

UNNUMBERED LETTERS ISSUED FOR THE SEPTEMBER OF 2015

Dated	Subject	Distribution
09-02-15	Intermediary Relending Program Unemployment Rate	S/D
09-14-15	Requiring a Whole House Inspection on an Existing Dwelling Section 502 Direct Loan Program	S/D
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09-18-15	Interest Rate Changes for Water and Waste Loans	S/D
09-29-15	Interest Rate Changes for Community Facilities Programs	S/D

September 2, 2015

TO: State Directors, Rural Development  
ATTN: Business Programs Directors  
SUBJECT: Intermediary Relending Program  
Unemployment Rate

RD Instruction 4274-D, section 4274.344(c)(2)(iii), provides for priority points for Intermediary Relending Program applications based on unemployment rates. The overall national unemployment rate for July 2015 was 5.3 percent. This unemployment rate will be used to compute the unemployment rate points until updated by the National Office. This supersedes the figure announced in an unnumbered letter issued on August 28, 2014.

/s/ **SAMUEL H. RIKKERS**

SAMUEL H. RIKKERS  
Acting Administrator  
Rural Business - Cooperative Service

EXPIRATION DATE:  
September 30, 2016

FILING INSTRUCTIONS:  
Community/Business Programs

September 14, 2015

TO: State Directors  
Rural Development

ATTN: Program Directors  
Single Family Housing

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

SUBJECT: Requiring a Whole House Inspection on an Existing Dwelling  
Section 502 Direct Loan Program

**PURPOSE:**

The purpose of this memorandum is to require an applicant to obtain a whole house inspection when requesting financing to purchase an existing dwelling in lieu of obtaining separate inspections on the dwelling's major systems.

**BACKGROUND:**

The use of a whole house inspection is typical in the home buying process for the benefits it provides the home buyer. Through this service:

- A certified and/or licensed professional identifies problems with the condition of the dwelling.
- The buyer is in a better position to negotiate with the seller on the terms of the purchase.
- The buyer is more informed and confident in their home buying decision.

EXPIRATION DATE:  
September 30, 2016

FILING INSTRUCTIONS  
Housing Programs

## **IMPLEMENTATION RESPONSIBILITIES:**

### **The following implementation responsibilities will go into effect on October 1, 2015.**

Applications received on or after the effective date are subject to the requirements contained within. Applications received prior to the effective date are also subject to the requirements contained within provided that on the effective date the seven items outlined in Handbook-1-3550, Paragraph 3.7 A have yet to be provided and the disclosures have yet to be issued.

### **Processing Sequence**

With the effective date, Loan Originators are to inform applicants wishing to purchase an existing dwelling about the whole house inspection requirement. Ideally, this requirement should be relayed to the applicant prior to them submitting a purchase agreement so that they can possibly negotiate with the seller on matters related to the cost of the inspection and contingencies resulting from the inspection findings. Applicants should also be informed that:

- The whole house inspection, which they should attend, will help them be an informed home buyer and will be used to determine if the property meets the program's minimum property standards. It should be made clear to them that if problems with the home should arise after loan closing, they are liable as the homeowner.
- The cost of the inspection can be included in the loan provided they have repayment ability for the amount and the appraisal allows it.
- Should the purchase agreement fall through for whatever reason, they will remain responsible for paying the inspection fee unless the seller agreed to cover the expense.

After the applicant submits a purchase agreement and prior to having the applicant hire a whole house inspector, Loan Originators should perform an appropriate level of review to ensure that the dwelling appears to meet the program's property requirements. They should thoroughly review the purchase agreement and related materials such as the property's Multiple Listing Service sheet, tax bills, etc. They should also ensure that the dwelling is located in an eligible area and is no more than 1,800 square feet (unless an exception through the State Director was granted).

A copy of the entire whole house inspection report must be provided to the Agency. The Agency will thoroughly review the report, determine any needed repairs, and then one of the following actions:

- Deny the loan request if the subject property is not decent, safe, and sanitary; and using loan funds to make the property program eligible is not reasonable or feasible.
- Order the as-is or as-improved appraisal, whichever is applicable.

### **Whole House Inspection**

According to Handbook-1-3550, Paragraph 5.7 A:

*Existing dwellings must be structurally sound and functionally adequate, and be in good repair or be placed in good repair with loan funds.*

*To verify that all major systems are adequate, the applicant must engage the services of State-licensed inspectors to inspect and certify that the dwelling meets the Agency's standards with respect to: (1) termites and other pests; (2) plumbing, water and sewage; (3) heating and cooling; (4) electrical systems; and (5) structural soundness. When a State does not license inspectors, a qualified, independent, third-party inspector may provide these certifications. Though not required, inspectors may use Attachments 5-A and 5-B as guides when completing their inspection reports.*

A whole house inspection must cover all of these items with perhaps the exception of the termite inspection. Given certain state laws and/or the service provided by the whole house inspector, the termite inspection may need to be separate and performed by another party. If a state's probability of termite infestation is slight to none, and state law does not require one, a State Office may clear through the National Headquarters a state supplement. The supplement removes the need for a termite inspection provided a dwelling shows no signs of active infestation.

To advocate high standards of practice among home inspectors, many states have licensing requirements and/or many home inspectors are members of professional home inspector associations such as the American Society of Home Inspectors, the International Association of Certified Home Inspectors, and the Independent Home Inspectors of North America.

The inspection report must be a comprehensive document that meets the minimum standards of the professional home inspector associations.

### **Settlement Service Providers and Mortgage Loan Application Related Disclosures**

While the Field Office will provide a list of home inspectors on Attachment 3-I, the applicant can shop around and chose a home inspector that is not on the list provided the home inspector has the proper credentials.

Questions regarding this memorandum should be directed to Christopher Ketner of the Single Family Housing Direct Loan Division at (202) 690-1530.

Sent by Electronic Mail on September 15, 2015, at 1:40 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

September 15, 2015

TO: State Directors  
Rural Development

ATTN: Program Directors  
Single Family Housing

FROM: Tony Hernandez /s/ *Tony Hernandez*  
Administrator  
Housing and Community Facilities

SUBJECT: Dedicated Loan Origination System (DLOS)  
Annual Access Review

**Certification of completion is required within 45 calendar days from the date of this memorandum.**

**PURPOSE:**

This memorandum initiates the DLOS Annual Access Review for Fiscal Year 2015.

**BACKGROUND:**

To help effectively monitor DLOS access, Single Family Housing Program Directors are required to complete an annual review of DLOS user access within their respective state. The purpose of this review is to make sure user access is compliant with a “Least Privileged” state and ensure adequate separation of duties.

EXPIRATION DATE:  
October 31, 2015

FILING INSTRUCTIONS:  
Housing Programs

**IMPLEMENTATION RESPONSIBILITIES:**

Similar to last year's review, the Information Systems Security Staff (ISSS) user access verification reports will be used. Program Directors should ask their state's ISSS Point of Contact (POC) for a copy of their most recent state report. On the ISSS user access verification reports, Program Directors should refer to the sections that provide information on MortgageServ and UniFi user access. If a change is needed to a user's access, the Program Director should submit the request through their ISSS POC.

Once the review is complete, the Program Director must also complete a brief SharePoint survey. The survey, which is available at the link below, will serve as the certification of completion.

[https://ems-team.usda.gov/sites/RD\\_HCFP/sfh/Lists/DLOS%20Annual%20Access%20Review/overview.aspx](https://ems-team.usda.gov/sites/RD_HCFP/sfh/Lists/DLOS%20Annual%20Access%20Review/overview.aspx)

If the Program Director already thoroughly reviewed DLOS accesses as part of their ISSS POC's review of the subject reports (as directed in ISSS POC Bulletin LAC 15-14), they just need to complete the above survey.

If you have questions regarding this memorandum, please contact Scott Nista of the Single Family Housing Direct Loan Division at [scott.nista@usda.gov](mailto:scott.nista@usda.gov).

Sent by Electronic Mail on September 15, 2015, at 2:05 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.

September 15, 2015

TO: State Directors

ATTN: Area Directors  
Area Specialist  
Rural Housing Program Directors

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

SUBJECT: Interest Rate Changes for Housing Programs  
and Credit Sales (Nonprogram)

The following interest rates, effective October 1, 2015, are reported as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
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**ALL LOAN TYPES**

Treasury Judgment Rate	0.330%	0.360%
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The new rate shown above is as of the week ending August 28, 2015. The actual judgment rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield \*

**RURAL HOUSING LOANS**

Rural Housing (RH) 502 Very-Low or Low	3.250%	3.250%
Single Family Housing (SFH) Nonprogram	3.750%	3.750%
Rural Housing Site (RH-524), Non-Self-Help	3.250%	3.250%
Rural Rental Housing and Rural Cooperative Housing	3.250%	3.250%

Please notify appropriate personnel of these rates.

\* ([http://www.federalreserve.gov/releases/h15/data/Weekly\\_Friday\\_H15\\_TCMNOM\\_Y1.txt](http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_H15_TCMNOM_Y1.txt)).

EXPIRATION DATE:  
October 31, 2015

FILING INSTRUCTIONS:  
Administrative/Other Programs



September 16, 2015

TO: State Director

ATTN: Area Specialist  
Business Program Directors

FROM: Sam Ridders /s/ *Sam Ridders*  
Acting Administrator  
Rural Business-Cooperative Service

SUBJECT: Interest Rate Changes for Business and Industry Loans

The following interest rate is in effect October 1, 2015, through December 31, 2015.

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
Direct Business and Industry	3.250%	3.250%

Please notify appropriate personnel of this rate.

EXPIRATION DATE:  
December 31, 2015

FILING INSTRUCTIONS:  
Administrative/Other Programs

September 18, 2015

TO: State Directors

ATTN: Area Directors  
Area Specialist  
Utilities Program Directors

FROM: Brandon McBride /s/ **Brandon McBride**  
Administrator  
Rural Utilities Service

SUBJECT: Interest Rate Changes for Water and Waste Loans

Language in the Consolidated Farm and Rural Development Act requires that the poverty rate and the intermediate rate be determined based on the approval date of the loan. For those loans approved on or after May 23, 2008, the poverty rate will be set at 60 percent of the market rate and the intermediate rate set at 80 percent of the market rate, adjusted to the nearest one-eighth of one percent. Following are the new interest rates for water and waste disposal loans approved on or after May 23, 2008:

Poverty Line.....decreased to.....2.000%  
Intermediate.....decreased to.....2.625%  
Market .....decreased to.....3.250%

For loans approved but not closed on or before May 22, 2008, the poverty rate will remain fixed at 4.500 percent and the intermediate rate will continue to be set at one-half of the difference between the poverty line rate and the market rate. Following are the new interest rates for water and waste disposal loans approved on or before May 22, 2008:

Poverty Line..... unchanged at .....4.500%  
Intermediate..... decreased to .....3.875%  
Market..... decreased to.....3.250%

Due to the inversion of the rates, all loans may be obligated at the lower market rate for this quarter. These rates will be effective from October 1, 2015, through December 31, 2015.

EXPIRATION DATE:  
December 31, 2015

FILING INSTRUCTIONS:  
Administrative/Other Programs

Interest Rate Changes for Water  
And Waste Loans

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Also, the rate for watershed protection and flood prevention loans and resource conservation and development loans is as follows:

CURRENT RATE	NEW RATE
3.625%	3.250%

Please notify appropriate personnel of these rates

Sent be electronic mail 09-21-15 at 9:45 am by Credit Reform Staff. State Director should advise other personnel as appropriate.

September 29, 2015

TO: State Directors

ATTN: Area Directors  
Area Specialist  
Community Facilities Program Directors

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

SUBJECT: Interest Rate Changes for Community  
Facilities Programs

Effective from October 1, 2015, through December 31, 2015, the interest rates for direct community facility loans are as follows:

Poverty Line.....unchanged at.....4.500%  
Intermediate..... decreased to.....3.875%  
Market..... decreased to.....3.250%

Please notify appropriate personnel of these rates.

EXPIRATION DATE:  
December 31, 2015

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail 09-29-15 at 10:45 am by Credit Reform Staff. State Director should advise other personnel as appropriate.