

RD AN No. 4608 (1980-D)  
November 14, 2011

TO: State Directors  
Rural Development

ATTENTION: Rural Housing Program Directors,  
Guaranteed Loan Coordinators,  
Area Directors and Area Specialists

FROM: Tammye Treviño                   *(Signed by Tammye Treviño)*  
Administrator  
Housing and Community Facilities Programs

SUBJECT: In-Ground Swimming Pools  
Single Family Housing Guaranteed Loan Program

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to clarify that in-ground swimming pools are permitted under the Single Family Housing Guaranteed Loan Program as long as loan funds are not used to finance the contributory value of the swimming pool.

This clarification applies only to regular annual allocations and does not apply to any funding under the American Recovery and Reinvestment Act (ARRA).

**COMPARISON WITH PREVIOUS AN:**

This AN replaces RD AN No. 4520 (1980-D), dated July 9, 2010, which expired on July 31, 2011

**EXPIRATION DATE:**  
November 30, 2012

**FILING INSTRUCTIONS:**  
Preceding RD Instruction 1980-D

## **BACKGROUND:**

RD Instruction 1980-D, Section 1980.311(a) (7), states that “Conditional Commitments will not be issued if loan funds are to be used . . . [to] purchase a dwelling with an in-ground swimming pool.”

The National Office has found that swimming pools may not contribute value to the modest home or only a minimal value that the low to moderate income borrower can finance without guaranteed loan funds.

## **IMPLEMENTATION RESPONSIBILITIES:**

State Directors or their designees, may approve the purchase of dwellings, which include an in-ground swimming pool, as long as any contributory value of the swimming pool is not financed in the loan amount. Such approval will not violate Section 1980.311(a) (7).

Under the Uniform Standards of Professional Appraisal Practice (USPAP), licensed or certified appraisers should address subject property swimming pools and their contributory value relative to the market. In many cases, the swimming pool will have a contributory value, and Rural Development staff should ensure that the contributory value of the pool is not included in the final loan amount.

The appraised value of the property plus the up-front guarantee fee is the maximum loan amount for which Rural Development will issue Form RD 1980-18, “Conditional Commitment for Single Family Housing Loan Guarantee.” **The value of the swimming pool must be deducted from the appraised value before computing the maximum loan amount.** *For example: \$100,000 appraised value (less) \$10,000 swimming pool contributory value (equals) \$90,000. In this example the maximum loan amount must be computed based on \$90,000, which excludes the contributory value of the swimming pool. The current up-front guarantee fee for purchase transactions is 2 percent; therefore, the maximum loan amount in this scenario would be \$91,800.*

Typically, a swimming pool has contributory value and adjustments are made for comparable sales that do not have swimming pools. It is possible that a swimming pool does not have a contributory value. The appraiser should address that issue in the appraisal report. An appraiser must not indicate that a swimming pool has no contributory value simply because “this is a Rural Development guaranteed loan.” Under USPAP, the appraiser should address the swimming pool under local market conditions. For example, if the swimming pool has a torn lining, and is not usable, the appraiser may conclude that it has no contributory value.

The Rural Development staff should make sure that the loans submitted through the Guaranteed Loan System meet these requirements.

This AN is applicable only to regular annual allocations and does not apply when ARRA funds are used. Without exception, no swimming pools are permitted for loans obligated using ARRA funds.

Any questions concerning this AN should be addressed to Cathy Glover, (202) 720-1460, or Joaquin Tremols, (202) 720-1465. Their respective email addresses are [cathy.glover@wdc.usda.gov](mailto:cathy.glover@wdc.usda.gov) and [joaquin.tremols@wdc.usda.gov](mailto:joaquin.tremols@wdc.usda.gov).