



New Lender Training – Part 4

Single Family Housing Guaranteed Loan Program



Rural Development
U.S. DEPARTMENT OF AGRICULTURE

03/2025



AGENDA

PART 1

- 1 Program Highlights
- 2 Loan Purposes and Terms
- 3 Applicant Characteristics

PART 2

- Annual, Adjusted Annual, and Repayment Income
- Calculating Income from Assets
- Income Verification and Documentation Requirements

PART 3

- 7 Credit Analysis
- 8 Ratio Analysis

PART 4

- 9 Property Requirements
- 10 New Construction & Manufactured Housing

PART 5

- 11 Loan Submission Process & GUS Overview
- 12 Lender Toolkit



Property Requirements



Expand Your Market




More than

92%

US Landmass
is Eligible!

Property Eligibility: USDA Eligibility Site

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

**USDA**
United States Department of Agriculture
Rural Development



ELIGIB

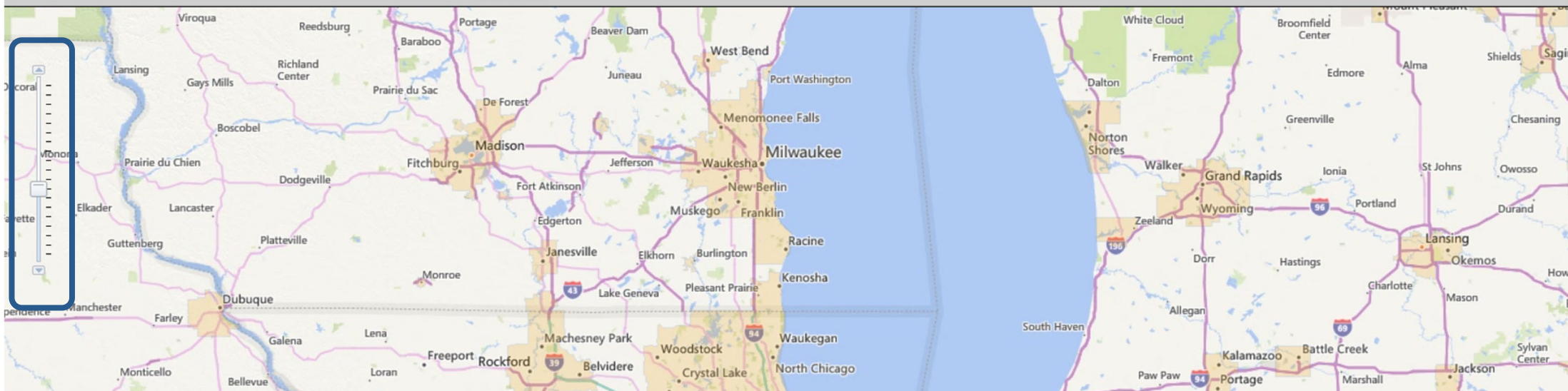
[Home](#) [Tutorials](#)

[Single Family Housing Guaranteed](#) [Single Family Housing Direct](#) [Multi-Family Housing](#) [Rural Business](#) [OneRD Guarantee Loan](#) [Water and Environmental Guaranteed \(Part of the OneRD Guarantee Loan Initiative\)](#) [Water and Environmental Direct](#)

[Community Facilities Guaranteed \(Part of the OneRD Guarantee Loan Initiative\)](#)

[Property Eligibility](#) [Previous Eligibility Areas](#) [Income Eligibility](#) [Income Limits](#) [Loan Basics](#)

[GO!](#)  



Property Eligibility: USDA Eligibility Site

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

USDA United States Department of Agriculture Rural Development

Home Tutorials

Single Family Housing Guaranteed Single Family Housing Direct Multi-Family Housing

Property Eligibility Previous Eligibility Areas Income Eligibility Income Limits

5417 Clems Way Stevens Point WI 54482 GO!

5417 Clems Way Stevens Point WI 54482

This address is not located in an eligible area.

USDA United States Department of Agriculture Rural Development

Home Tutorials

Single Family Housing Guaranteed Single Family Housing Direct Multi-Family Housing

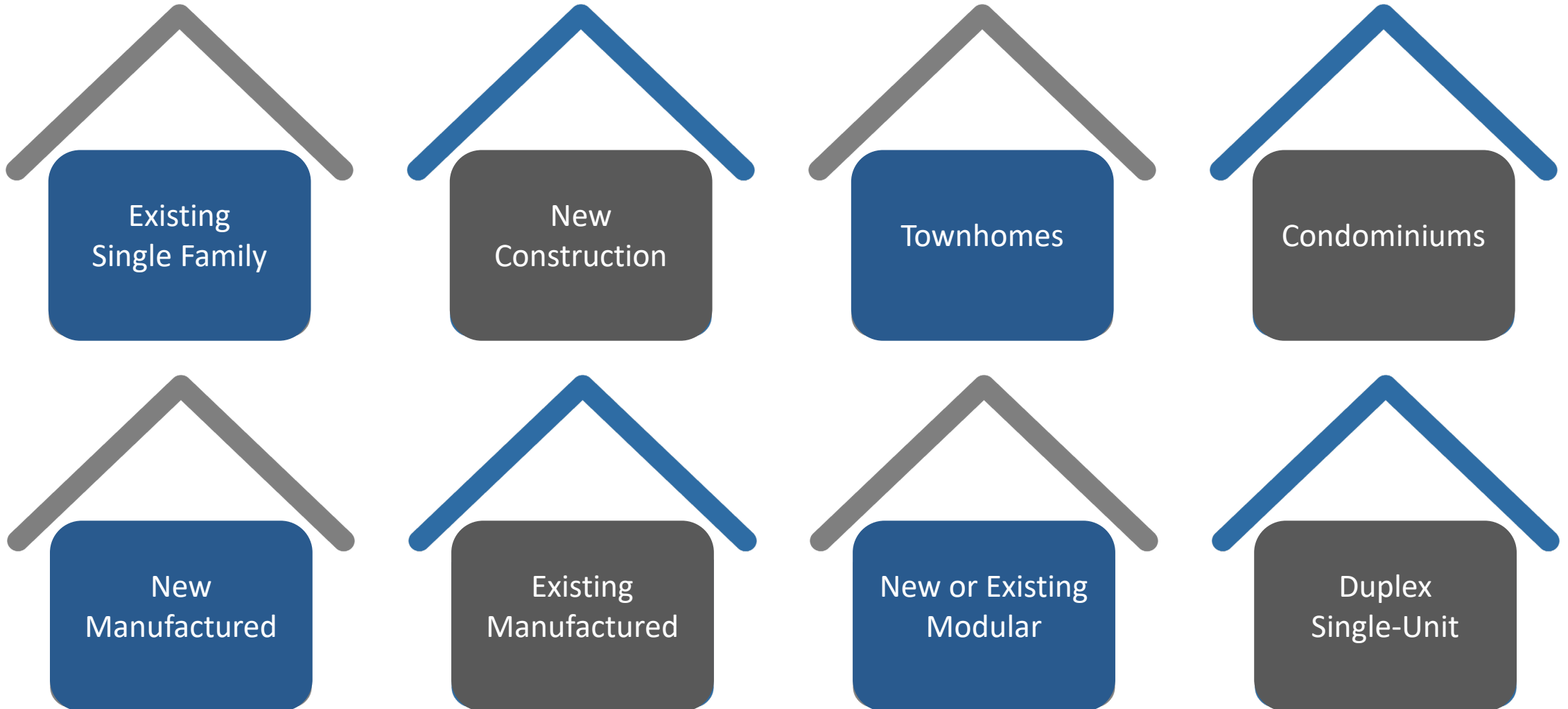
Property Eligibility Previous Eligibility Areas Income Eligibility Income Limits

390 Red Cedar Street Menomonie WI 54751 GO!

390 Red Cedar St Menomonie WI 54751

This address IS located in an eligible area.

Property Eligibility



Property and Site Requirements



Site Size

- No specific limitation to the size/acreage of the site.



Outbuildings and Land

- May be allowed if not principally used for income producing purposes.



Accessory Dwelling Unit

- May be allowed based on appraiser's assessment of the property's best use.



Multiple Parcels

- May be allowed if contiguous, covered by lien in entirety, and only 1 dwelling.

Residential in use, character, and design. Typical for the area.

Site Requirements

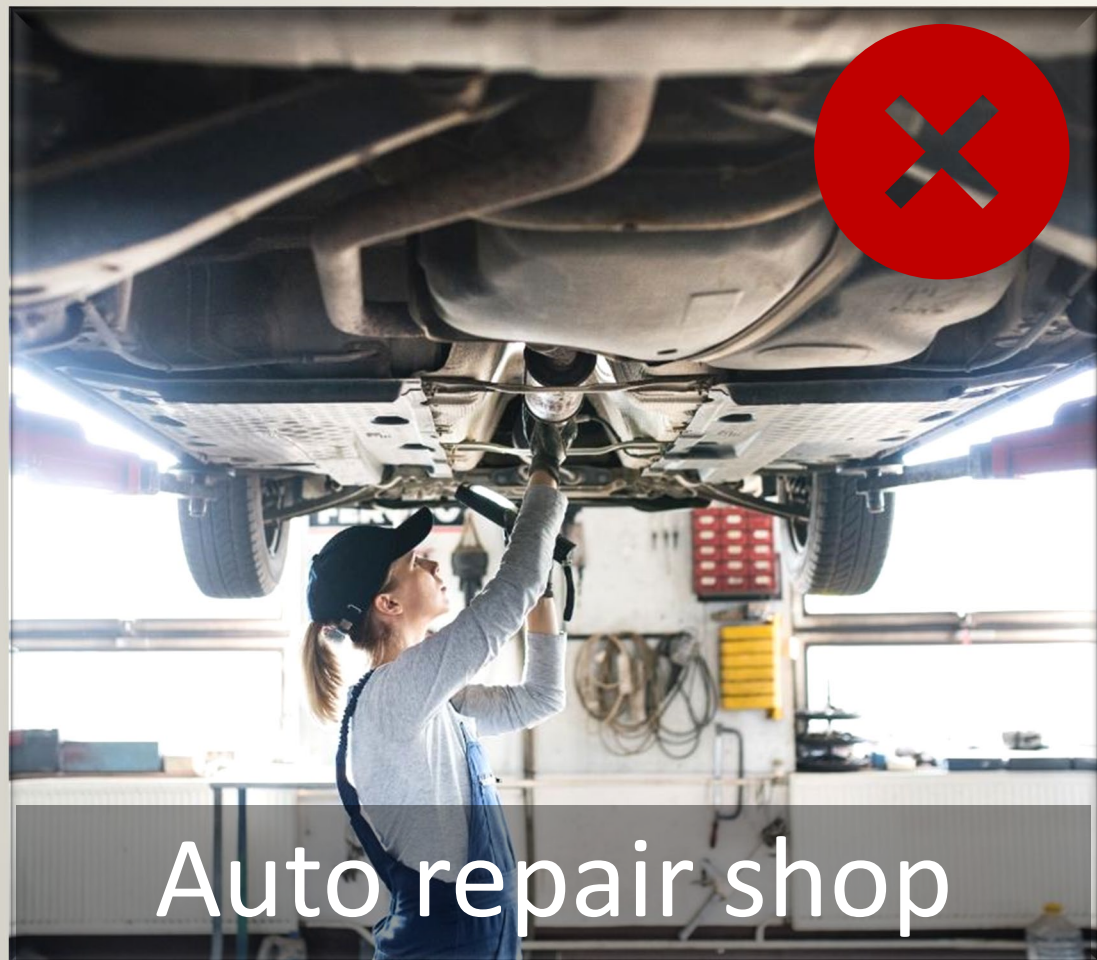


Livestock facilities



Personal use

Site Requirements



Required Inspections for Existing Properties



1 Inspection...That's it!

No additional inspections required by USDA unless required by the lender, appraiser, inspector, or state law.

- Although not required, USDA recommends applicants obtain a full home inspection to protect themselves. This is an eligible loan cost, if supported by the appraised value.
- A safe water test is always required for properties with a private well.

Private Well & Wastewater



Distance between well and septic must meet either the local/state code or HUD Handbook.



The appraiser or lender may require additional inspections.



Septic inspection only needed if observable evidence of failure.



Safe water test always required for private wells. Follow local/state regulations.



See Chapter 12 for additional guidance.



PROPERTY Review

HB-1-3555, Chapter 12

Refer to GUS Findings Report.

Ensure documentation supports underwriting decision.

Incorrect data entries will render the underwriting recommendation as invalid.

HB-1-3555

CHAPTER 12: PROPERTY AND APPRAISAL REQUIREMENTS

12.1 INTRODUCTION

Lenders must ensure the property to be purchased is eligible for the Single Family Housing Guaranteed Loan Program (SFHGLP). The Agency's minimum property requirements serve to protect the borrower's interest, minimize the lender's loss, and reduce the potential risk to the government in the event of liquidation. It is the lender's responsibility to ensure that the property meets the Agency's standards.

SECTION 1: UNDERWRITING THE PROPERTY [7 CFR 3555.201]

12.2 OVERVIEW

The lender must ensure the subject property meets the Agency's site guidelines. In particular, sites must be located in eligible rural areas; meet community standards regarding utilities, including water and wastewater systems; meet street and road access and maintenance requirements; and contain other amenities essential to the continued marketability of the home. This section addresses each of these standards.

12.3 RURAL AREA DESIGNATION [7 CFR 3555.201(a)]

Only loans secured by properties located in areas designated by the Agency as rural are eligible to receive a loan guarantee. This section discusses rural areas designations, how lenders are notified of changes in rural area designations and clarifies rare situations in which loans for properties in areas no longer designated as rural may receive a loan guarantee.

A. Rural Area Definition

An area's rural designation is determined by the Agency and may be changed as a result of periodic review or after the decennial census of population. The Agency conducts reviews every five years to identify areas that no longer qualify as rural. In areas experiencing rapid growth, and in eligible communities within Metropolitan Statistical Areas (MSAs), reviews take place every three years. Public notification will be given at least 30 days before the date of the final determination in order to give interested parties an adequate chance to comment. Refer to section 3550.10 of 7 CFR 3550 and HB-1-3550 Chapter 5, for additional information regarding rural area designations.



New Construction

- Permanent Financing – End Loan
- Single Close Construction



New Construction

Permanent Financing – End Loan & ‘Spec’ Homes



Home must be designed and constructed according to approved plans and specifications.

Lender's file must include evidence of the following:

- Certified plans and specifications
- Required construction inspections
- Thermal standards are met

Certifications can be provided by qualified individuals or experienced organizations.

Refer to HB-1-3555, Chapter 12 for detailed information on new construction loans.

What documentation is required?

New Construction – Stick Built Homes

Documentation Requirements

Evidence of Certified Plans and Specs	Evidence of Construction Inspections	Evidence of Thermal Standards
<u>OPTION 1</u> Copy of the certification from a qualified individual or organization that the reviewed documents comply with applicable development standards; <u>OR</u>	<u>OPTION 1</u> Certificate of Occupancy issued by a local jurisdiction showing that it has performed at least the 3 construction phase inspections, as identified in Section 12.9(B), and an acceptable 1 year builder warranty; <u>OR</u>	<u>OPTION 1</u> A qualified, registered architect or a qualified, registered engineer may certify confirmation with IECC standards; <u>OR</u>
<u>OPTION 2</u> Certificate of Occupancy issued by a local jurisdiction; <u>OR</u>	<u>OPTION 2</u> Three construction phase inspections performed at each of the phases identified in Section 12.9(B), and an acceptable 1 year builder warranty; <u>OR</u>	<u>OPTION 2</u> Builder may certify confirmation with the IECC standards; <u>OR</u>
<u>OPTION 3</u> Building Permit (or equivalent) issued by local jurisdiction.	<u>OPTION 3</u> Final inspection and a 10-year insured builder warranty. Builder backed 2/10 warranty fulfills the 10-year warranty requirement.	<u>OPTION 3</u> The final inspection, or Certificate of Occupancy issued by a local jurisdiction.



Combination Construction to Permanent Loan

aka 'Single Close Construction'



EVERYONE Benefits!

Homebuyer...Makes Building Affordable

- Escrow up to 10% of purchase price, and up to 12-months of loan payments during construction.

Lender...Assumes Less Risk

- Loan Note Guarantee is issued prior to construction and sellable on secondary market.

Realtor...Receives Timely Commission

- Paid at time of closing – prior to construction.

Builder...Keeps Their Capital

- It's not tied up in the project.

Local Economy...Everyone Benefits!

Combination Construction to Permanent Loan

aka 'Single Close Construction'



What are the Lender requirements?

After Obtaining USDA Approval

- Lenders can submit a request for Conditional Commitment, which allows them to self-certify that their staff has at least two years of experience in handling construction loans.
- In lieu of the above, a Lender may employ a construction loan management company with two or more years of experience. Lender confirms eligibility of the company employed.
- Confirm the eligibility of contractors/builders.



Combination Construction to Permanent Loan

aka 'Single Close Construction'



Approve builders

Oversee disbursement of loan proceeds

Monitor the construction of subject property

Obtain documentation confirming construction is complete

Ensure use of fixed price construction contract

What are the Lender responsibilities?

Single Close Rehab and Repair Benefits



100% Financing up to 100% of “as improved” appraised value.



Loan Note Guarantee is issued after closing – before repairs begin.



Purchase Existing while able to customize improvements.



Reduced Risk to Lenders as loans may be sold immediately on secondary market once the LNG is issued.



One Loan Closing with funding for both purchase and eligible rehabilitation.



Real Estate Agent Commission is paid at time of closing – prior to repairs.



Non-Structural

Structural

Finance up to \$35,000 in repairs



COST

Finance over \$35,000 in repairs

Subject to repair type



INSPECTION

Qualified inspector is required

Allowed
Utilities ON: 10%
Utilities OFF: 15%



CONTINGENCY

Allowed
Utilities ON: 10%
Utilities OFF: 15%

Optional



RESERVES

PITI reserves up to 6 mos when dwelling is uninhabitable

READY TO LEARN MORE?

Download our 'Single Close' fact sheet:

<https://www.rd.usda.gov/media/file/download/rd-rhs-sfhgsinglecloselendersbuildersinfo.pdf>



SCAN ME



Combination Construction-to-Permanent (Single Close) Loan Program

Single Family Housing Guaranteed Loan

Single-close loans are another tool Rural Development offers to increase financing opportunities for low- to moderate-income applicants searching for affordable rural housing. Approved lenders and homebuilders participating in the [Single Family Housing Guaranteed Loan Program](#) can use the combination construction-to-permanent loan to close with one signing and receive a loan note guarantee before construction begins.

What are some of the benefits of single close loans?

- **Reduced risk for lenders:** By issuing a loan note guarantee before construction begins, USDA allows lenders the opportunity to immediately package the loan in a mortgage-backed security, or sell it to a participating investor. This decreases new construction lending risks and can lead to quicker revenues.
- **Reduced risk for builders:** Because the loan is guaranteed by USDA and fully funded at closing, homebuilders are not at risk when investing capital in a home construction project.
- **Increased economic activity:** New home construction generates local and regional business for subcontractors, hardware stores, landscapers, utility companies, inspectors, appraisers, and other housing industry suppliers.

How do we get started?

- **Lenders:** To be eligible to participate in the combination construction-to-permanent loan program, a USDA Rural Development approved lender must have two years of experience in originating and administering construction loans.
- **Homebuilders:** USDA approved lenders review homebuilders' qualifications, and determine their eligibility to participate in the single-close program.

Where are these loans available?

- Single-Close Lenders and Builders financing is available in eligible rural areas with populations up to 35,000.

A map of eligible areas is available at this link:

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp>

How can loan funds be used?

Funds can be used to build and purchase single family homes, including eligible manufactured homes and condominiums. This includes purchasing a lot, reasonable construction administrative costs, contingency reserves, inspection fees, builder's risk insurance, landscaping costs, and other authorized items.

What are the loan terms?

Interest rates are fixed at loan closing and before construction begins. The appraised value determines the maximum loan amount. This program allows for two product options:

- Standard, with interest-only payments made during construction
- Securitized, in which full principle, interest, tax, and insurance (PITI) payments are made.

The securitized version does not require a loan modification once the build is completed. This allows the loan to be packaged or sold prior to construction, without a warehouse line of credit provided to the loan originator. Both options allow for payments made during construction to be escrowed from loan funds, and both receive Rural Development's loan note guarantee at signing, before a shovel ever goes into the ground.



Manufactured Housing

- New
- Existing



MANUFACTURED Homes

Brand New



What are the Eligible loan purposes?

Have a site that conforms to state and local standards.

Be a new unit in stock that has never been installed or occupied at any other site or location.

Have a floor area of not less than 400 square feet.

Be placed on a permanent foundation.

Meet or exceed the FMHCSS standards for the geographic area the unit will be placed.



MANUFACTURED Homes

Brand New



The purchase of a unit moved from a site other than a dealer's lot.

Units older than 12 months from date of purchase agreement.

A unit with a tow hitch or running gear remaining.

What are the Ineligible loan purposes?



New Construction – Manufactured Homes Documentation Requirements

Evidence of Certified Plans and Specs	Evidence of Construction Inspections	Evidence of Thermal Standards
<u>OPTION 1</u> Copy of the certification from a qualified individual or organization that the reviewed documents comply with applicable development standards; <u>OR</u>	<u>OPTION 1</u> Certificate of Occupancy issued by a local jurisdiction showing that it has performed at least the footing and final inspections, as identified in Section 12.9(B), and an acceptable 1 year builder warranty; <u>OR</u>	<u>OPTION 1</u> HUD Data Plate confirmation with IECC standards; <u>OR</u>
<u>OPTION 2</u> Certificate of Occupancy issued by a local jurisdiction; <u>OR</u>	<u>OPTION 2</u> Footing and final inspections performed by a qualified inspector as identified in Section 12.9(B), and an acceptable 1 year builder warranty; <u>OR</u>	<u>OPTION 2</u> Builder may certify confirmation with the IECC standards; <u>OR</u>
<u>OPTION 3</u> Building Permit (or equivalent) issued by local jurisdiction.	<u>OPTION 3</u> Final inspection and a 10-year insured builder warranty. Builder backed 2/10 warranty fulfills the 10-year warranty requirement.	<u>OPTION 3</u> The final inspection, or Certificate of Occupancy issued by a local jurisdiction.

EXISTING Manufactured

Effective May 5, 2025!



What are the requirements?

Available in All States!

Age of Unit

Must have a manufacture date that is within 20 years from the date of loan closing.

Safety Standards

Must meet or exceed the Federal Manufactured Home Construction and Safety Standard (FMHCSS).

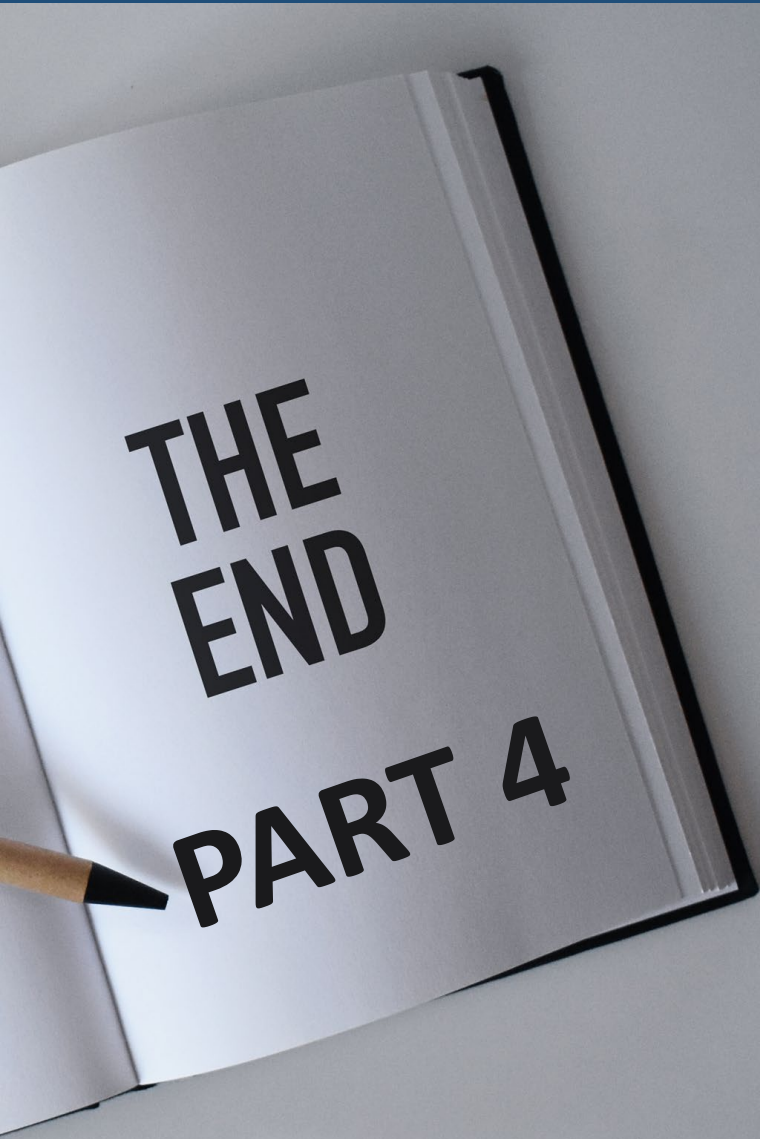
No Alterations or Modifications Except

Porches, decks, or other structures which were built to engineered designs or were approved and inspected by local code officials are acceptable.

Meet all other criteria set forth in 7 CFR Part 3555 and HB-1-3555.



Thank you for completing Part 4.



PART 1

- 1 Program Highlights
- 2 Loan Purposes and Terms
- 3 Applicant Characteristics

PART 2

- 4 Annual, Adjusted Annual, and Repayment Income
- 5 Calculating Income from Assets
- 6 Income Verification and Documentation Requirements

PART 3

- 7 Credit Analysis
- 8 Ratio Analysis

PART 4

- 9 Property Requirements
- 10 New Construction & Manufactured Housing

PART 5

- 11 Loan Submission Process & GUS Overview
- 12 Lender Toolkit



www.rd.usda.gov

USDA is an equal opportunity provider, employer, and lender.

