Site Standards
Well and Septic

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

• Final Rule Effective: March 9, 2016
• Eight Subparts: A – H
• Appendix 1
7 CFR Part 3555

7 CFR Part 3555
Subpart E: Underwriting the Property

• .201: Site requirements
• .202: Dwelling requirements
• .203: Ownership requirements
• .204: Security requirements
• .205: Special requirements for condominiums
• .206: Special requirements for community land trusts
• .207: Special requirements for Planned Unit Developments (PUD’s)
• .208: Special requirements for manufactured homes
• .209: Rural Energy Plus loans

7 CFR Part 3555: 3555.201

3555.201 Site requirements.
   (a) Rural areas.
   (b) Site standards.
7 CFR Part 3555: 3555.201

(b) Site standards. Sites must be modest and developed in accordance with any standards imposed by a State or local government and must meet all of the following requirements:

1. The site size must be typical for the area.

2. The site must not include income-producing land or buildings to be used principally for income-producing purposes. Vacant land without eligible residential improvements, or property used primarily for agriculture, farming or commercial enterprise is ineligible for a loan guarantee.

3. The site must be contiguous to and have direct access from a street, road, or driveway. Streets and roads must be hard surfaced or all weather surfaced and legally enforceable easements must be in place to ensure that needed maintenance will be provided.

4. The site must be supported by adequate utilities and water and wastewater disposal systems. Certain water and wastewater systems that are privately-owned may be acceptable if the lender determines that the systems are adequate, safe, compliant with applicable codes and requirements, and the cost or inability to connect to a public or community system is not unreasonable. Certain community-owned water and wastewater systems may be acceptable if the lender determines that the systems are acceptable, safe, and compliant with applicable codes and requirements. The Agency may require inspections on individual, central, or privately-owned and operated water or waste systems.
HB-1-3555: Chapter 12

12.4 SITE REQUIREMENTS

SECTION 2: APPRAISALS

12.3 RESIDENTIAL APPRAISAL REPORTS
A. Qualified Appraiser
B. Appraisal Report
C. Agency Review
D. State Director Responsibilities
E. Types of Agency Reviews
F. Appraisals in Remote Rural Areas, On Tribal Lands Or in Areas Lacking Market Activity

12.6 WATER AND WASTEWATER DISPOSAL SYSTEMS
A. Water
B. Wastewater

12.7 STREET ACCESS AND ROAD MAINTENANCE
A. Access
B. Maintenance
TIPS

- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research 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.
- (iii) Any earned income tax credit.
- (iv) Adoption assistance in excess of any amount determined
  pursuant to HUD’s definition of annual income in 24 CFR
  5.09(b).

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
Site requirements

- Subject property has 11 acres, non-income producing
- Comparable properties have 12, 8, and 13 acres
- Site is typical for the area

A. TRUE    B. FALSE
Site requirements

**ANSWER:** 3555.201(b) and HB 12.4

B. TRUE

- There is no maximum acreage limitation
- Site must not be income producing (gardens are allowed)
- Appraisal supports site as typical for the area
- Property must be predominately residential in use, design, and character

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Site requirements

- Dwelling has a private well and septic
- Distance between them meets county code
- Distances between them does not meet current HUD Handbook requirements
- Dwelling is eligible for a guaranteed loan

A. TRUE  B. FALSE
Site requirements
ANSWER: 3555.201(b) and HB 12.6 A 1

A. TRUE

- Well and septic distances must meet current HUD Handbook requirements or state/county requirements

Site requirements

- Dwelling has a private well
- Water inspection cannot exceed ____ days at the time of loan closing

A. 90    B. 120
Site requirements

ANSWER: 3555.201(b) and HB 12.A 1

B. 120

- Well and/or septic inspections (as applicable) are valid for 120 days
- Required inspections must be valid at the time of loan closing
- If known environmental issues occur prior to loan closing (chemical spill, flood, etc.) a new water test should be obtained to ensure occupant safety

Site requirements

- Dwelling has a private road
- A permanent recorded easement is required

A. TRUE  B. FALSE
Site requirements

ANSWER: 3555.201(b) and HB 12.7 A

A. TRUE

• Lender retains easement in file
• Road maintenance agreement is not required

Site requirements

The dwelling below is residential in use, design, and character.

A. TRUE      B. FALSE
Site requirements

ANSWER: 3555.201(b) and HB 12.4

B. FALSE

The dwelling would be ineligible due to:
• Active crop production (more than a garden)
• Multiple farm service buildings are present

Site requirements

The dwelling below is residential in use, design, and character.

A. TRUE       B. FALSE
Site requirements

ANSWER: 3555.201(b) and HB 12.4

A. TRUE

- SFH dwelling that is residential in design, use and character
- No crops/land used for agricultural commodities
- Storage buildings/workshops are acceptable

Site requirements

The dwelling below is residential in use, design, and character.

A. TRUE  B. FALSE
Site requirements
ANSWER: 3555.201(b)(2) and HB 12.4
B. FALSE

The dwelling is ineligible due to:
- Mixed use dwelling: SFH and business
- Clearly a business due to storefront and signage

Site requirements
The buildings below will render a SFH dwelling ineligible.
A. TRUE   B. FALSE
Site requirements

ANSWER: 3555.201(b)(2) and HB 12.4

B. FALSE

- Residences are allowed to have garages, storage buildings, non-commercial workshops, etc.
- The presence of these buildings does not indicate the property is ineligible

Site requirements

- Applicants have a few horses for their own pleasure
- They wish to purchase a SFH dwelling with this building
- The property is eligible

A. TRUE    B. FALSE
Site requirements
ANSWER: 3555.201(b)(2) and HB 12.4
A. TRUE

- Homeowners are allowed to have horses
- The building is not a business/income producing

Site requirements
- SFH dwelling includes pond and 5 acres of wooded land
- The site exceeds 2 acres, therefore it is ineligible
  A. TRUE   B. FALSE
Site requirements

ANSWER: 3555.201(b)(1) and HB 12.4

B. FALSE

- There is no maximum acreage limit
- Land cannot be income producing
- Appraisal must support the property is typical for the area through comparable selections and report narrative if applicable

Site requirements

- SFH dwelling has a private shared well
- The shared well serves two households
- The shared well is eligible

A. TRUE     B. FALSE
Site requirements

ANSWER: 3555.201(b)(4) and HB 12.6 A 2

A. TRUE

- Shared wells are limited to four households
- Recorded agreement/easement is required to allow for maintenance and access
- Shut off valve for each home is required

Site requirements

- SFH dwelling has a well
- The well has a water purification unit
- Acceptable water test is documented by lender
- The well is acceptable

A. TRUE    B. FALSE
Site requirements

ANSWER: 3555.201(b)(4) and HB 12.6 A

A. TRUE

- Water purification units are acceptable
- Units must meet state/county codes or requirements
- Acceptable water test retained in lender’s file
Regulations

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