



United States
Department of
Agriculture

Rural Development



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

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

USDA United States Department of Agriculture Rural Development

About USDA Ask The Expert Help En Español

Search

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](#)

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

Publications

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



7 CFR Part 3555

USDA United States Department of Agriculture Rural Development

About USDA Ask The Expert Help En Search Site Map

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

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

Publications	Handbooks
Overview	HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook
Fact Sheets	HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
Regulations & Guidelines	HB-1-3555 SFH Guaranteed Loan Program Technical Handbook
Reports	HB-1-3560 MFH Loan Origination Handbook
Dispute Appeals	HB-2-3560 MFH Asset Management Handbook
Publications for Cooperatives	HB-3-3560 MFH Project Servicing Handbook
Rural Cooperatives Magazine	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



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



United States
Department of
Agriculture

Rural Development



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

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

The screenshot shows the USDA Rural Development website. The navigation bar includes Home, About RD, Programs & Services, Browse by State, Newsroom, Publications, and Contact Us. The breadcrumb trail is Home / Publications / Regulations & Guidelines / Handbooks. The 'Publications' sidebar menu is open, and the 'Handbooks' section is highlighted. The list of handbooks includes:

- 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 Cert
- 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 Hand
- Application Information Systems Support Handbook
- HB-1-3550** Direct Single Family Housing Loans and Grants - Field Office Handbook



HB-1-3555

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);

The screenshot shows a document page with a search box in the top right corner. The search box contains the word "Adoption" and has "Previous" and "Next" buttons. The document text includes "7 CFR Part 3555" and a list of items. The word "Adoption" in item (viii) is highlighted with a red box.



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



United States
Department of
Agriculture

Rural Development



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



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**



United States
Department of
Agriculture

Rural Development



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



United States
Department of
Agriculture

Rural Development



**WAY
TO GO!**



Regulations

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

The screenshot shows the USDA Rural Development website. At the top left is the USDA logo and the text 'United States Department of Agriculture Rural Development'. To the right are links for 'About USDA', 'Ask The Expert', 'Help', and 'En Español', along with a search bar. Below this is a navigation menu with 'Home', 'About RD', 'Programs & Services', 'Browse by State', 'Newsroom', 'Publications', and 'Contact Us'. The 'Publications' menu item is highlighted. Below the navigation is a breadcrumb trail: 'Home / Publications / Regulations & Guidelines' and a 'Back to Previous Page' link. On the left is a sidebar menu with 'Publications' at the top, followed by 'Overview', 'Fact Sheets', 'Regulations & Guidelines' (which is highlighted), 'Reports', 'Dispute Appeals', 'Publications for Cooperatives', 'Rural Cooperatives Magazine', 'Strategic Plan', 'Congressional Testimony', and 'Transcripts and Speeches'. The main content area is titled 'Regulations & Guidelines' and contains the following text: '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.' Below this text is a section titled 'Rural Development' with a bulleted list: 'Administrative Notices', 'Instructions', 'Forms', 'Spanish Forms, Form Letters and Guide Letters', 'Handbooks', 'Procedures Notices', 'Significant Guidance Documents', 'Unnumbered Letters', and '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!





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.

