Welcome to the New Construction online training module presented by USDA’s Single Family Housing Guaranteed Loan Program.
Newly constructed homes may be financed with USDA’s Single Family Housing Guaranteed Loan Program when they meet program requirements. A new dwelling is defined as one that is less than one year old and has never been occupied. This training module will discuss properties that have been built by a builder or developer and sold to a home buyer after completion. Please refer to the Combination Construction to Permanent online training module for guidance pertaining to the agency’s single close construction loan program.
Regulation 3555.202(a) states that new construction dwellings must meet the following requirements:

• be constructed in accordance with certified plans and specifications, and
• meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction.

In addition, the lender must retain evidence of required construction costs, inspection reports, certifications and warranties that are acceptable to Rural Development.
Evidence of Plans and Specifications
7 CFR 3555.202(a) and HB-1-3555, Chapter 12.9 B

Acceptable evidence of Plans and Specifications include one of the following:

1) Certification form a qualified individual or organization (RD Form 1924-25 is acceptable for this purpose), OR
2) Certificate of Occupancy from local jurisdiction, OR
3) Building Permit from local jurisdiction

The lender’s permanent loan file must contain evidence that the plans and specifications comply with development standards.
Acceptable evidence may be documented with any of the options outlined on this slide and described in the handbook.
Form RD 1924-25, “Plan Certification” is an acceptable format to certify the construction plans and specifications, however, it is not a required Agency form.
Evidence of Construction Inspections
7 CFR 3555.202(a) and HB-1-3555, Chapter 12.9 B

Acceptable evidence of Construction Inspections may be documented by one of three options:

1) Certification of Occupancy, plus 3 construction inspections, and 1-year builder’s warranty.
2) 3 construction inspections, including final inspection and 1-year builder’s warranty.
3) Final Inspection and 10-year insured builder’s warranty.

Acceptable evidence of construction inspections must be retained by the lender using one of the options outlined on this slide and described in the Handbook.
Evidence of Thermal Standards

7 CFR 3555.202(a) and HB-1-3555, Chapter 12.9 B

Evidence may include:

- Plans and Specs
- Final Inspection, or
- Certificate of Occupancy

Builder, qualified architect, or engineer may also certify IECC standards.

Evidence of thermal standards must also be documented by the lender. Thermal standards must meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction. Please note that the dwelling’s thermal standards are typically included in the plans and specifications to which the dwelling is built.
The lender has the primary responsibility for all loan origination activities including the review and retention of required construction documentation as outlined in HB-1-3555. However, the Agency has the option to request additional documentation under appropriate circumstances.
The best way to learn information is to test your knowledge!
The following question slides will list:

- The topic,
- A question or scenario, and
- potential responses
The answer slides will list:

• The topic,
• the reference to the answer from the regulation and handbook,
• the correct response, and
• any additional clarification that may be helpful.
Let’s get started!
The lender obtained the following documentation for a new construction dwelling. This property is eligible for guarantee.

1. 3 construction inspections, including evidence the dwelling has been built to eligible codes and thermal standards.

2. One-year builder’s warranty.

A. TRUE       B. FALSE
$3555.202(a), HB 12.9 B$

A. TRUE

- Required evidence must meet $3555.202(a)$ and HB 12.9 B and the lender must retain all documents in their permanent loan file.

True. The evidence obtained by the lender must meet the requirements of $3555.202$ and HB 12.9 B, and be retained in the lender’s permanent loan file.
QUESTION

New Construction

• The Certificate of Occupancy for the subject property is dated May 2019.
• The purchase contract is dated June 2020.
• This dwelling is considered new construction.

A. TRUE    B. FALSE

Read the question on the slide and select a response.
B. FALSE

- The dwelling has been completed for over 12 months; therefore, this home is considered an existing dwelling and must meet HUD Handbook Minimum Property Requirements.

False. The home has been complete for over 12 months and is now considered an existing dwelling which is not required to meet building codes, inspections, etc for new construction. Instead, the home must meet HUD Handbook 4000.1 minimum property requirements.
A final inspection and a 10-year insured builder warranty are acceptable to document evidence of construction inspections.

A. TRUE  B. FALSE

Read the question on the slide and select a response.
True. One option available to document construction inspections is the final inspection and an acceptable insured builder’s warranty.
The following documentation has been obtained in regard to the dwelling’s construction.

- One construction inspection
- A one-year builder’s warranty

This dwelling is ineligible for guarantee.

A. TRUE  B. FALSE

Read the question on the slide and select a response.
False A guarantee may be issued, however, new construction homes that do not have the required construction and inspection evidence as required by the handbook are limited to a maximum loan amount of 90% of the appraised value plus the upfront guarantee fee.
Which of the following may certify plans and specifications for a new dwelling?

A. Licensed architect  
B. Professional engineer  
C. Local authorized building official  
D. All of the above
Response D: All of the Above. Each of the individuals listed may certify the plans and specifications. It is the lender’s responsibility to determine that the individual or organization is trained and experienced in the compliance, interpretation or enforcement of the applicable development standards. Please note that Form RD 1924-25 may be used to certify plans and specs, however, it is not a required form.
QUESTION

New Construction

• The appraiser certifies that the subject property, completed less than 12 months ago, meets HUD Minimum Property Requirements per HUD Handbook 4000.1.

• This certification is acceptable in lieu of inspection requirements as outlined in HB-1-3555, Chapter 12.9 B.

A. TRUE B. FALSE

Read the question on the slide and select a response.
3555.202(a), HB 12.9 B

B. FALSE

- Existing dwellings must meet HUD Handbook minimum property requirements.
- New construction dwellings must meet the requirements and be documented as outlined in HB-1-3555, Chapter 12.9 B.

False. HUD Handbook 4000.1 minimum property requirements are only applicable under 7 CFR Part 3555 for existing dwellings. New construction dwellings must meet the requirements for a newly built home as outlined in the handbook.
The Agency may request construction documentation that is not required to be submitted under program guidelines in the following situations:

A. The Agency is performing a review of a newly approved lender.
B. A loss claim request is being reviewed by the Agency.
C. The Agency is conducting a periodic lender compliance review.
D. All of the above.

Read the question on the slide and select a response.
Response D. All of the above. The lender has the primary responsibility for all loan origination activities including the review and retention of acceptable construction documentation. The Agency is responsible for reviewing the lender’s compliance with program requirements. However, the Agency has the option to request additional documentation when appropriate.
Way to Go!
LEARNING CHECK COMPLETED!

Way to go! You have completed the learning checks!
Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.
• This training module has provided you with an overview of the key requirements of New Construction.
• Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart E, Section 3555.202 and Chapter 12, Section 3 of HB-1-3555.
• Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
• The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.
**Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we’re here to help.**

**All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and**

**If you would like to request additional program training, contact our Lender and Partner Activities Branch.**
The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

- Current turn times on new loan applications
- Contact information, and
- Links to program resources such as our 3555 Handbook and the USDA LINC website.
- Also, don’t forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, GUS, and servicing messages to alert lenders of new publications, clarifications, and additional program updates.
Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America’s rural homebuyers!
This will conclude the training module. Thank you and have a great day!