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
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

---

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

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 (non-credit:
(viii) Any income in excess of any amount determined pursuant to HUD’s definition of annual income at 24 CFR 5.609(c).

18
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

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

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

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

Answer: 3555.102(a), HB 6.2 C

• 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

- 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

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

GovDelivery Sign up

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. 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.