




USDA United States Department of Agriculture
Rural Development

Loan Purposes and Restrictions

Single Family Housing Guaranteed Loan Program

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Training Objectives

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

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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.

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Guaranteed Loan Program Regulation

7 CFR Part 3555

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

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7 CFR Part 3555
<http://www.rd.usda.gov/publications/regulations-guidelines>

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.

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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

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-4-3555 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-4-3555 SFH Guaranteed Loan Program Technical Handbook


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- Chapter 2 - Record Retention
- Chapter 3 - Lender Approval
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- 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 - Calvis Access Instructions
- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements




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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

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7 CFR Part 3555

3555.101 Loan purposes.

- (a) Eligible purposes.
- (b) Eligible costs.
- (c) Combination construction and permanent loan.
- (d) Refinancing.

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7 CFR Part 3555: 3555.101

a. Eligible purposes

- New dwellings
- Existing dwellings
- Repairs for existing dwelling
- Relocation of existing dwelling

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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

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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

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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

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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

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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.

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Guaranteed Loan Program Technical Handbook HB-1-3555

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

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HB-1-3555

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Home / Publications / Regulations & Guidelines / Handbooks

Publications

- Overview
- Fact Sheets
- Regulations & Guidelines
- Reports
- Dispute Appeals
- Publications for Cooperatives
- Rural Cooperatives Magazine

Handbooks

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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

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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);


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7 CFR PART 3555 / HB-1-3555 LEARNING CHECKS

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Question Slide

“Topic”

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

TRUE/FALSE or other answer options will be displayed

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ANSWER SLIDE

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

X. Correct Response

- Additional guidance for clarification may be provided

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Let's Get Started

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Loan purposes and restrictions

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

A. TRUE B. FALSE

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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

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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

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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**

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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

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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

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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

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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

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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

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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)

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Loan purposes and restrictions

- Purchase price: \$100,000
- Seller concessions may not exceed
 - A. \$3,000 (3%) B. \$6,000 (6%)

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Loan purposes and restrictions

ANSWER: 3555.101(b), HB 6.2 C

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

B. \$6,000

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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

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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

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WAY TO GO!


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Regulations

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Housing Guaranteed Loan
Program!



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