

January 4, 2016

TO: State Directors  
Rural Development

ATTENTION: Program Directors  
Single Family Housing

FROM: Tony Hernandez /s/ *Tony Hernandez*  
Administrator  
Housing and Community Facility Programs

SUBJECT: Temporary Authorizations for Fiscal Year 2016  
Single Family Housing Direct Programs

**PURPOSE:**

To promote full utilization of Single Family Housing (SFH) direct loan funds in Fiscal Year 2016, this memorandum extends temporary authorizations related to loan processing.

**The temporary authorizations described in this memorandum are effective as of the date of this memorandum and expire on September 30, 2016.**

**BACKGROUND:**

As plainly and pointedly stated on the White House website, the Federal Government has a fundamental responsibility to be effective stewards of the taxpayers' money. For the SFH direct programs, this means responsibly, effectively, and fully utilizing funds appropriated by Congress to address the housing needs of very low- and low-income persons in rural areas.

Having an adequate supply of program eligible applicants, and processing applications in a timely manner, is critical to the advancement of this stewardship as is collecting, entering, and maintaining the most complete and accurate application data in the programs' loan origination system.

**EXPIRATION DATE:**  
September 30, 2016

**FILING INSTRUCTIONS:**  
Housing Programs

**IMPLEMENTATION RESPONSIBILITIES:**

To create and/or advance funding opportunities, the following temporary authorizations are available through September 30, 2016.

**Temporary Authorization: Obligation Subject to Appraisal**

Loan Approval Officials are authorized to approve and obligate SFH 502/504 direct loans subject to the receipt of an acceptable appraisal **provided the appraisal is completed within 30 days from the obligation date**. When using this authorization, the Loan Approval Official must check the applicable box on page 3 of Form RD 3550-7, "Funding Commitment and Notification of Loan Closing," that indicates the commitment is contingent upon receiving an acceptable appraisal which meets the requirements of 7 CFR Part 3550 § 3550.62.

All loans obligated under this authorization must be for allowable loan purposes and the applicants must meet all eligibility criteria. Before closing the loan, the appraisal will need to be obtained and reviewed by the field staff in the manner prescribed in Handbook-1-3550, Paragraph 5.21, Reviewing Appraisals.

**Funds must be cancelled in a timely manner whenever a transaction falls through for whatever reason.**

State Offices are responsible for reviewing accounts where the timeframe has exceeded 30 days and determining if funds should be cancelled. To assist in this process, the Obligation Subject to Appraisal report is posted to SharePoint the first week of each month. The report can be accessed at the following path:

[Single Family Housing > Single Family Housing Information > Direct Program Information > Reports > Obligation\\_Subj\\_to\\_Apprsl](#)

As a supplemental reminder, Handbook-1-3550, Attachment 8-B, Unliquidated Obligation Review, remains in effect and the Data Warehouse Information System (Hyperion) report for Undisbursed Obligations is available and updated nightly. This report provides state specific information for 502/504 obligations by office summary or account detail (greater than 180 days, and less than or equal to 180 days). Access this report folder through <https://rddw.sc.egov.usda.gov/>:

[Root > Single Family Housing \(rddw\) > SFH Direct > Loan Making > Obligations > Undisbursed Obligations](#)

**Temporary Authorization: Section 502 Refinancing**

To promote refinancing opportunities this fiscal year, the Agency will temporarily remove the following refinancing restrictions and allow refinancing even if the non-Agency loan was made under the following circumstances outlined in Handbook-1-3550, Paragraphs 6.5 B.1. and 2., Refinancing Non-Agency Debt:

- An increase in the interest rates or change in repayment terms for adjustable rate loans, interest-only loans, short-term rate locks and other forms of specialty lending are not considered to be beyond the borrower's control.
- The primary debt to be refinanced must have been made at rates and terms that were customary for long-term residential financing in the area at the time the debt was incurred.
- Periodic changes in the repayment terms of a loan should not be the focal point for consideration of the need to refinance.

All other refinancing stipulations outlined in Handbook-1-3550 and 7 CFR 3550 must be met.

**Temporary Authorization: Section 502 New Rates and Terms Assumptions**

A transaction that would typically be processed as new rates and terms assumption as prescribed in Handbook-1-3550 should be processed as an initial loan for the remainder of this fiscal year.

For any questions regarding this memorandum, please contact the SFH Direct Loan Division at [Scott.nista@wdc.usda.gov](mailto:Scott.nista@wdc.usda.gov).