Welcome to New Construction, presented by USDA’s Single Family Housing Guaranteed Loan Program!
The objectives of the training include:

1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.
**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.

Every effort has been made to ensure this training and all references are accurate, however, new program revisions and clarifications may occur. Therefore, please ensure you always reference the most recent USDA publications available online.

This training module is not intended to replace the need to reference the regulation, technical handbook, and additional USDA published documents regarding the Guaranteed Loan Program.
Guaranteed Loan Program Regulation

7 CFR Part 3555

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

7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions. The regulation is the rule and it cannot be overridden by the technical handbook. The 7 CFR Part 3555 is comprised of 8 subparts, A through H. You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.
The Regulations and Guidelines website is located from the link shown on the slide.

Under “Rural Development” there are many items available from this home page.

To access the regulation, select “Handbooks.”
A list of all USDA Rural Development handbooks will display.

Be sure to select the correct technical handbook: HB-1-3555.

Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection.

Appendix 1 is the full regulation, 7 CFR Part 3555.
New construction is located in Subpart E, Section 3555.202. This training module will not address the combination construction and permanent loan program, which addressed in a separate presentation.
The regulation Table of Contents provides a quick view of the individual topics included under this Section. New construction is located in Subpart E, Section 3555.202.

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3555.202(a) states that new construction dwellings must meet the following requirements:

- Be constructed in accordance with certified plans and specifications
- The dwelling must meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction, this is typically included in the building code,
- There must be evidence of acceptable construction inspections that have been completed, and
- An acceptable builder warranty must be retained.
The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.
The handbook may be accessed from the Regulations and Guidelines website. New construction guidance is located in Chapter 12.
This screen shot displays the Table of Contents of Chapter 12. This helps the user to locate specific topics more quickly.
A few helpful tips:

1. The underwriter of the loan is the approved lender’s underwriter.
2. USDA is NOT the underwriter of the loan.
3. When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
4. A great best practice when searching for information is to open the regulation or a handbook chapter, select the “Control” button on the keyboard, hold it down, and then also select the “F” key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.
The best way to learn information is to test your knowledge!
Each question slide will list:
• the topic
• A question or scenario, and
• potential responses.

**Question Slide**

**“Topic”**

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

TRUE/FALSE or other answer options will be displayed
The answer slide 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!
New construction

• New construction dwelling
• Built to eligible building code (includes thermal standard)
• 3 eligible construction inspections retained
• One year builder’s warranty
• This new construction dwelling is eligible for a guarantee

A. TRUE  B. FALSE

Read the question on the slide and select a response.
True
The evidence noted on the question slide must meet 3555.202(a) and HB 12.9 B. The lender will retain this evidence in their lender file. It may not be require to be submitted to USDA. USDA may be required to obtain this documentation if the GUS loan file requires a full documentation submission, or if the file is manually underwritten.
New construction

Spec home:
• Certification of occupancy dated: October 2014
• Purchase agreement dated: December 2015
• This is a new construction dwelling

A. TRUE   B. FALSE

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

B. FALSE

- Home has been completed over 12 months
- Spec home is now considered an existing dwelling
- Must meet HUD Handbook minimum property requirements

False
The home has been complete for over 12 months, which will now render the home existing.
An existing dwelling is not required to meet building codes, inspections, etc. but rather HUD Handbook 4000.1 minimum property requirements.
New construction

- New construction dwelling
- Builder presents eligible 10 year insured warranty
- Builder is eligible to sign Form RD 1924-25
- Final inspection is obtained
- No further documentation is required

A. TRUE    B. FALSE
True
When an acceptable insured builder’s 10 year warranty is obtained, the builder may sign the Form RD 1924-25 to certify the home has been built to certified plans and specifications including electrical, plumbing, and with construction inspections completed. This greatly reduces the documentation that must be retained by the lender.

RD Instruction 1924-A is the new construction regulation that coincides with 7 CFR Part 3555. Exhibit L includes the eligibility criteria that an insured builder’s warranty must meet to be eligible. Approved lenders may review the insured warranty under these guidelines and determine eligibility.
Read the question on the slide and select a response.

New construction

- New construction dwelling
- No evidence of building code
- Only one construction inspection available
- One year builder’s warranty
- This loan is not eligible for guarantee

A. TRUE       B. FALSE
False
New construction homes that do not have the required evidence under the regulation and handbook are limited to a maximum loan amount of 90% of the appraised value plus the upfront guarantee fee.
New construction

Which of the following may not certify plans and specifications for a new dwelling?

A) Licensed architect
B) Professional engineer
C) Builder
D) Licensed Plumber

Read the question on the slide and select a response.
Response D: Licensed Plumber
A licensed plumber is not an eligible party to certify that a home has been built according to plans and specifications. They could certainly help certify to the plumbing work and codes, but not the overall structure of the home.

Form RD 1924-25 includes a list of eligible parties to review plans and specifications such as code officials, architects, engineers, etc.
New construction

• Appraisal for new construction dwelling
• Appraiser states HUD Handbook 4000.1 minimum property requirements is met
• This certification may be accepted in lieu of inspection requirements in 12.9 B

A. TRUE    B. FALSE

Read the question on the slide and select a response.
False

HUD Handbook 4000.1 minimum property requirements are only applicable under 7 CFR Part 3555 for an existing dwelling.
New construction dwellings must meet the requirements for a newly built home.
New construction

- Modular homes are considered stick built homes
- New modular homes must meet documentation requirements as determined for new construction dwellings

A. TRUE  B. FALSE

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

A. TRUE

- Modular homes are constructed to the building code of their destination
- Construction inspections and additional new construction dwelling documentation applies

True
Modular homes are built to the building code of their destination.
Construction inspections and additional documentation applies for these homes.
Way to go! You have completed the learning checks!
Don’t forget the Regulations and Guidelines website is a wonderful source of USDA guideline knowledge.
Please sign up for GovDelivery messages. USDA sends out origination (including 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! We appreciate the opportunity to help you serve more rural homebuyers!
This will conclude the training module. Thank you and have a great day!