonable Accommodations for Persons with Disabilities
1.9 REVIEW AND APPEALS
   A. Adverse Decisions
   B. Procedures and Responsibility [RD Instruction 1900-B 1900.53]
   C. The ADR Coordinator
   D. Agency Representative Responsibilities
1.10 AGENCY DECISIONS
   A. Informal/Administrative Review
   B. Appealable Decisions
   C. Non-appealable Decisions

1.11 PARTICIPANT RIGHTS
   A. Informal Administrative Review
   B. Mediation
   C. Appeal

1.12 NAD HEARING PREPARATION
   A. Pre-hearing Conference
   B. Post-hearing Procedure
   C. Timing of Issuance of Determination
   D. Requests for a Director Review

1.13 CONFLICT OF INTEREST
   A. Applicant Disclosure
   B. Agency Employee Disclosure
   C. Disposition of REO Properties

1.14 OTHER FEDERAL REQUIREMENTS
   A. Environmental Requirements [7 CFR 3550.5]
   B. Construction Standards
   C. Administrative Requirements

1.15 EXCEPTION AUTHORITY [7 CFR 3550.8]

ATTACHMENT 1-A: INFORMAL ADMINISTRATIVE REVIEW
ATTACHMENT 1-B: AN APPEALABLE ADVERSE DECISION
ATTACHMENT 1-C: AN ADVERSE DECISION THAT CANNOT BE APPEALED
ATTACHMENT 1-D: NOTIFICATION TO APPLICANTS OR BORROWERS OF THE ASSIGNMENT OF THEIR CASE TO A MEDIATION SERVICE PROVIDER
ATTACHMENT 1-E: REQUEST TO A MEDIATION SERVICE PROVIDER
ATTACHMENT 1-F: ATTACHMENT FOR NOTIFYING CUSTOMERS OF EXPIRATION OF THE 10 DAYS TO SELECT A MEDIATION SERVICE PROVIDER RURAL DEVELOPMENT/USDA OF A CUSTOMER MEDIATION REQUEST TO A MEDIATION SERVICE PROVIDER
ATTACHMENT 1-G: ATTACHMENT FOR CUSTOMER NOTIFICATION OF UNRESOLVED RESULT OF THE MEDIATION OF THE ADVERSE DECISION
CHAPTER 2: OVERVIEW OF SECTION 502 ................................................................. 2-1

2.1 INTRODUCTION ................................................................................................... 2-1

SECTION 1: TYPES OF LOANS ................................................................................. 2-1

2.2 OVERVIEW .......................................................................................................... 2-1

2.3 INITIAL LOANS

2.4 ASSUMED LOANS
    A. New Rates and Terms Assumption
    B. Same Rates and Terms Assumption

2.5 SUBSEQUENT LOANS

2.6 NONPROGRAM LOANS
    A. Facilitate Sale By an Existing Agency Borrower
    B. Facilitate Sale of Real Estate Owned (REO) Property

SECTION 2: THE DEDICATED LOAN ORIGINATION AND SERVICING SYSTEM (DLOS) .......................................................... 2-5

2.7 DLOS

2.8 UNIFI

2.9 MORTGAGESERV

SECTION 3: OVERVIEW OF LOAN ORIGINATION PROCESS ........................................ 2-7

2.10 APPLICATION PROCESSING

2.11 BORROWER ELIGIBILITY

2.12 PROPERTY REQUIREMENTS

2.13 UNDERWRITING THE LOAN

2.14 TAXES, INSURANCE, AND ESCROW

2.15 LOAN APPROVAL AND CLOSING

CHAPTER 3: APPLICATION PROCESSING ................................................................. 3-1

3.1 INTRODUCTION ................................................................................................... 3-1

SECTION 1: PRE-QUALIFICATION ............................................................................. 3-1

3.2 OVERVIEW .......................................................................................................... 3-1

3.3 PROCEDURES FOR PRE-QUALIFICATION
    A. Describe the Program
    B. Gathering Basic Eligibility and Financial Information
    C. Using UniFi to Calculate the Maximum Loan Amount
    D. Discussing Pre-Qualification Results

(01-23-03) SPECIAL PN
Revised (03-15-19) PN 522
SECTION 2: HOMEOWNER EDUCATION................................................................................................. 3-5
3.4 HOMEOWNER EDUCATION REQUIREMENT
   A. State Director Assessment of Homeowner Education
   B. Providing Homeownership Education Information to the Applicant
   C. Exception Provision

SECTION 3: APPLICATIONS .................................................................................................................. 3-8
3.5 BEGINNING THE APPLICATION PROCESS
3.6 APPLICATION RECEIPT AND CASE FILE SETUP
   A. Missing Items
   B. Case File Setup
3.7 COMPLETE APPLICATION
3.8 COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS
   A. Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA)
      Integrated Mortgage Disclosures
   B. Truth in Lending Act
   C. Fair and Accurate Credit Transaction Act
   D. Equal Credit Opportunity Act (Regulation B)
3.9 WITHDRAWING AND REJECTING APPLICATIONS

SECTION 4: SELECTION FOR PROCESSING...................................................................................... 3-15
3.10 OVERVIEW ................................................................................................................................. 3-15
3.11 DETERMINING WHETHER FUNDS ARE AVAILABLE
   A. Regular Funding
   B. Special Funding
3.12 IF FUNDING IS NOT AVAILABLE
3.13 SELECTING APPLICATIONS FOR PROCESSING
   A. Selection Procedures
   B. Processing Priorities
   C. Veteran’s Preference
   D. Notifying Applicants Who Are Selected for Processing
3.14 PURGING THE WAITING LIST
3.15 VERIFICATIONS
   A. Types of Verifications
   B. Evaluating Verified Information
ATTACHMENT 3-A: LOAN APPLICATION PACKAGERS
ATTACHMENT 3-B: FOLLOW-UP QUESTIONS FOR FORM RD 410-4, UNIFORM RESIDENTIAL LOAN APPLICATION
ATTACHMENT 3-C: CASE STUDY - PROCESSING PRIORITIES
ATTACHMENT 3-D: APPLICANT INFORMATION SHEET - SINGLE FAMILY HOUSING
ATTACHMENT 3-E: REQUEST TO REOPEN A REJECTED APPLICATION IN MORTGAGESERV
CHAPTER 4: BORROWER ELIGIBILITY ................................................................. 4-1

4.1 OVERVIEW .................................................................................................. 4-1

SECTION 1: EVALUATING BORROWER INCOME ........................................ 4-1

4.2 OVERVIEW .................................................................................................. 4-1

A. Key Concepts for Income Determinations
B. Using UniFi and the Income Worksheet to Compute Income

4.3 SOURCES OF INCOME

A. Income Considered for Annual and Repayment Income
B. Additional Income Considerations for Repayment Income
C. Income Never Considered for Annual and Repayment Income
D. Additional Income Never Considered for Annual Income
E. Verifying Sources and Amounts

4.4 CALCULATING ANNUAL AND ADJUSTED INCOME

A. Calculating Annual Income
B. Calculating Deductions from Annual Income
C. Dependent Deduction
D. Child Care Expenses
E. Elderly Household Deduction
F. Deduction for Disability Assistance Expense
G. Deduction for Medical Expenses (for Elderly Households Only)
H. Calculating Repayment Income

SECTION 2: EVALUATING BORROWER ASSETS ........................................... 4-36

4.5 OVERVIEW OF POLICIES RELATED TO ASSETS ................................. 4-36

A. Reporting Assets
B. Verification of Assets
C. Calculating Market and Cash Value
D. Retirement Assets

4.6 LIMITATIONS ON ASSETS

A. Limitation on Nonretirement Assets
B. Limitation on Retirement Assets
C. Exception to the Asset Limitations
4.7 CALCULATING INCOME FROM ASSETS FOR ANNUAL INCOME
4.8 CALCULATING INCOME FROM ASSETS FOR REPAYMENT INCOME

SECTION 3: CREDIT HISTORY ........................................................................................................... 4-41
4.9 OVERVIEW ............................................................................................................................ 4-41
4.10 CREDIT REQUIREMENTS
4.11 CONDUCTING ADDITIONAL CREDIT CHECKS
   A. Do Not Pay Portal
   B. Infile Credit Report
4.12 CONDUCTING FULL REVIEW OF CREDIT HISTORY
   A. Tri-Merge Credit Report
   B. Fair and Accurate Credit Transactions
   C. Other Credit Verifications
   D. Non-Purchasing Spouse Credit History
4.13 CREDIT HISTORY WORKSHEET
4.14 ASSESSING ADVERSE CREDIT
   A. Making Exceptions
   B. Reviewing Significant Delinquencies
   C. Resolving Collection Accounts

SECTION 4: OTHER ELIGIBILITY REQUIREMENTS ............................................................................. 4-58
4.15 OWNING A DWELLING
4.16 ABILITY TO OBTAIN OTHER CREDIT
4.17 OCCUPYING THE PROPERTY
4.18 LEGAL CAPACITY
4.19 SUSPENSION OR DEBARMENT
4.20 CITIZENSHIP STATUS
4.21 TRUTHFUL APPLICATION

SECTION 5: PROCESSING THE CERTIFICATE OF ELIGIBILITY ..................................................... 4-61
4.22 DETERMINING REPAYMENT ABILITY
   A. The PITI Ratio
   B. The TD Ratio
   C. Determining the Maximum Loan Amount
   D. Using Market Data to Interpret UniFi Results
4.23 RESERVED
4.24 OTHER CONSIDERATIONS RELATED TO MAXIMUM LOAN AMOUNTS
   A. Using Compensating Factors
   B. Adding Additional Parties or Cosigners to the Note
   C. Payment Shock
4.25 ISSUING THE CERTIFICATE OF ELIGIBILITY
4.26 APPLICANT ORIENTATION
ATTACHMENT 4-A: WORKSHEET FOR COMPUTING INCOME
ATTACHMENT 4-B: RESERVED
ATTACHMENT 4-C: REVIEWING A SELF-EMPLOYED APPLICANT’S INCOME AND DEBT LOAD

ATTACHMENT 4-D: REVIEWING DOCUMENTATION FOR CITIZENSHIP STATUS

CHAPTER 5: PROPERTY REQUIREMENTS.......................................................... 5-1

5.1 INTRODUCTION .......................................................................................... 5-1
   A. Overview of Property Requirements ......................................................... 5-1
   B. Key Processing Steps Related to Property Requirements

SECTION 1: SITE REQUIREMENTS................................................................. 5-4

5.2 OVERVIEW .............................................................................................. 5-4

5.3 RURAL AREA DESIGNATION
   A. Rural Area Definition
   B. Special Considerations
   C. Reviewing Rural Area Designations

5.4 MODEST SITES

5.5 ADEQUATE SITE ACCESS, WATER, AND WASTEWATER SYSTEMS

SECTION 2: DWELLING REQUIREMENTS...................................................... 5-11

5.6 MODEST HOUSING
   A. Establishing Area Loan Limits Within A State
   B. Notification
   C. Standard Square Footage Consideration
   D. Prohibited Features

5.7 DECENT, SAFE AND SANITARY DWELLINGS
   A. Existing Dwellings
   B. New Dwellings
   C. Survey Requirements
   D. Flood-Related Requirements

SECTION 3: ENVIRONMENTAL REQUIREMENTS .......................................... 5-16

5.8 PROTECTION OF ENVIRONMENTAL RESOURCES
   A. Types of Environmental Reviews
   B. Flood Hazard Determination
   C. Responsibility for Environmental Reviews
   D. Noise Abatement

5.9 MANAGEMENT OF HAZARDOUS SUBSTANCES

(01-23-03) SPECIAL PN
Revised (03-15-19) PN 522
SECTION 4: SECURITY REQUIREMENTS........................................................................5-23
  5.10 ACCEPTABLE MORTGAGE
  5.11 OWNERSHIP REQUIREMENTS
    A. Responsibilities
    B. Acceptable Forms of Ownership
  5.12 EXCEPTIONS TO THE AGENCY’S SECURITY REQUIREMENTS
    A. Unsecured (Note Only) Loans
    B. Best Mortgage Obtainable
SECTION 5: APPRAISALS ..........................................................................................5-27
  5.13 OVERVIEW .......................................................................................................5-27
  5.14 REQUIREMENTS FOR APPRAISALS
  5.15 TYPES OF VALUE
  5.16 APPRAISAL METHODOLOGY
  5.17 ORDERING APPRAISALS
    A. When Appraisals Are Needed
    B. Program Responsibilities
    C. Required Information
    D. Appraisal Disputes
  5.18 SELECTING AN APPRAISER
    A. Blanket Purchase Agreement
    B. Request for Contract Services
  5.19 WORKING WITH THE APPRAISER
    A. Post-Award Conference with the Appraiser
    B. The Statement of Work
  5.20 APPRAISER RESPONSIBILITIES
  5.21 REVIEWING APPRAISALS
    A. Administrative Review
    B. Technical Review
  5.22 PAYING FOR APPRAISALS
  5.23 APPRAISALS IN REMOTE RURAL AREAS, ON TRIBAL LANDS, OR
    WHERE THERE IS A LACK OF CONVENTIONAL MARKET ACTIVITY
SECTION 6: MANAGING CONSTRUCTION.....................................................................5-35
  5.24 DESIGN
    A. Disseminating the Standards
    B. Review and Approve the Drawings and Specifications
  5.25 PREPARING FOR CONSTRUCTION
    A. Selecting the Contractor
    B. Pre-Construction Conference
C. Construction Contract
D. Department of Labor Notification

5.26 CONSTRUCTION PERIOD
A. Qualified Inspector
B. Periodic Inspections
C. Partial Payments
D. Changes During Construction

5.27 CONSTRUCTION CLOSEOUT

5.28 SPECIAL SITUATIONS
A. Funds Remaining After Completion
B. Construction Work that Cannot be Completed
C. Deceased Borrowers
D. Compensation for Construction Defects

ATTACHMENT 5-A: RESERVED
ATTACHMENT 5-B: SINGLE FAMILY HOUSING SITE CHECKLIST
ATTACHMENT 5-C: AMENDMENTS TO MORTGAGES WITH LEASEHOLD INTEREST
ATTACHMENT 5-D: TRANSMITTAL COVER SHEET FOR MAPPING SYSTEM MODIFICATION
ATTACHMENT 5-E: ELIGIBILITY SYSTEM MODIFICATION REQUEST PROCESS
ATTACHMENT 5-F: ELIGIBILITY SYSTEM MODIFICATION WORKFLOW

CHAPTER 6: UNDERWRITING THE LOAN................................................................. 6-1
SECTION 1: OVERVIEW OF THE UNDERWRITING PROCESS ...................... 6-1
6.1 INTRODUCTION .............................................................................................. 6-1
6.2 WHAT IS UNDERWRITING?
6.3 USING UNIFI TO FACILITATE UNDERWRITING

SECTION 2: LOAN TERMS AND REQUIREMENTS ........................................... 6-4
6.4 ELIGIBLE LOAN PURPOSES AND USES
A. Site-Related Costs
B. Dwelling-Related Costs
C. Fees and Related Costs
D. Loan Restrictions
6.5 REFINANCING
A. Refinancing Agency Debt
B. Refinancing Non-Agency Debt

(01-23-03) SPECIAL PN
Revised (03-15-19) PN 522
6.6 MAXIMUM LOAN AMOUNT
   A. Granting Exceptions
   B. Special Situations

6.7 LOAN-TO-VALUE (LTV) RATIO
   A. Loans for Existing Dwellings (100% LTV)
   B. Loans for New Dwellings (90-100% LTV)
   C. Subsequent Loans for Necessary Repairs
   D. Subsequent Loans for Closing Costs Only
   E. Refinanced Loan for Existing Agency Borrower
   F. Affordable Housing Products

6.8 REPAYMENT PERIODS
   A. Exceptions to the Standard 33-Year Maximum Term
   B. Effect of Repayment Period on Payment Subsidy

6.9 INTEREST RATES
   A. Note Rates
   B. Subsidized Rate

6.10 USE OF ASSETS
   A. Asset Limits
   B. Exception to the Asset Limits
   C. Eligible Uses of Assets
   D. Ineligible Uses of Assets

SECTION 3: PAYMENT SUBSIDIES

6.11 AN OVERVIEW OF PAYMENT SUBSIDIES

6.12 CALCULATING PAYMENT ASSISTANCE
   A. Payment Assistance Method 2
   B. Payment Assistance Method 1

6.13 CALCULATING INTEREST CREDIT

SECTION 4: UNDERWRITING A LOAN FOR A SPECIFIC PROPERTY

6.14 APPROVING A SPECIFIC PROPERTY
6.15 FUNDS AVAILABLE FOR CLOSING
6.16 CALCULATING THE APPROVABLE LOAN AMOUNT
   A. Calculating the Approvable Loan at Standard Terms
   B. Working with Applicants Who Do Not Qualify Using Standard Terms
6.17 APPROVING CREDIT

ATTACHMENT 6-A: DOCUMENTATION REQUIRED PRIOR TO APPROVING A LOAN
ATTACHMENT 6-B: LOAN UNDERWRITING REVIEW

CHAPTER 7: ESCROW, TAXES, AND INSURANCE ........................................... 7-1

  7.1 INTRODUCTION ................................................................................... 7-1

SECTION 1: ESCROW ................................................................. 7-1

  7.2 OVERVIEW ......................................................................................... 7-1
  7.3 ESCROW DEPOSITS
     A. Monthly Payment
     B. Borrower’s Initial Deposit to the Escrow Account
     C. Seller’s Tax Liability
  7.4 CALCULATING ESCROW AMOUNTS
  7.5 CLOSING
  7.6 CONSTRUCTION LOANS
  7.7 SERVICING ESCROW ACCOUNTS

SECTION 2: TAXES ................................................................. 7-7

  7.8 ESTIMATING THE AMOUNT OF TAXES
  7.9 TAX SERVICE FEE
  7.10 TAX INFORMATION SHEET

SECTION 3: INSURANCE ..................................................... 7-9

  7.11 OVERVIEW .................................................................................. 7-9
  7.12 TYPES OF INSURANCE
     A. Hazard Insurance
     B. Flood Insurance
     C. Builder’s Risk Policies
  7.13 EVIDENCE OF INSURANCE
7.14 AUTHORIZED INSURANCE PROVIDERS
7.15 REVIEWING INSURANCE POLICIES
ATTACHMENT 7-A: CALCULATION OF ESTIMATED TAXES DUE THROUGH CONSTRUCTION PERIOD AND INITIAL ESCROW DEPOSIT
ATTACHMENT 7-B: TAX SERVICE FEE
ATTACHMENT 7-C: INSURANCE POLICY REQUIREMENTS

CHAPTER 8: LOAN APPROVAL AND CLOSING

8.1 INTRODUCTION

SECTION 1: LOAN APPROVAL AND OBLIGATION

8.2 THE LENDING DECISION
A. Rejection
B. Approval

8.3 OBLIGATING FUNDS
A. Initial Obligation
B. Changing the Loan Amount
C. Canceling a Loan

SECTION 2: PREPARING FOR CLOSING

8.4 TITLE INSURANCE AND CLOSING AGENTS
A. Title Insurance
B. Closing Agents
C. Approvals
D. Procedures

8.5 RESPONSIBILITIES OF THE CLOSING AGENT/ATTORNEY
8.6 RESPONSIBILITIES OF THE LOAN ORIGINATOR
A. Prepare the Applicant
B. Review Title Insurance Binder (or Preliminary Title Opinion) and Other Closing Documents
C. Re-verifying Employment and Income
D. Re-verify Eligibility
E. Validate the Interest/Note Rate
F. Prepare Loan Documents

SECTION 3: CLOSING

8.7 OBTAINING FUNDS FOR CLOSING
8.8 ESTABLISHING THE DISBURSEMENT SCHEDULE
A. Permanent Loans
B. Construction Loans
8.9 ESTABLISHING A REPAYMENT SCHEDULE
A. Monthly Installments
B. Housing Assistance Program (HAP)
8.10 ORIGINAL EQUITY
8.11 LOAN CLOSING
   A. Loan Closing Document Submission
   B. Review Closing Documents
   C. Activate the Loan
   D. Record Mortgage or Deed of Trust
   E. Secure Title Insurance Policy

SECTION 4: CONSTRUCTION LOANS

8.12 ADMINISTER CONSTRUCTION FUNDS
8.13 CONVERT CONSTRUCTION LOANS
   A. Modify Note and MortgageServ
   B. Update Payment Subsidy

ATTACHMENT 8-A: DOCUMENTS TO BE SIGNED OR SUBMITTED AT LOAN CLOSING
ATTACHMENT 8-B: UNLIQUIDATED OBLIGATION REVIEW

CHAPTER 9: SPECIAL SITUATIONS

9.1 INTRODUCTION

SECTION 1: CONDITIONAL COMMITMENTS

9.2 OVERVIEW OF CONDITIONAL COMMITMENTS

9.3 APPLICATION AND FEE

9.4 EVALUATING THE CONDITIONAL COMMITMENT APPLICATION

9.5 PRELIMINARY APPROVAL
   A. Ordering an Appraisal
   B. Site Approval and Responsibility for Environmental Reviews
   C. Rejecting the Application for Conditional Commitment

9.6 FINAL APPROVAL
   A. Proposed Price Too High
   B. Proposed Price Acceptable

9.7 DURATION OF COMMITMENT

9.8 CHANGES IN PLANS, SPECIFICATIONS, OR COMMITMENT PRICE

9.9 PROPERTY INSPECTIONS

9.10 BUILDER’S WARRANTY

9.11 CONDITIONAL COMMITMENTS INVOLVING PACKAGING OF APPLICATIONS

SECTION 2: SPECIAL FORMS OF OWNERSHIP

9.12 OVERVIEW

9.13 LOANS FOR CONDOMINIUM UNITS
   A. Definition
   B. Financing Approval
C. Condominium Status
D. Protection of Agency Rights and Lien Position
E. Closing Documents

9.14 LOANS FOR UNITS IN A COMMUNITY LAND TRUST
A. Definition
B. Preservation of Agency Rights and Lien Position
C. Restrictions on Resale Price
D. Right of First Refusal
E. Appraisals

9.15 PLANNED UNIT DEVELOPMENTS
A. Definition
B. Preservation of Agency Rights and Lien Position
C. Closing Documents

SECTION 3: MANUFACTURED HOMES

9.16 AUTHORIZED LOAN PURPOSES
A. Definition
B. Authorized Loan Purposes
C. Loan Restrictions

9.17 DEALER-CONTRACTOR REQUIREMENTS

9.18 PROCESSING PROCEDURES
A. Submission Requirements
B. Appraisal Techniques
C. Loan Rates and Terms

9.19 CONSTRUCTION AND SITE REQUIREMENTS

9.20 LOAN CLOSING
A. Contract Requirements
B. Lien Release Requirements
C. Warranty Requirement
D. Real Estate Tax Requirement

ATTACHMENT 9-A: SAMPLE COMFORT HEATING AND COOLING CERTIFICATE
ATTACHMENT 9-B: THERMAL REQUIREMENTS FOR MANUFACTURED HOMES
ATTACHMENT 9-C: CONDOMINIUM QUESTIONNAIRE

CHAPTER 10: LEVERAGED LOANS

SECTION 1: UNDERSTANDING LEVERAGED LOANS
10.1 OVERVIEW
A. Advantages of Leveraged Loans
B. Two Separate Financial Agreements

10.2 SOURCE OF LEVERAGED FUNDS
A. Market Rate Financing
B. Other Subsidized Financing

10.3 KEY DIFFERENCES IN POLICIES AND PROCEDURES
A. Eligible Loans and Grants
B. Lien Position
C. Payment Assistance Calculation
D. Availability of Mortgage Credit Certificates (MCC)
E. Section 8 Housing Choice Vouchers (HCV)
F. Origination
G. Servicing

10.4 DEVELOPING STATE-BY-STATE APPROACHES TO LEVERAGING
A. Lender Outreach
B. Borrower Education
C. Streamlined Processing Procedures

SECTION 2: ORIGINATING LEVERAGED LOANS

10.5 TAKING APPLICATIONS
10.6 REFERRING APPLICANTS TO PARTICIPATING LENDERS
10.7 DETERMINING APPLICANT ELIGIBILITY
10.8 ISSUING THE CERTIFICATE OF ELIGIBILITY
10.9 UNDERWRITING LEVERAGED LOANS
A. Lender vs. Agency Underwriting
B. Property Requirements and Appraisal
C. Loan-to-Value Ratio
D. Loan Terms and Fees
E. Determining Loan Amount
F. Agreements with the Participating Lender Regarding Construction

10.10 LOAN CLOSING
A. Required Documentation
B. Recording the Lien/Legal Documents

ATTACHMENT 10-A: SAMPLE TOPICS TO BE ADDRESSED IN A MEMORANDUM OF UNDERSTANDING
CHAPTER 11: NONPROGRAM LOANS ................................................................. 11-1

11.1 INTRODUCTION ...................................................................................... 11-1
   A. Nonprogram Assumptions
   B. Nonprogram Loans to Purchase REO Property
11.2 PRE-QUALIFICATION
11.3 APPLICATION PROCESSING
11.4 ELIGIBILITY
11.5 PROPERTY REQUIREMENTS
11.6 UNDERWRITING THE LOAN
   A. Down Payment Requirement
   B. Amount to be Financed
   C. Interest Rate
   D. Loan Repayment Period
   E. Repayment Ability
11.7 LOAN APPROVAL AND CLOSING
11.8 SERVICING NONPROGRAM LOANS

ATTACHMENT 11-A: SUMMARY OF DIFFERENCES BETWEEN
PROGRAM LOANS AND NONPROGRAM LOANS

CHAPTER 12: SECTION 504 LOANS AND GRANTS ....................................... 12-1

12.1 INTRODUCTION ...................................................................................... 12-1
12.2 ELIGIBLE PURPOSES FOR 504 FUNDS
   A. Restrictions on the Use of 504 Funds
   B. Repairs to Mobile or Manufactured Homes
12.3 APPLICATIONS
12.4 APPLICANT ELIGIBILITY
   A. Income
   B. Credit Requirements
   C. Asset Requirements
   D. Repayment Ability
   E. Age for Section 504 Grants
   F. Ownership of Property
12.5 PROPERTY ELIGIBILITY
   A. Property Requirements
   B. Determining Property Value
C. Construction Standards
D. Environmental Requirements

12.6 INTEREST RATE AND LOAN TERM

12.7 MAXIMUM LOAN AND GRANT AMOUNTS
   A. Maximum Loan Amount
   B. Grant Limits

12.8 LOAN APPROVAL AND CLOSING
   A. Loan Approval
   B. Security Requirements
   C. Loan Closing

12.9 GRANT APPROVAL AND DISBURSEMENT
   A. Grant Approval
   B. Grant Repayment Agreements
   C. Documentation of Grants

12.10 ESCROW, TAXES, AND INSURANCE

12.11 MANAGING REPAIRS AND MINOR REHABILITATION
   A. Communicating the Standards
   B. Selecting the Contractor
   C. Pre-Construction Conference
   D. Construction Contract

12.12 COMMENCEMENT OF WORK
   A. Inspecting the Work
   B. Periodic Inspections

12.13 CLOSEOUT PROCESS
   A. Funds Remaining After Completion
   B. Disbursement
   C. Cancellation of Funds

ATTACHMENT 12-A: SUMMARY OF DIFFERENCES BETWEEN
SECTION 504 LOANS AND GRANTS

ATTACHMENT 12-B: DIFFERENCES BETWEEN SECTION 502 AND
SECTION 504 LOANS

ATTACHMENT 12-C: SECTION 504 LOAN AND GRANT CHECKLIST

ATTACHMENT 12-D: CHECKLIST FOR EVALUATION OF EXISTING
DWELLING

ATTACHMENT 12-E: ITEMS TO ACCOMPANY THE UNIFORM RESIDENTIAL
LOAN APPLICATION

ATTACHMENT 12-F: PRE-CONSTRUCTION CONFERENCE
CHAPTER 13: SERVICING AND LIQUIDATION FUNCTIONS ........................................ 13-1
  13.1 INTRODUCTION ............................................................................................. 13-1
  13.2 TRANSITION TO NFAOC
SECTION 1: WORKING WITH NFAOC ..................................................................... 13-3
  13.3 REGULAR SERVICING
    A. Newly-Activated Borrower Account
    B. Payments
    C. Approval Actions
    D. Appraisals
    E. Insurance Claims
    F. Reamortizations and Other Documents Requiring Borrower Signature
    G. Payoffs
    H. Final Payments and Satisfactions
    I. Recapture Receivable Accounts
  13.4 SPECIAL SERVICING ACTIONS
    A. Borrower Counseling
    B. Protective Advances
    C. Refinancing
    D. Subsequent Loans
    E. Bankruptcies
    F. Missing Borrowers
    G. Payment Subsidy Renewals
    H. Preacceleration Personal Contact
  13.5 VOLUNTARY SALE
  13.6 DEBT SETTLEMENT
  13.7 ADDITIONAL INPUT

SECTION 2: BORROWER ACTIONS REQUIRING APPROVAL ................................. 13-18
  13.8 OVERVIEW ..................................................................................................... 13-18
  13.9 GENERAL GUIDELINES
    A. Reviewing Requests
    B. Obtaining an Appraisal and an Environmental Review
    C. Evaluating and Approving the Request
    D. Using Proceeds
  13.10 SUBORDINATION
    A. Criteria for Subordination
    B. Amount of Subordination
13.11 MINERAL LEASES
13.12 PARTIAL RELEASE OF SECURITY
13.13 LEASE OF SECURITY PROPERTY
13.14 ASSUMPTION OF INDEBTEDNESS
   A. New Rates and Terms Assumptions
   B. Same Rates and Terms Assumptions
   C. Agency Approval
   D. Procedural Requirements
   E. Releasing a Departing Borrower from Liability
13.15 PROTECTIVE ADVANCES
   A. Advances for Property Repairs
   B. Advances for Other Purposes

SECTION 3: LIQUIDATION ................................................................. 13-29
13.16 OVERVIEW ........................................................................... 13-29
13.17 NET RECOVERY VALUE
   A. Establishing Market Value
   B. Environmental Considerations
   C. Ordering an Appraisal
   D. Holding Period
   E. Deductions from Market Value
   F. Additions to Market Value
13.18 BASIC SECURITY LOSS
13.19 DEED IN LIEU OF FORECLOSURE
13.20 FORECLOSURE
   A. Making the Acceleration Decision
   B. Acceleration
   C. Review of the Acceleration Decision
   D. Initiating Legal Proceedings
   E. The Foreclosure Sale
ATTACHMENT 13-A: REQUEST FOR PAYOFF STATEMENT
ATTACHMENT 13-B: ACCOUNT ISSUE AND SUGGESTED RESOLUTION SHEET
ATTACHMENT 13-C: CURE AND FINANCIAL STATEMENT
ATTACHMENT 13-D: RUSH FUNDS PROCESSING

CHAPTER 14: (RESERVED)… ........................................................................ 14-1
CHAPTER 15: MANAGING CUSTODIAL AND REO PROPERTY ......................... 15-1

15.1 OVERVIEW .................................................................................................. 15-1

SECTION 1: PROPERTY MANAGEMENT METHODS AND ACTIVITIES ............. 15-1

15.2 MANAGEMENT METHODS AND CONTRACTS
   A. Selecting a Management Contractor
   B. Management Contract Requirements

15.3 TAKING POSSESSION
   A. Taking Custodial Possession
   B. Acquisition of an REO Property

15.4 INSPECTING AND SECURING CUSTODIAL AND REO PROPERTY
   A. Inspecting and Classifying the Property
   B. Securing Custodial and REO Property

15.5 DISPOSITION OF NONSECURITY PROPERTY
   A. Custodial Property
   B. REO Property

15.6 TAXES AND INSURANCE
   A. Taxes
   B. Insurance

15.7 ENVIRONMENTAL REQUIREMENTS
   A. Circumstances Necessitating an Environmental Assessment
   B. Lease or Management Contract

15.8 MANAGEMENT OF HAZARDOUS SUBSTANCES

15.9 PHYSICAL MAINTENANCE AND REPAIR
   A. Vandalism and Theft
   B. Off-Site Repairs or Improvements
   C. Lead-Based Paint Disclosure

SECTION 2: SPECIAL USES .............................................................................. 15-15

15.10 LEASING CUSTODIALS AND REO
   A. Security Deposits
   B. Costs and Income

15.11 SPECIAL USES OF REO
   A. Transitional Housing for the Homeless
   B. Use by Federal Emergency Management Agency (FEMA)
   C. Mineral Leases
CHAPTER 16: DISPOSING OF REAL ESTATE OWNED PROPERTY ................. 16-1

SECTION 1: PRICING AND LISTING PROPERTIES ............................................. 16-1

16.1 OVERVIEW ........................................................................................................ 16-1
   A. Sale Methods and Pricing
   B. Financing
   C. Warranty
   D. MortgageServ Processing for REO Sales

16.2 CONTRACTING FOR SALES SERVICES
   A. Selecting Exclusive Brokers
   B. Announcing Open Listing
   C. Commissions
   D. Broker Purchases of REO Properties

16.3 PRICING AND SALES SCHEDULES
   A. Appraisals
   B. Sales Schedules and Administrative Price Reductions
SECTION 2: MARKETING

16.4 MARKETING AND ADVERTISEMENT
   A. Fair Housing and Affirmative Fair Housing Marketing Plan
   B. Truth in Lending Requirements
   C. Advertising and Marketing Methods
   D. Review of Marketing for Unsold Properties

16.5 SPECIAL MARKETING TECHNIQUES
   A. Buyer Incentives
   B. Broker Incentives
   C. Acquisition of Land, Easements, or Rights-of-Way to Effect Sale

16.6 REO PROPERTY NOT MEETING DSS STANDARDS
   A. Notice of Occupancy Restriction
   B. Quitclaim Deed Restrictive Covenant
   C. Release of Restrictive Covenant

SECTION 3: SALE METHODS

16.7 REGULAR SALE METHOD
   A. Listing the Property
   B. Submission Requirements
   C. Receiving and Considering Offers
   D. Earnest Money
   E. Cancellation of Sales Contracts

16.8 DISPOSITION BY SEALED BID OR AUCTION
   A. Establishing the Minimum Acceptable Offer
   B. Publicizing the Sale
   C. Sealed Bid Procedures
   D. Auction Procedures

16.9 NEGOTIATED SALE

16.10 DISPOSAL OF PROPERTY FOR SPECIAL PURPOSES
   A. Multifamily Housing
   B. Transitional Housing for the Homeless
   C. Affordable Housing

16.11 DISPOSAL AS CHATTEL OR SALVAGE
SECTION 4: ENVIRONMENTAL REQUIREMENTS .................................................... 16-20
  16.12 OVERVIEW .................................................................................................. 16-20
  16.13 PROPERTY LOCATED WITHIN A SPECIAL FLOOD OR MUDSLIDE
      HAZARD AREA OR CONTAINS WETLANDS
  16.14 COASTAL BARRIER RESOURCES SYSTEMS
  16.15 NATIONAL REGISTER OF HISTORIC PLACES
  16.16 PROTECTIVE COVENANTS AND EASEMENTS
  16.17 REPORTABLE UNDERGROUND STORAGE TANKS
  16.18 MANAGEMENT OF HAZARDOUS SUBSTANCES AND PETROLEUM
      PRODUCTS
  16.19 LEAD-BASED PAINT
SECTION 5: PROCESSING AND CLOSING ............................................................... 16-26
  16.20 OVERVIEW .................................................................................................. 16-26
  16.21 SPECIAL NOTICES AT SALE
      A. HUD Insured Financing
      B. Disclosure of Lead-Based Paint or Hazards
  16.22 INSPECTION
  16.23 PRORATING REAL ESTATE TAXES AND/OR ASSESSMENTS
  16.24 DOWN PAYMENT
  16.25 PAYMENT OF POINTS
  16.26 CLOSING EXPENSES
  16.27 COMMISSIONS
  16.28 TRANSFERRING TITLE
  16.29 REPORTING SALE

ATTACHMENT 16-A: SAMPLE SOLICITATION PACKAGE
ATTACHMENT 16-B: SAMPLE ADVERTISEMENT FOR BROKERS
ATTACHMENT 16-C: NOTIFICATION OF AVAILABLE TRIBAL PROPERTY
ATTACHMENT 16-D: SAMPLE ADVERTISEMENT OF AVAILABLE
      REO PROPERTIES
GLOSSARY

ACRONYMS USED IN THIS HANDBOOK

APPENDICES

Appendix 1 7 CFR Part 3550, Direct Single Family Housing Loans and Grants
Appendix 2 Forms and Certifications Referenced in this Handbook
Appendix 3 Handbook Letters Referenced in this Handbook
Appendix 4 Effective Dates and Interest Rates for Above-Moderate or SFH Nonprogram Loans
Appendix 5 Rural Housing Demonstration Program
Appendix 6 Section 306C WWD Grants to Individuals
Appendix 7 State Supplements
Appendix 8 Verifications
Appendix 9 Single Family Housing Direct Income Limits
Appendix 10 Single Family Housing Field Guidance on Disaster Declarations