



Site Standards
Well and Septic

**Single Family Housing Guaranteed
Loan Program**

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Training Objectives

- Where is the topic located?
 - * 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

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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.

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Guaranteed Loan Program Regulation

7 CFR Part 3555

- Final Rule Effective: March 9, 2016
- Eight Subparts: A – H
- Appendix 1

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7 CFR Part 3555

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7 CFR Part 3555

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Handbooks

- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook
- HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
- HB-4-3555 SFH Guaranteed Loan Program Technical Handbook**
- HB-1-3560 MFH Loan Origination Handbook
- HB-2-3560 MFH Asset Management Handbook
- HB-3-3560 MFH Project Servicing Handbook
- HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook
- Application Information Systems Support Handbook
- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-4-3555 SFH Guaranteed Loan Program Technical Handbook

Table of Contents

- Chapter 1 - Overview
- Chapter 2 - Record Retention
- Chapter 3 - Lender Approval
- Chapter 4 - Lender Responsibilities
- Chapter 5 - Origination and Underwriting Overview
- Chapter 6 - Loan Purposes
- Chapter 7 - Loan Terms and Conditions
- Chapter 8 - Applicant Characteristics
- Chapter 9 - Income Analysis
- Chapter 10 - Credit Analysis
- Chapter 11 - Ratio Analysis
- Chapter 12 - Property and Appraisal Requirements
- Chapter 13 - Special Property Types
- Chapter 14 - Funding Priorities
- Chapter 15 - Submitting the Application Package
- Chapter 16 - Closing the Loan and Requesting the Guarantee
- Chapter 17 - Regular Servicing-Performing Loans
- Chapter 18 - Servicing Non-Performing Loans - Accounts with Repayment Problems
- Chapter 19 - Custodial and Real Estate Owned Property
- Chapter 20 - Loss Claims - Collecting on the Guarantee

Acronyms

Glossary

- Appendix 1 - 7 CFR part 3555
- Appendix 2 - Forms and Instructions
- Appendix 3 - Review and Appeals
- Appendix 4 - Agency and Employee Addresses
- Appendix 5 - Income Limits
- Appendix 6 - Interest Assistance
- Appendix 7 - Calvis Access Instructions
- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements

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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

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7 CFR Part 3555: 3555.201

3555.201 Site requirements.

- (a) Rural areas.
- (b) Site standards.

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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 arrangements 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 feasibility to connect to a public or community system is not reasonable. Certain community-owned water and wastewater systems may be acceptable if the lender determines that the systems are adequate, safe, and compliance with applicable codes and requirements. The Agency may require inspections on individual, central, or privately-owned and operated water or waste systems.

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**Guaranteed Loan Program Technical Handbook
HB-1-3555**

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters

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HB-1-3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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HB-1-3555: Chapter 12

12.4 SITE REQUIREMENTS

SECTION 2: APPRAISALS

12.5 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

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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.

(vii) Any earned income tax credit;

(viii) **Adoption** assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c);



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7 CFR PART 3555 / HB-1-3555 LEARNING CHECKS

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Question Slide

“Topic”

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

TRUE/FALSE or other answer options will be displayed

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ANSWER SLIDE

“Topic”

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided

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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

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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

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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

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Site requirements

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

A. 90 B. 120

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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

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Site requirements

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

A. TRUE B. FALSE

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Site requirements

ANSWER: 3555.201(b) and HB 12.7 A

A. TRUE

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

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Site requirements

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

A. TRUE B. FALSE



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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

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Site requirements

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

A. TRUE B. FALSE



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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

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Site requirements

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

A. TRUE B. FALSE



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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

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Site requirements

The buildings below will render a SFH dwelling ineligible.

A. TRUE B. FALSE



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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

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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



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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

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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



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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

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Site requirements

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

A. TRUE B. FALSE

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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

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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

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Site requirements

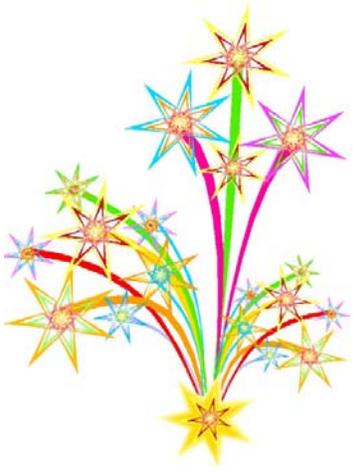
ANSWER: 3555.201(b)(4) and HB 12.6 A

A. TRUE

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

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WAY TO GO!

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