Loan Purposes and Restrictions

Single Family Housing Guaranteed Loan Program
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.
Guaranteed Loan Program Regulation

7 CFR Part 3555

- The regulation is the rule!
- 8 Subparts: A – H
- Appendix 1
7 CFR Part 3555

7 CFR Part 3555

Handbooks

HB-1-3555 Direct Single Family Housing Loans and Grants - Field Office Handbook
HB-2-3555 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
HB-3-3555 SFH Guaranteed Loan Program Technical Handbook
HB-1-3556 SFH Loan Origination Handbook
HB-2-3556 SFH Asset Management Handbook
HB-3-3556 SFH Project Servicing Handbook
HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook
Application Information Systems Support Handbook
HB-1-3555 Direct Single Family Housing Loans and Grants - Field Office Handbook

Appendix 3 - 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
7 CFR Part 3555

Subpart C: Loan Requirements

• .101: Loan purposes
• .102: Loan restrictions
• .103: Maximum loan amount
• .104: Loan terms
• .105: Combination construction and permanent loans
• .107: Application for and issuance of loan guarantee
• .108: Full faith and credit
7 CFR Part 3555

3555.101 Loan purposes.
(a) Eligible purposes.
(b) Eligible costs.
(c) Combination construction and permanent loan.
(d) Refinancing.
7 CFR Part 3555: 3555.101

a. Eligible purposes

- New dwellings
- Existing dwellings
- Repairs for existing dwelling
- Relocation of existing dwelling
7 CFR Part 3555: 3555.101

b. Eligible costs

- Essential household equipment, energy saving items
- Site prep: grading, foundation, landscape, fences
- Special design features to accommodate physical disabilities
7 CFR Part 3555: 3555.101

b. Eligible costs

Reasonable loan expenses/closing costs:

• Legal, architectural, engineering
• Title exam, clearance, insurance
• Transfer taxes, recording fees
• Appraisal, inspection, survey, etc.
• Homeownership education
7 CFR Part 3555: 3555.101

b. Eligible costs

Reasonable loan expenses/closing costs:

• Discount points to permanently reduce interest rate
• Eligible fees that do not exceed FHA, VA, or affordable lending guidelines
• Escrow account: taxes and insurance
• Upfront guarantee fee
• Escrow account: annual fee, cushion up to 2 months
7 CFR Part 3555: 3555.101

c. Combination construction and permanent loan
   • 3555.105, HB-1-3555 Chapter 12
   • Refer to Combination construction and permanent loan training module

d. Refinancing
   • Streamlined, Non-Streamlined, and Streamlined-Assist
   • HB-1-3555 Chapter 6
   • Refer to Refinance training module
7 CFR Part 3555

3555.102 Loan restrictions.
(a) Existing manufactured home.
(b) Income producing land or buildings.
(c) Business or income producing enterprise.
(d) Loan discount points.
(e) Refinancing.
(f) Buydown.
(g) Lease.
(h) Seller concessions.
Guaranteed Loan Program Technical Handbook
HB-1-3555

- Provides guidance to support the regulation
- The HB is not the rule
- 20 Chapters
HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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Acronyms

Glossary

Appendix 1 - 7 CFR part 3555
Appendix 2 - Forms and Instructions
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CHAPTER 6: LOAN PURPOSES

6.1 INTRODUCTION

6.2 ELIGIBLE LOAN PURPOSES
A. Acquiring a Site and Dwelling
B. Repairs and Rehabilitation
C. Reasonable and Customary Expenses Associated with Purchasing a Dwelling
D. Refinance
E. Supplemental Loans

6.3 PROHIBITED LOAN PURPOSES

6.4 AGENCY REVIEW OF LOAN PURPOSES
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).
7 CFR PART 3555 / HB-1-3555
LEARNING CHECKS
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
Let’s Get Started
Loan purposes and restrictions

USDA has published internal thresholds allowable for lender points, fees, and charges.

A. TRUE    B. FALSE
Loan purposes and restrictions

ANSWER: 3555.101(b), HB 6.2 C

B. FALSE

- USDA requires lenders to follow Federal and State laws
- Consumer Financial Protection Bureau (CFPB) publishes guidelines
Loan purposes and restrictions

- SFH residence with 10 acre tract
- Includes a separate building: vehicle repair shop
- Shop includes 4 repair bays with hydraulic lifts and tools
- This is an eligible property

A. TRUE  B. FALSE
Loan purposes and restrictions

ANSWER: 3555.102(c), HB 6.3

B. FALSE

• The vehicle repair shop is a separate commercial building
• Guaranteed loans are for properties that are primarily residential in character, design, and use
• See also: Site Requirements training module
Loan purposes and restrictions

Which of the following is not an eligible loan purpose:

A. Appraisal fee
B. Realtor administrative fee and/or sales commission
C. Discount points to permanently reduce interest rate
Loan purposes and restrictions

ANSWER: 3555.101(b)(6)(vi), HB 6.2 C and 6.3

B. Realtor administrative fee and/or sales commission

• Loan funds may not be used to pay for real estate commissions or fees
• Borrower must pay for any sales commission out of their own funds
Loan purposes and restrictions

• Appraised value: $150,000
• Purchase price: $135,000
• Applicant wishes to finance: Wheelchair ramp, new kitchen/laundry appliances, and four shrubs
• These are eligible loan purposes
  A. TRUE       B. FALSE
Loan purposes and restrictions

ANSWER: 3555.101(b), HB 6.2 C

A. TRUE

• Each item listed is an authorized loan purpose
• Maximum loan amount may not exceed 3555.103
Loan purposes and restrictions

- Applicant wishes to purchase a manufactured home
- Unit was constructed and installed on permanent foundation more than 12 months
- This property is ineligible

A. TRUE  B. FALSE
Loan purposes and restrictions

ANSWER: 3555.102(a), HB 6.2 C

A. TRUE

• The unit is an existing manufactured home
• Existing units must meet 3555.208(b)(3)
Loan purposes and restrictions

- Purchase price: $100,000
- Seller concessions may not exceed

A. $3,000 (3%)  
B. $6,000 (6%)
Loan purposes and restrictions

ANSWER: 3555.101(b), HB 6.2 C

B. $6,000

- 6% of sales price is eligible
- Limited to seller contributions/interested third party
- Must be used for authorized loan purposes
Loan purposes and restrictions

• Eligible interest rate: 5.0%
• Applicant uses $2,000 of seller concessions to permanently buydown the interest rate to 3.75%
• This is an eligible use of loan funds

A. TRUE B. FALSE
Loan purposes and restrictions

ANSWER: 3555.101(b)(6)(vi), HB 6.3

A. TRUE

- Discount points to permanently reduce the interest rate is an eligible loan purpose
- Seller concessions are loan funds and must be used for eligible loan purposes
- Interest rate must meet 3555.104 prior to buydown
WAY TO GO!
Regulations

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