

## PROCEDURE NOTICE

RD HANDBOOK CHANGES  
INSERT RD HB-1-3550  
(WSAL)

**DIRECT SINGLE FAMILY HOUSING LOANS AND GRANTS - FIELD OFFICE HANDBOOK.** This Handbook is partially revised. The specific revisions are outlined below.

### Chapter 1:

Paragraph 1.2 (C), removed reference to NFAOC in Servicing Office or Servicing Center terminology.

Paragraph 1.5 (A), removed the words 'who cannot afford a loan'.

Paragraph 1.8 Exhibit 1-1, removed reference to Executive Order 11246.

**Chapter 3:** Throughout Chapter 3, replaced terms 'closing' and 'settlement' with the term 'consummation'; and updated 'paystubs' to 'pay stubs' for consistency.

Paragraph 3.3, removed the term 'should' and replaced it with 'must', when referring to the DNP SharePoint site for most current guidance.

Paragraph 3.4 (A), removed the term 'Generally' and revised to clarify that first-time buyers should submit a letter or certificate of completion for an approved homeownership course that is less than two years old from the date of application.

Paragraph 3.4 (B), updated web address for Utah State University's home buyer education course and updated the cost to '\$70'.

Paragraph 3.6 (A), added language to clarify when an application will be considered voluntarily withdrawn. Updated to address requirements when communicating with others when authorized by an applicant.

Paragraph 3.8 (A) (1), clarified guidance on issuing a revised Loan Estimate or Closing Disclosure.

Paragraph 3.9, removed 'The Agency may withdraw the application' and added 'the Agency may consider their application voluntarily withdrawn'. Added the words 'considered voluntarily'.

Paragraph 3.13 (D), added 'considered voluntarily'.

Paragraph 3.14, added the words 'considered voluntarily'.

Exhibit 3-2, added 'the Agency will consider it voluntarily withdrawn'. Removed the term 'application'

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RD HANDBOOK CHANGES  
INSERT RD HB-1-3550 (Con.)Chapter 3:

Attachment 3-A, changed the loan application packaging course requirement from 12 months to 6 months.

Attachment 3-D, added reference to free weekly online credit reports. Clarified a down payment is not typically required if household is under applicable asset thresholds.

**Attachment 3-G:**

- Clarified that complete documentation from the DNP Portal must be kept in ECF.
- For Other Income documentation, added 'Applicants [not required by the IRS to file Federal Income Tax Returns](#) may provide a letter of explanation to that effect for the [applicable year\(s\)](#) for which returns are unavailable. (HB-1, 4.3E)'
- Removed the term 'other' from the Deductions section.
- Removed 'Most recent retirement fund statements covering at least a two-month period' from Assets section.
- Added 'New Construction or Acquisition Rehab' to the Eligibility Processing section.
- Added HB Letter 16-A, and 'HB Letter 16-B (3550) Eligibility of Self-Help Applicants - Owner Occupied Rehab' to Eligibility Processing section.
- Added 'Federal Flood Risk Management (FFRM) Determination for new construction or substantial improvements (see [Direct Training Hub](#) > Environmental Training folder for FFRM training)' to Property Eligibility section.
- Removed 'verify dealer/contractor has been approved' under the New Construction section.
- In Underwriting/Loan Approval section, added the term 'optional' beside Direct-US Findings Report, added 'complete documentation from DNP portal' and applicable HB reference, and added 'UniFi' to screens to be updated before uploading file.
- In Closing section, added 'Assets' to items to be reverified, updated the expiration date of income verification source from 120 days to 60 days, added language 'if Agency is subordinate to..'for Form 1927-8.
- In Post closing section, added 'Update non-construction loans in UniFi 'Stage Updating' Screen to Closed'.

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## RD HANDBOOK CHANGES

## INSERT RD HB-1-3550 (Con.)

**Attachment 3-G:**

- In Construction Contract section, removed '400 Series" (400-1, 400-3, 400-6, and posters), as applicable (HB-1, 5.23)', removed 'Send Exhibit C, RD Instruction 1901-E within 10 days', added 'and post payments in LoanServ' when processing partial draw payments, added website (<https://fiscal.treasury.gov/DNP/>)
- In Post Construction Completion section, added 'post payment in LoanServ for final draw, and 'Update UniFi Stage to Closed'.

**Attachment 3-J**

- Clarified that applications will be considered voluntary withdrawn if missing pieces aren't provided within 15 days of request.
- Added language regarding documentation for T-Nonimmigrant Status.
- Added 'Note: The applicant's name should be included on the memo line for checks from a third party paying the credit report fee.' for Option 2.
- Updated frequency to obtain free credit file disclosure from one every 12 months to one every week.
- Added language 'If you are not required by the IRS to file Federal Income Tax Returns, provide a letter of explanation to that effect for the applicable tax year(s) for which returns are unavailable'.
- Added verbiage on written permission to discuss applications with other parties.

**Chapter 4:** Throughout Chapter 4, replaced the term 'childcare' with 'child care'.

Paragraph 4.3 (A) (1), clarified language on including fringe benefits in annual income.

Paragraph 4.3 (B) (7), removed VISTA payments.

Paragraph 4.3 (E), added verbiage allowing applicants not required to file tax returns to submit a letter of explanation.

Paragraph 4.3 (E), Type of Income chart:

- Added 'via the most recent award or benefit letter from the authorizing agency' to Acceptable Alternative for Regular Unearned Income.
- Child Support Payments - added 'child support agreement' to Acceptable Alternative for Alimony or Child Support Payments.

Paragraph 4.3 (E) (1), added example of how to calculate the oldest acceptable paystub.

Paragraph 4.3 (E) (2), added Supplemental Security Income as example.

Paragraph 4.4 (D) (1), added 'borrower'.

Paragraph 4.5, Exhibit 4-3, added 'Assets that can only be used toward a specific expense and cannot be converted to cash (i.e., SNAP benefits) to types of assets that are not considered.'

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## RD HANDBOOK CHANGES

INSERT RD HB-1-3550 (Con.)

Chapter 4: Con.

Paragraph 4.5 (B), revised to clarify that explanations for large, recurring deposits that are not attributed to wages or earnings must be obtained.

Paragraph 4.6, added reference to Paragraph 6.10 (B).

Paragraph 4.11 (A), removed list of data sources to be checked in the DNP Portal, instead referring staff to the DNP Portal for sources to be screened, required documentation, etc. Added language the only acceptable CAIVRS response is "A". Increased the time for an applicant to resolve DNP issues to 30 days.

Paragraph 4.12 (A), updated OFAC website.

Paragraph 4.12 (B), revised language to state individuals may receive a free credit file disclosure every week.

Paragraph 4.12 (C) (3), clarified that all obligatory debts are ineligible to be considered as non-traditional tradelines, not just child support. Further, public records (bankruptcy, foreclosure, tax liens, judgments, etc.), disputed and self-reported accounts are also ineligible for confirming non-traditional credit.

Paragraph 4.13, clarified language for applicants that do not have more than one credit score listed on their TMCR that results in a credit score of 640 or higher.

Paragraph 4.16, reduced credit score to 640 and a one-year employment history (2 years for Self Employment).

Paragraph 4.22 (B) (2), added credit score of '620 or higher for 504 applicants'.

Paragraph 4.24 (B) (2), clarified cosigner is not entitled to interest in the security or borrower rights in the event of default.

Paragraph 4.25, added language regarding issuance of Handbook Letter 2 instead of a new COE when funding is not available, if a sales contract falls through.

**Attachment 4-D**, added language that individuals with a valid T-Nonimmigrant Status are eligible for assistance under 22 USC 7105, which may not be reflected in the SAVE tool.

Chapter 6:

Paragraph 6.4 (C), removed 'Commissions' from Fees and Related Costs which are not eligible, in order to clarify that the buyer's real estate agent commission is an eligible cost. (Finders' fees, homeowner association fees, placement fees, and administrative fees charged to the buyer by the real estate agent remain ineligible.)

Paragraph 6.8 (A), added language to clarify reducing the loan term offered.

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**RD HANDBOOK CHANGES**  
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Paragraph 6.10 (B), added increasing purchasing capacity as an eligible use of excess assets.

Paragraph 6.15, added reference to Paragraph 6.10 (B).

Paragraph 6.16 (B) (2), added language to clarify reducing the loan term offered.

**Chapter 7:**

Paragraph 7.2, replaced 'Are current on annual payment plan;' with '...existing RHS escrow account...'. .

Paragraph 7.12 (2), removed 'Substantial Improvement' from Example.

**Attachment 7-C**

- Section C, revised guidance so that the deductible will be no greater than 2 percent, not to exceed \$5,000, which also applies to builder's risk policies in place during any applicable construction period. Added 'Use caution when authorizing higher deductibles so not to cause undue hardship for a borrower'.
- Section H, changed address to 'United States of America, acting through the Rural Housing Service or its successor agency, P.O. Box 66876, St. Louis, Missouri 63166'

**Chapter 8:**

Paragraph 8.3 (C), clarified action to be taken when a loan is deobligated and updated the Servicing Office address to return checks.

Paragraph 8.6, added language prohibiting States from developing their own form for applicants to waive their three-day review right.

Paragraph 8.6 (C), added 'Assets' to the title of, and within the paragraph.

Paragraph 8.6 (F) (2), added language prohibiting States from developing their own form for applicants to waive their three-day review right.0

**Attachment 8-B**, clarified sampling for unliquidated obligation review. Added 'Attachment 8-B, "Single Family Housing Unliquidated Obligation Review" should be completed and uploaded to ECF to document each date an application was reviewed for continued validity. Attachment 8-C, "Single Family Housing Unliquidated Obligation Review Summary", should be completed and maintained in State Office Administrative Records to track all files reviewed'.

**Attachment 8-C**, Single Family Housing Unliquidated Obligations Review Summary added.

**RD HANDBOOK CHANGES**  
**INSERT RD HB-1-3550 (Con.)****Chapter 10:**

Paragraph 10.1, added reference to Exhibits 10-1 and 10-2.

Paragraph 10.2 (B), removed the third bullet under 'Other Subsidized Financing' and created a new section for paragraph 10.2 (B) titled 'Affordable Housing Loans' as a source of leveraged funds. Removed reference to subordinating Agency loans, in favor of clarifications added to Par. 10.3 (B).

Paragraph 10.3 (A), removed reference to Rural Development subordinating its lien position.

Paragraph 10.3 (B), added the term 'only' and clarified 'but no more than 50 percent'.

Paragraph 10.3 (D) added 'The Tax credit is not considered leveraging'.

Paragraph 10.3 (G) (1), replaced 'National Financial and Accounting Operations Center' to 'Servicing Office'.

Paragraph 10.3 (G) (2), added 'When the Agency is in a subordinate lien position to the leveraged lender'.

Paragraph 10.4 (C), added Exhibit 10-1 and Exhibit 10-2.

Paragraph 10.9 (C), removed dollar amount thresholds for non-retirement assets, and replaced with reference to amounts in Paragraph 4.6.

**Chapter 12:**

Throughout, the term 'bid' was changed to 'estimate' and incorrect references to paragraphs within the chapter were updated.

Paragraph 12.2 (A), added that financing permanent generator is an eligible use of 504 funds.

Paragraph 12.3, added that Form RD 3550-35 should be processed within 30 days of receipt.

Paragraph 12.4, added that Attachment12-F is utilized to document the preconstruction conference; new paragraph regarding the use of Handbook Letter 2 and 3-B (3550) when funding is insufficient for continued processing of applications; and information related to inspections from a third-party source.

Paragraph 12.5 (B), added consideration for non-purchase spouse's obligations.

Paragraph 12.8 (A), updated to align with Paragraph 4.24 (A), compensating factors must be approved by next level supervisor.

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Paragraph 12.9 (C), added that loans and grants must close at the same time and no funds should be ordered prior to closing.

Paragraph 12.12 (D), added that a Form RD 1924-6 is required for contract or estimate equal to or greater than \$10,000.

Paragraph 12.13 (C) (1), added that a builder's warranty may be obtained as applicable and evidence of the completed of work should be provided.

Paragraphs 12.14 and 12.14 (A), added that de-obligation of funds as applicable and that for construction loans, returned funds must be de-obligated prior to loan conversion of the loan.

Attachment 12 A, updated to reflect TRID Disclosures Requirements for 504 indebtedness of \$7,500 or more.

Attachment 12-C 504 Single Family Housing Loan and Grant checklist updated as follows:

- Updated paragraph references throughout.
- Page 1, updated to verify eligibility of subject property replace site.
- Page 2, added HB Letter 3-A and 3-B (3550).
- Page 4, added information to consult with State Historic Preservation Office (SHPO) or, Consult with Tribal Historic Preservation Officer (THPO) for properties located on Tribal land or Indian Country when applicable, as well as correcting website addresses.
- Page 5, removed 400 series forms and accompany posters. Updated use of builder's warranty to if applicable. Added Do Not Pay and moved LoanServ obligation up.
- Page 6, updated RD 3550-14 required for total Section 504 indebtedness of \$7,500 or more.

Attachment 12-E, Page 2, added information regarding required letter if applicant is not required to file taxes and language for non purchasing spouse credit report in a community property state.

Attachment 12-F Page 2 delete contract is in excess of \$10,000 and subject to executive order 11246 delete lines 1 and 2.

**Chapter 13:**

Paragraph 13.5, removed 'For states included in the REO/foreclosure centralization, the Servicing Office may consent to the sale. In non-centralized states, the Field Office may consent to the sale'.

Paragraph 13.12, added form numbers.

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**RD HANDBOOK CHANGES**  
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Paragraph 13.14 (B), removed 'and there is an income source to establish a reasonable prospect of repayment', from item regarding transfer to a person who wishes to assume the loan for the benefit of persons who were dependent on the deceased at the time of death.

Paragraph 13.5, removed 'For states included in the REO/foreclosure centralization, the Servicing Office may consent to the sale. In non-centralized states, the Field Office may consent to the sale'.

Paragraph 13.12, added form numbers.

Paragraph 13.14 (B), removed 'and there is an income source to establish a reasonable prospect of repayment', from item regarding transfer to a person who wishes to assume the loan for the benefit of persons who were dependent on the deceased at the time of death.

Paragraph 13.14 (D), added eligibility requirements for new borrowers in an assumption.

**Attachment 13-C**, replaced 'National Financial and Accounting Operations' with 'Servicing Office'.

**Appendix 3:**

- Updated Handbook Letter 1 by adding 'considered voluntary' to the last paragraph.
- Updated Handbook Letters 3-A and 3-B by removing 'the withdrawal of' and adding 'being considered voluntarily withdrawn'.
- Updated Handbook Letter 11 by removing 'the withdrawal of' and adding 'being considered voluntarily withdrawn'. Removed appeal information for incomplete applications.
- Updated Handbook Letter 19 by removing 'During this informal and unbinding review, items that raised concerns or need clarification were noted' and 'that include but are not limited to acceptable credit history and loan repayment ability'.

**Appendix 5:** Updated to remove reference to Executive Order 11246 which is no longer required for the Section 502 and 504 Programs.

**INSERT**

[Table of Contents revised.](#)

[Chapter 1 revised.](#)

[Chapter 3 revised.](#)

[Chapter 4 revised.](#)

[Chapter 6 revised.](#)

[Chapter 7 revised.](#)

[Chapter 8 revised.](#)

[Chapter 10 revised.](#)

[Chapter 12 revised.](#)

[Chapter 13 revised.](#)

[Appendix 3 revised.](#)

[Appendix 5 revised.](#)



## FORM

**REPLACEMENT****RD 1927-4**  
(WSAL)**TRANSMITTAL OF TITLE INFORMATION** dated 11-24. Prescribed in RD Instruction 1927-B. The Form and FMI are revised as followings:

- Removed introductory language stating "You have been approved... to perform the title work and loan closing..".
- Added language regarding Item 21. Type of Policy.
- Document has been substantively reformatted in appearance.
- The Form and FMI can be located on the eForms website [eForms Home \(usda.gov\)](https://www.usda.gov).

**REMOVE**

FMI dated 06-21-06.

**INSERT**

FMI revised 11-06-24.

**RD 1944-61**  
(WSAL)**CREDIT HISTORY WORKSHEET** dated 11-24. Prescribed in 7 CFR 3550. The Form and FMI are revised as followings:

- Section D, replaced the term 'MortgageServ' with 'LoanServ'.
- Section E, updated the section to include space for entry of Applicant and Co-applicant Significant Delinquency.
- Section H, corrected formatting, alignment, and numbering styles.
- Section I, corrected numbering styles and alignment.
- Added field to identify Preparer and date.
- The Form and FMI can be located on the eForms website [eForms Home \(usda.gov\)](https://www.usda.gov).

**REMOVE**

FMI dated 01-15-20.

**INSERT**

FMI revised 11-06-24.

**RD 3550-25**  
(WSAL)**LOAN CLOSING INSTRUCTIONS AND LOAN CLOSING STATEMENT** dated 11-24. Prescribed in RD Instruction 1927-B. The Form and FMI are revised as followings:

- Added space for lien positions 4 and 5.
- Revised to request security instruments for all leveraged lending including grant agreements.
- Replaced NFAOC with 'Servicing Office'.
- Updated address for Overnight Mail Instructions.
- The Form and FMI can be located on the eForms website [eForms Home \(usda.gov\)](https://www.usda.gov).

**REMOVE**

FMI dated 12-23-18.

**INSERT**

FMI revised 11-06-24.