



United States
Department of
Agriculture

Rural Development



Existing Dwelling Requirements and Escrow Accounts

Single Family Housing Guaranteed Loan Program



United States
Department of
Agriculture

Rural Development



Training Objectives

- Where is the topic located?
 - * 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources



Things change!

- Every effort has been made to ensure training references are accurate at the time of publication.
- Always reference the most recent USDA publications available online.



United States
Department of
Agriculture

Rural Development



Guaranteed Loan Program Regulation

7 CFR Part 3555

- The regulation is the rule!
- 8 Subparts: A – H
- Appendix 1



7 CFR Part 3555

<http://www.rd.usda.gov/publications/regulations-guidelines>

**United States Department of Agriculture**
Rural Development

[About USDA](#) [Ask The Expert](#) [Help](#) [En Español](#)



[Site Map](#) | [A-Z Index](#)

[Home](#) [About RD](#) [Programs & Services](#) [Browse by State](#) [Newsroom](#) [Publications](#) [Contact Us](#)

Home / Publications / Regulations & Guidelines [Back to Previous Page](#)

Publications

Overview

Fact Sheets

Regulations & Guidelines

Reports

Dispute Appeals

Publications for Cooperatives

Rural Cooperatives Magazine

Strategic Plan

Congressional Testimony

Transcripts and Speeches

Regulations & Guidelines

All Federal regulations can be found at [Regulations.gov](#) and customers can search, review and submit comments on Federal documents that are open for comment and published in the [Federal Register](#).

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications



7 CFR Part 3555

United States Department of Agriculture
Rural Development

About USDA Ask The Expert Help En

Search

Site Map | A

Home About RD Programs & Services Browse by State Newsroom Publications Contact Us

Twitter Facebook YouTube RSS

Home / Publications / Regulations & Guidelines / Handbooks

Back to Previous

Publications

Overview

Fact Sheets

Regulations & Guidelines

Reports

Dispute Appeals

Publications for Cooperatives

Rural Cooperatives Magazine

Handbooks

HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

HB-1-3560 MFH Loan Origination Handbook

HB-2-3560 MFH Asset Management Handbook

HB-3-3560 MFH Project Servicing Handbook

HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook

Application Information Systems Support Handbook

HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

Table of Contents

- Chapter 1** - Overview
- Chapter 2** - Record Retention
- Chapter 3** - Lender Approval
- Chapter 4** - Lender Responsibilities
- Chapter 5** - Origination and Underwriting Overview
- Chapter 6** - Loan Purposes
- Chapter 7** - Loan Terms and Conditions
- Chapter 8** - Applicant Characteristics
- Chapter 9** - Income Analysis
- Chapter 10** - Credit Analysis
- Chapter 11** - Ratio Analysis
- Chapter 12** - Property and Appraisal Requirements
- Chapter 13** - Special Property Types
- Chapter 14** - Funding Priorities
- Chapter 15** - Submitting the Application Package
- Chapter 16** - Closing the Loan and Requesting the Guarantee

Chapter 17 - Regular Servicing-Performing Loans

Chapter 18 - Servicing Non-Performing Loans - Accounts with Repayment Problems

Chapter 19 - Custodial and Real Estate Owned Property

Chapter 20 - Loss Claims - Collecting on the Guarantee

Acronyms

Glossary

Appendix 1 - 7 CFR part 3555

Appendix 2 - Forms and Instructions

Appendix 3 - Review and Appeals

Appendix 4 - Agency and Employee Addresses

Appendix 5 - Income Limits

Appendix 6 - Interest Assistance

Appendix 7 - Caivrs Access Instructions

Appendix 8 - EDI Documentation

Appendix 9 - Penalties

Appendix 10 - Unnumbered Letter and State Supplements



United States
Department of
Agriculture

Rural Development



7 CFR Part 3555

Subpart E: Underwriting the Property

- .201: Site requirements
- **.202: Dwelling requirements**
- .203: Ownership requirements
- .204: Security requirements
- .205: Special requirements for condominiums
- .206: Special requirements for community land trusts
- .207: Special requirements for Planned Unit Developments (PUD's)
- .208: Special requirements for manufactured homes
- .209: Rural Energy Plus loans



United States
Department of
Agriculture

Rural Development



7 CFR Part 3555: 3555.202(b) and (c)

- 3555.202 Dwelling requirements.
- (a) New dwellings.
 - (b) Existing dwellings.
 - (c) Escrow account for exterior or interior development.



United States
Department of
Agriculture

Rural Development



7 CFR Part 3555: 3555.202(b)

- (b) Existing dwellings. Existing dwellings are considered to meet the following criteria when inspected and certified as meeting HUD requirements for one-to-four unit dwellings in accordance with Agency guidelines:
- (1) Be structurally sound;
 - (2) Be functionally adequate;
 - (3) Be in good repair, or to be placed in good repair with loan funds; and
 - (4) Have adequate and safe electrical, heating, plumbing, water, and wastewater disposal systems.



United States
Department of
Agriculture

Rural Development



7 CFR Part 3555: 3555.202(c)

- (c) Escrow account for exterior or interior development. This paragraph does not apply if the development is related to a "combination construction and permanent loan" under Sec. 3555.101(c). If a dwelling is complete with the exception of interior or exterior development work, Rural Development may issue the Loan Note Guarantee on the loan if the following conditions are met:
- (1) The incomplete work does not affect the habitability of the dwelling, nor the health or safety of the housing occupants.
 - (2) The cost of any remaining interior or exterior work is not greater than 10 percent of the final loan amount.



United States
Department of
Agriculture

Rural Development



7 CFR Part 3555: 3555.202(c)

- (3) An escrow account is funded in an amount sufficient to assure the completion of the remaining work. This figure must be at least 100 percent of the cost of completion but may be higher if the lender determines a higher amount is needed.
- (4) The builder or a licensed contractor has executed a contract providing for completion of the planned development within 180 days of loan closing. If the borrower will be completing the planned development on an existing dwelling without the services of a contractor, the requirement for an executed contract is waived when all of the following conditions are met:
 - (i) The estimated cost to complete the work is less than 10 percent of the total loan amount;
 - (ii) The escrow amount is less than or equal to \$10,000; and
 - (iii) The lender has determined the borrower has the knowledge and skills necessary to complete the work.



United States
Department of
Agriculture

Rural Development



7 CFR Part 3555: 3555.202(c)

- (5) The lender may release escrowed funds only after obtaining a final inspection report acknowledged by the borrower and indicating all planned development has been satisfactorily completed.
- (6) The lender remains responsible to ensure a final inspection is performed and required repairs are completed.
- (7) The settlement statement reflects the amounts escrowed.



Guaranteed Loan Program Technical Handbook

HB-1-3555

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters

HB-1-3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

Table of Contents

Chapter 1	- Overview
Chapter 2	- Record Retention
Chapter 3	- Lender Approval
Chapter 4	- Lender Responsibilities
Chapter 5	- Origination and Underwriting Overview
Chapter 6	- Loan Purposes
Chapter 7	- Loan Terms and Conditions
Chapter 8	- Applicant Characteristics
Chapter 9	- Income Analysis
Chapter 10	- Credit Analysis
Chapter 11	- Ratio Analysis
Chapter 12	- Property and Appraisal Requirements
Chapter 13	- Special Property Types
Chapter 14	- Funding Priorities
Chapter 15	- Submitting the Application Package
Chapter 16	- Closing the Loan and Requesting the Guarantee
Chapter 17	- Regular Servicing-Performing Loans
Chapter 18	- Servicing Non-Performing Loans - Accounts with Repayment Problems
Chapter 19	- Custodial and Real Estate Owned Property
Chapter 20	- Loss Claims - Collecting on the Guarantee
Acronyms	
Glossary	
Appendix 1	- 7 CFR part 3555
Appendix 2	- Forms and Instructions
Appendix 3	- Review and Appeals
Appendix 4	- Agency and Employee Addresses
Appendix 5	- Income Limits
Appendix 6	- Interest Assistance
Appendix 7	- Cairrs Access Instructions
Appendix 8	- EDI Documentation
Appendix 9	- Penalties
Appendix 10	- Unnumbered Letter and State Supplements

United States Department of Agriculture
Rural Development

[About USDA](#)
[Ask The Experts](#)

[Home](#)
[About RD](#)
[Programs & Services](#)
[Browse by State](#)
[Newsroom](#)
[Publications](#)
[Contact Us](#)

[Home / Publications / Regulations & Guidelines / Handbooks](#)

Publications

Overview

Fact Sheets

Regulations & Guidelines

Reports

Dispute Appeals

Publications for Cooperatives

Rural Cooperatives Magazine

Handbooks

HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

HB-1-3560 MFH Loan Origination Handbook

HB-2-3560 MFH Asset Management Handbook

HB-3-3560 MFH Project Servicing Handbook

HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook

Application Information Systems Support Handbook

HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook



United States
Department of
Agriculture

Rural Development



HB-1-3555: Chapter 12

SECTION 3: DWELLING REQUIREMENTS

12.8 MODEST HOUSING

12.9 EXISTING AND NEW DWELLINGS

A. Existing Dwellings

B. New Dwellings

C. Repair Escrows



United States
Department of
Agriculture

Rural Development



HB-1-3555: Chapter 13

SECTION 3: MODULAR HOMES

13.12 LOAN PROCESSING PROCEDURES FOR NEW PROPERTIES
INVOLVING MODULAR HOMES

13.13 LOAN PROCESSING PROCEDURES FOR EXISTING PROPERTIES
INVOLVING MODULAR HOMES



TIPS

- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research Rule & HB questions: Table of Contents
- Research Rule & HB questions: Control + F

7 CFR Part 3555

supplemental social security income and Social Security benefits received in a lump sum;

(vii) Any earned income tax credit;

(viii) **Adoption** assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c);

Find x

Adoption

Previous Next



United States
Department of
Agriculture

Rural Development



7 CFR PART 3555 / HB-1-3555

LEARNING CHECKS



United States
Department of
Agriculture

Rural Development



Question Slide

“Topic”

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed



ANSWER SLIDE

“Topic”

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided



United States
Department of
Agriculture

Rural Development



Let's Get Started



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

Existing dwellings are considered structurally sound and functionally adequate when the current HUD Handbook minimum property requirements are met.

A. TRUE B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(b), HB 12.9 A

A. TRUE

- Lender determines eligible party to verify HUD Handbook minimum property requirements
- Certification is accepted by USDA



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

Existing dwellings are defined as:

- A. Completed for 12 months
- B. Completed for less than 12 months but previously occupied
- C. All of the above



Existing dwelling requirements and escrows

ANSWER: 3555.202(b), HB 12.9 A

C. All of the above

This includes:

- Existing dwellings well over 12 months old
- Spec homes completed for 12 months or more with no occupancy
- Homes less than 12 months old but previously occupied



Existing dwelling requirements and escrows

Only HUD Roster appraisers may certify the dwelling meets current HUD Handbook requirements.

A. TRUE B. FALSE



Existing dwelling requirements and escrows

ANSWER: 3555.202(b), HB 12.9 A

B. FALSE

Eligible appraisers to complete HUD certification include:

- HUD Roster appraisers
- Licensed/Certified appraisers: Lender determines eligible party to make certification



Existing dwelling requirements and escrows

Existing modular homes must meet the current HUD Handbook minimum property requirements.

A. TRUE B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(b), HB 13.13

A. TRUE

- Modular homes are built to eligible building codes, not HUD Code
- Existing dwellings must meet HUD minimum property requirements



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

Termite/Pest inspections are only required if the lender, appraiser, or State law mandates.

A. TRUE B. FALSE



Existing dwelling requirements and escrows

ANSWER: 3555.202(b), HB 12.9 A

A. TRUE

- USDA does not determine termite/pest requirement
- Defer to appraiser, lender, State law



Existing dwelling requirements and escrows

The lender's underwriter will determine required repairs necessary to meet the current HUD Handbook and/or place the home in good repair.

A. TRUE B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(b), HB 12.9 A

A. TRUE

- Underwriter must review the appraisal
- Appraiser noted repairs/HUD required repairs
- Other items that may affect safety of occupants, soundness of collateral, and ability of the applicant to be a successful homeowner



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

- Home is habitable
- Half of the roof requires repair
- An escrow account may be utilized for post closing completion

A. TRUE B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

B. FALSE

- Escrow accounts may not be appropriate for roof, foundation/structural, electric, and plumbing repairs
- Flexibility is allowed when the repair can be completed timely and does not place occupants/collateral in jeopardy



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

- Loan amount: \$155,000
- Exterior and/or interior repair escrow may not exceed

A. \$15,500 B. \$31,000



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

A. \$15,500

- Escrow accounts may not exceed 10% of the final loan amount
- Escrow account must be at least 100% of the cost of the repair. Lender may require a higher figure at their discretion



Existing dwelling requirements and escrows

Interior escrows must be completed within ____ days.

- A. 180 B. 240



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

A. 180

- Six months should be adequate to complete interior repairs
- Extensions are generally not allowed for interior escrows
- The escrow is for repairs, not rehabilitation or construction.



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

Exterior escrows must be completed within ____ days.

A. 180 B. 240



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

B. 240

- Extensions beyond 240 days are generally not allowed
- Flexibility is granted when inclement weather and other acceptable factors exist.



Existing dwelling requirements and escrows

- Eligible escrow account established
- Loan is closed
- USDA will issue the loan note guarantee without the repair completed

A. TRUE B. FALSE



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

A. TRUE

- Eligible escrow account = loan note guaranteed issued
- Repair does not have to be completed prior to request of LNG
- Lender must retain evidence of repair completion



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

- Eligible escrow account established
- Repair is completed
- Lender and/or real estate professional may determine completion

A. TRUE B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

B. FALSE

Appraiser must review completed repair:

- Ensure work is completed as required per appraisal
- Provide lender with photographs of repair
- Sign a repair completion report



Existing dwelling requirements and escrows

USDA must approve the release of escrowed repair funds.

- A. TRUE B. FALSE



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

B. FALSE

- Approved lender will release escrowed funds
- Lender must document loan file with evidence of repair completion to support release



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

- Escrow funds: \$4,000
- Source of funds: \$2,000 loan funds, \$2,000 contract seller concessions
- Repair is completed, \$800 remains
- \$800 must be applied as principal reduction

A. TRUE

B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

A. TRUE

- Loan funds and contract seller concessions must be applied to the loan balance



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

- Escrow funds: \$2,000
- Source of funds: Borrower savings account
- Repair is completed, \$250 remains
- \$250 must be applied as principal reduction

A. TRUE

B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

B. FALSE

- Borrower supplied the escrow funds from their own account
- Borrower may receive their remaining funds



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

- Escrow funds: \$1,500
- Source of funds: Seller checking account
- Repair is completed, \$100 remains
- \$100 may be returned to the seller

A. TRUE

B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c), HB 12.9 C

A. TRUE

- Seller supplied the escrow funds from their own account
- These are not seller concessions stated on the contract
- Seller may receive their remaining funds



Existing dwelling requirements and escrows

Escrowed repairs must be completed by a licensed contractor.

A. TRUE B. FALSE



United States
Department of
Agriculture

Rural Development



Existing dwelling requirements and escrows

ANSWER: 3555.202(c)(4), HB 12.9 C

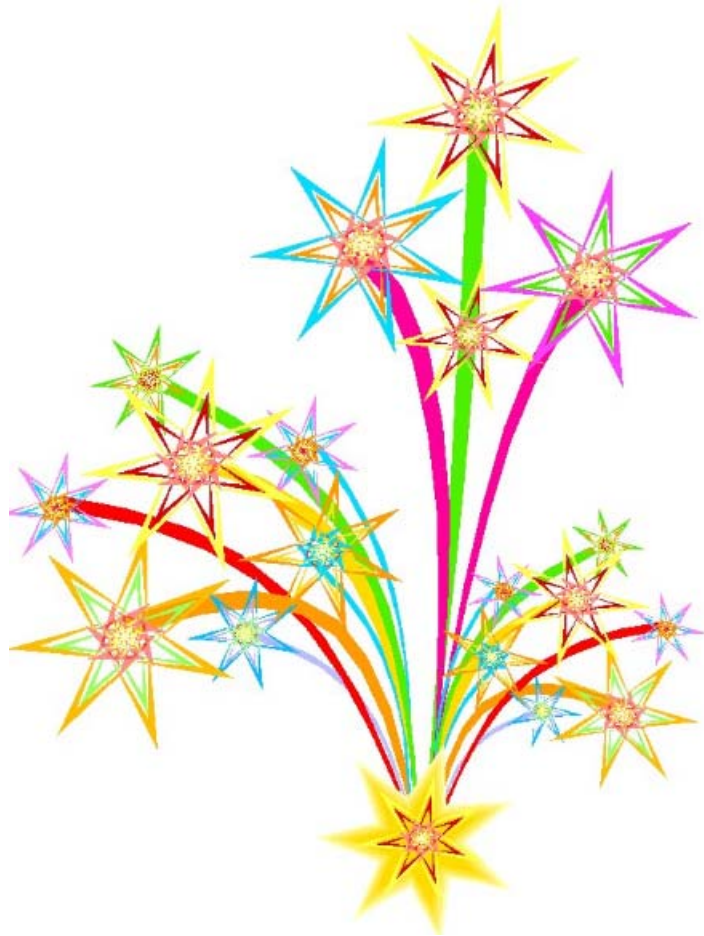
B. FALSE

- Borrower may complete escrowed repairs
- Lender must deem borrower eligible to complete work



United States
Department of
Agriculture

Rural Development



WAY TO GO!



Regulations

<http://www.rd.usda.gov/publications/regulations-guidelines>

United States Department of Agriculture
Rural Development

[About USDA](#)
[Ask The Expert](#)
[Help](#)
[En Español](#)

[Site Map](#)
[A-Z Index](#)

[Home](#)
[About RD](#)
[Programs & Services](#)
[Browse by State](#)
[Newsroom](#)
[Publications](#)
[Contact Us](#)

Home / Publications / Regulations & Guidelines
Back to Previous Page

Publications
Overview
Fact Sheets
Regulations & Guidelines
Reports
Dispute Appeals
Publications for Cooperatives
Rural Cooperatives Magazine
Strategic Plan
Congressional Testimony
Transcripts and Speeches

Regulations & Guidelines

All Federal regulations can be found at [Regulations.gov](#) and customers can search, review and submit comments on Federal documents that are open for comment and published in the [Federal Register](#).

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications



GovDelivery Sign up

https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25



Email Updates

To sign up for updates or to access your subscriber preferences, please enter your contact information below.

***Email Address**

Submit

Cancel



United States
Department of
Agriculture

Rural Development



**Thank you for supporting
the USDA Single Family
Housing Guaranteed Loan
Program!**





United States
Department of
Agriculture

Rural Development



In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.

