Welcome to Ownership Requirements, 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.
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.
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.
Ownership requirement guidance is located in Subpart E, in Sections 3555.203, 3555.204, and 3555.206.
The regulation Table of Contents provides a quick view of the individual topics included under this Section.
3555.203 states that when the loan is closed the borrower must have an acceptable ownership interest in the property. One example of acceptable ownership is fee simple.
Another acceptable ownership interest is the secured leasehold interest. This is an acceptable ownership interest when fee simple title is unable to be achieved. The secured leasehold must be fully marketable in the area, except when American Indian restricted land is involved.

Leaseholds must have an unexpired term of at least 45 years from the date of loan closing except for American Indian restricted land. Then the lease must have an unexpired term equal to the term of the loan. If a lease on American Indian restricted land has a lease for 25 years with an option to renew for another 25 years, this will be permissible.

The mortgage must cover both the property and leasehold interest in the land, and be recorded in the appropriate real estate records.
3555.204 outlines security requirements which require:

• a recorded security document at loan closing,
• evidence there are no prior liens, but junior liens are allowed if they do not affect the lender from properly servicing/foreclosing on the property,
• All property improvements are complete and do not encroach on the adjoining property (some flexibilities apply for encroachments in the technical handbook which do not affect the subject collateral), and
• All collateral that secures the loan is fully protected.
3555.206 outlines special requirements for properties located on a community land trust. These are eligible when USDA reviews and accepts any restrictions that may be imposed by the community. The restrictions should not prohibit the lender from properly servicing the loan or pursuing foreclosure if applicable.

The organization must meet the definition of a community land trust under the Housing Act of 1949. The lender must retain evidence to support the requirements of the section.
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. Ownership requirements guidance is located in Chapters 13 and 16.
This screen shot displays the Table of Contents of Chapter 13. This helps the user to locate specific topics more quickly.
This screen shot displays the Table of Contents of Chapter 16.
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.
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!
Ownership requirements

After the loan is closed, the borrower must have an acceptable ownership interest in the property.

A. TRUE    B. FALSE

Read the question on the slide and select a response.
Ownership requirements
ANSWER: 3555.203, HB 16.11 B

A. TRUE

Lender must ensure:
• acceptable ownership interest in the property
• clean and marketable title
• First lien position

True
It is the lender’s responsibility to ensure:
• There is an acceptable ownership interest in the property,
• The title is clean and marketable, and
• A first lien position is secured.
Ownership requirements

Leaseholds must have an unexpired term of at least ____ years from the date of loan closing for properties that are not located on American Indian restricted land.

A. 25     B. 45

Read the question on the slide and select a response.
Ownership requirements
ANSWER: 3555.203(b)(3), HB 13.4 B
B. 45

- Properties on American Indian restricted land must have an unexpired term equal to the loan term
- Those with 25 year terms that are renewable for an additional 25 years or longer terms are also acceptable

Response B: 45 years
Properties located on American Indian restricted land must have an unexpired term equal to the loan term, which at this time would be a minimum of 30 years.

American Indian restricted land properties that have a 25 year term but may be renewed for an additional 25 years are also eligible.
Ownership requirements

Leaseholds must have a mortgage that covers both the property improvements and the leasehold interest in the land.

A. TRUE  B. FALSE

Read the question on the slide and select a response.
True
The lender must secure all property improvements with the collateral. The lease must also be recorded in the appropriate real estate records.
Ownership requirements

A community land trust is not required to terminate upon foreclosure or lender acceptance of a deed in lieu.

A. TRUE  B. FALSE

Read the question on the slide and select a response.
Ownership requirements

**ANSWER: 3555.206, HB 13.3 B**

B. FALSE

- Lender rights and lien position must be protected
- All applicable restrictions within the community land trust must terminate

False
The lender rights and lien position must be protected in the event of a foreclosure. All applicable restrictions included within the community land trust must terminate.
Ownership requirements

A first right of refusal is allowed under a community land trust.

A. TRUE       B. FALSE

Read the question on the slide and select a response.
Ownership requirements

ANSWER: 3555.206, HB 13.3 D

A. TRUE

- Rights must be held by government body or eligible non-profit
- Rights must be exercised within 45 days of notice of sale
- Option price must allow borrowers to recoup initial investment plus reasonable appreciation

True
The rights must be held by a government body or eligible nonprofit. These rights must be exercised within 45 days of the notice of the sale. The option price offered by the community land trust but allow the borrower to recoup their initial investment plus reasonable appreciation.
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!