# TABLE OF CONTENTS

Page	
CHAPTER 1: OVERVIEW1-1	
SECTION 1: INTRODUCTION TO THE FIELD OFFICE HANDBOOK	
1.1 WELCOME TO THE FIELD OFFICE HANDBOOK	
1.2 USING THIS HANDBOOK	
A. Citations and Text Boxes	
B. Attachments and Appendices	
C. Terminology	
SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM.1-	-5
1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM	
1.4 SECTION 502 AN OVERVIEW	
A. Program Loans	
B. Nonprogram Loans	
C. Demonstration Programs	
1.5 SECTION 504 AN OVERVIEW	
A. Section 504 Grants	
B. Section 504 Loans	
1.6 LOAN SERVICING	
1.7 SECTION 306C WATER AND WASTE DISPOSAL (WWD) GRANTSTO	
INDIVIDUALS	
SECTION 3: GENERAL PROGRAM REQUIREMENTS1-9	
1.8 CIVIL RIGHTS	
A. Nondiscrimination	
B. Reasonable Accommodations for Persons with Disabilities	
1.9 REVIEW AND APPEALS	
A. Adverse Decisions	
B.State Director Responsibilities	
C.ADR Coordinator Responsibilities	
D. Agency Representative Responsibilities	

#### 1.10 AGENCY DECISIONS

- A. Informal/Administrative Review
- B. Appealable Decisions
- C. Non-appealable Decisions

#### 1.11 PARTICIPANT RIGHTS

- A. Informal Administrative Review
- B. Mediation
- C. Appeal

#### 1.12 NAD HEARING PREPARATION

- A. Pre-hearing Conference
- B. Post-hearing Procedure
- C. Timing of Issuance of Determination
- D. Requests for a Director Review

### 1.13 CONFLICT OF INTEREST

- A. Applicant Disclosure
- B. Agency Employee Disclosure
- C. Disposition of REO Properties

### 1.14 OTHER FEDERAL REQUIREMENTS

- A. Environmental Requirements [7 CFR 3550.5]
- B. Construction Standards
- C. Administrative Requirements
- 1.15 EXCEPTION AUTHORITY [7 CFR 3550.8]
- ATTACHMENT 1-A: INFORMAL ADMINISTRATIVE REVIEW
- ATTACHMENT 1-B: AN APPEALABLE ADVERSE DECISION
- ATTACHMENT 1-C: AN ADVERSE DECISION THAT CANNOT BE APPEALED
- ATTACHMENT 1-D: NOTIFICATION TO APPLICANTS OR BORROWERS OF
  - THE ASSIGNMENT OF THEIR CASE TO A MEDIATION
  - SERVICE PROVIDER
- ATTACHMENT 1-E: REQUEST TO A MEDIATION SERVICE PROVIDER
- ATTACHMENT 1-F: ATTACHMENT FOR NOTIFYING CUSTOMERS OF
  - EXPIRATION OF THE 10 DAYS TO SELECT A
  - MEDIATION SERVICE PROVIDER
  - RURAL DEVELOPMENT/USDA OF A CUSTOMER MEDIATION REQUEST TO A MEDIATION SERVICE
  - **PROVIDER**
- ATTACHMENT 1-G: ATTACHMENT FOR CUSTOMER NOTIFICATION OF
  - UNRESOLVED RESULT OF THE MEDIATION OF THE
  - **ADVERSE DECISION**

CHAPTER 2: OVERVIEW OF SECTION 5022-1	ĺ
2.1 INTRODUCTION	l
SECTION 1: TYPES OF LOANS2-1	1
2.2 OVERVIEW	
2.3 INITIAL LOANS	
2.4 ASSUMED LOANS	
A. New Rates and Terms Assumption	
B. Same Rates and Terms Assumption	
2.5 SUBSEQUENT LOANS	
2.6 NONPROGRAM LOANS	
A. Facilitate Sale By an Existing Agency Borrower	
B. Facilitate Sale of Real Estate Owned (REO) Property	
SECTION 2: THE DEDICATED LOAN ORIGINATION AND	
SERVICING SYSTEM (DLOS)2-5	5
2.7 DLOS	
2.8 UNIFI	
2.9 LOANSERV	
SECTION 3: OVERVIEW OF LOAN ORIGINATION PROCESS2-7	7
2.10 APPLICATION PROCESSING	
2.11 BORROWER ELIGIBILITY	
2.12 PROPERTY REQUIREMENTS	
2.13 UNDERWRITING THE LOAN	
2.14 TAXES, INSURANCE, AND ESCROW	
2.15 LOAN APPROVAL AND CLOSING	
CHAPTER 3: APPLICATION PROCESSING3-1	1
3.1 INTRODUCTION.	ĺ
SECTION 1: PRE-QUALIFICATION3-1	ĺ
3.2 OVERVIEW	
3.3 PROCEDURES FOR PRE-QUALIFICATION	

<b>SECTION 2: HOMEOWNED</b>	RSHIP EDUCATION	3-3
3.4 HOMEOWNERSH	IP EDUCATION REQUIREMENT	
	ssessment of Homeownership Education	
B. Providing Home	ownership Education Information to the Applicant	
C. Exception Provis		
<b>SECTION 3: APPLICATION</b>	YS	3-6
3.5 BEGINNING THE	APPLICATION PROCESS	
3.6 APPLICATION RE	ECEIPT AND CASE FILE SETUP	
A. Missing Items		
B. Case File Setup		
3.7 COMPLETE APPL	ICATION	
3.8 COMPLIANCE W	TH OTHER FEDERAL REQUIREMENTS	
A. Truth in Lending	Act (TILA) and Real Estate Settlement Procedures Act (RE	SPA)
Integrated Mortgage	e Disclosures	
B. Truth in Lending	Act	
C. Fair and Accurat	e Credit Transaction Act	
D. Equal Credit Opp	portunity Act (Regulation B)	
	AND REJECTING APPLICATIONS	
<b>SECTION 4: SELECTION F</b>	OR PROCESSING	3-13
3.10 OVERVIEW		3-13
3.11 DETERMINING	WHETHER FUNDS ARE AVAILABLE	
A. Regular Funding		
B. Special Funding		
3.12 IF FUNDING IS N		
	LICATIONS FOR PROCESSING	
A. Selection Proced		
B. Processing Priori		
C. Veterans' Prefere		
	ants Who Are Selected for Processing	
3.14 PURGING THE V		
3.15 VERIFICATIONS		
A. Types of Verifica		
B. Evaluating Verif		
	LOAN APPLICATION PACKAGERS	
ATTACHMENT 3-B:	FOLLOW-UP QUESTIONS FOR FORM RD 410-4,	
	UNIFORM RESIDENTIAL LOAN APPLICATION	
	CASE STUDY - PROCESSING PRIORITIES	
ATTACHMENT 3-D:	APPLICANT INFORMATION SHEET - SINGLE FAMIL	Y
	HOUSING	
ATTACHMENT 3-E:	REQUEST TO REOPEN A REJECTED APPLICATION I LOANSERV	N

ATTACHMENT	3-F: HOW TO AT RESULTS	DDRESS NEGATIVE PRE-QUALIFICATION	
ATTACHMENT		E FAMILY HOUSING CHECKLIST	
ATTACHMENT :		CORE DISCLOSURE	
ATTACHMENT:		ENT SERVICE PROVIDERS AND MORTGAGE	7
ATTACINILIT		LICATION RELATED DISCLOSURES	د
ATTACHMENT :		T OF ITEMS TO ACCOMPANY THE UNIFORM	М
ATTACIMIENT		TAL LOAN APPLICATION	VI
CHAPTER 4: RORRO	WER ELIGIRILI	ΓΥ	4_1
		11	
		ER INCOME	
		211 1 0 0 112	
	pts for Income Dete		
		Vorksheet to Compute Income	
4.3 SOURCES O		T	
A. Income Co.	nsidered for Annua	l and Repayment Income	
		ions for Repayment Income	
		Annual and Repayment Income	
		sidered for Annual Income	
E. Verifying S	Sources and Amount	ts	
4.4 CALCULATI	NG ANNUAL AN	D ADJUSTED INCOME	
<ul> <li>A. Calculating</li> </ul>	g Annual Income		
B. Calculating	Deductions from A	Annual Income	
C. Dependent			
D. Child Care			
	usehold Deduction		
	for Disability Assist	=	
	-	ses (for Elderly Households Only)	
	g Repayment Incom		
		ER ASSETS4	
		LATED TO ASSETS4	1-36
A. Reporting A			
B. Verification			
	g Market and Cash V	Value	
D. Retirement			
4.6 LIMITATION	NS ON ASSETS		

4.7 CALCULATING INCOME FROM ASSETS FOR ANNUALINCOME
4.8 CALCULATING INCOME FROM ASSETS FOR REPAYMENT INCOME
SECTION 3: CREDIT HISTORY4-40
4.9 OVERVIEW4-40
4.10 CREDIT REQUIREMENTS
4.11 CONDUCTING ADDITIONAL CREDIT CHECKS
A. Do Not Pay Portal
B. Infile Credit Report
4.12 CONDUCTING FULL REVIEW OF CREDIT HISTORY
A. Tri-Merge Credit Report
B. Fair and Accurate Credit Transactions
C. Other Credit Verifications
D. Non-Purchasing Spouse Credit History
4.13 CREDIT HISTORY WORKSHEET
4.14 ASSESSING ADVERSE CREDIT
A. Making Exceptions
B. Reviewing Significant Delinquencies
C. Resolving Collection Accounts
SECTION 4: OTHER ELIGIBILITY REQUIREMENTS4-57
4.15 OWNING A DWELLING
4.16 ABILITY TO OBTAIN OTHER CREDIT
4.17 OCCUPYING THE PROPERTY
4.18 LEGAL CAPACITY
4.19 SUSPENSION OR DEBARMENT
4.20 CITIZENSHIP STATUS
4.21 TRUTHFUL APPLICATION
SECTION 5: PROCESSING THE CERTIFICATE OF ELIGIBILITY4-60
4.22 DETERMINING REPAYMENT ABILITY
A. The PITI Ratio
B. The TD Ratio
C. Determining the Maximum Loan Amount
D. Using Market Data to Interpret UniFi Results 4.23 RESERVED
4.23 RESERVED  4.24 OTHER CONSIDERATIONS RELATED TO MAXIMUM LOAN AMOUNTS
A. Using Compensating Factors  P. Adding Additional Portion of Conjugates to the Note.
<ul><li>B. Adding Additional Parties or Cosigners to the Note</li><li>C. Payment Shock</li></ul>
4.25 ISSUING THE CERTIFICATE OF ELIGIBILITY
4.26 APPLICANT ORIENTATION
ATTACHMENT 4-A: WORKSHEET FOR COMPUTING INCOME
ATTACHMENT 4-A. WORRSHELT FOR COMPOTING INCOME  ATTACHMENT 4-B: RESERVED
ATTACHMENT 4-D. RESERVED

ATTACHMENT 4-C:	REVIEWING A SELF-EMPLOYED APPLICANT'S INCOME AND DEBT LOAD
ATTACHMENT 4-D:	REVIEWING DOCUMENTATION FOR CITIZENSHIP STATUS
CHAPTER 5: PROPERTY R	EQUIREMENTS5-1
5.1 INTRODUCTION	5-1
A. Overview of Prop	perty Requirements5-1
B. Key Processing S	teps Related to Property Requirements
<b>SECTION 1: SITE REQUIRE</b>	MENTS5-4
5.3 RURAL AREA DES	SIGNATION
A. Rural Area Defini	tion
B. Special Considera	
C. Reviewing Rural	Area Designations
5.4 MODEST SITES	
	ACCESS, WATER, AND WASTEWATER SYSTEMS
	EQUIREMENTS 5-11
5.6 MODEST HOUSING	
	Loan Limits Within A State
B. Notification	
	onsideration Standards
D. Prohibited Feature	
· · · · · · · · · · · · · · · · · · ·	ND SANITARY DWELLINGS
A. Existing Dwelling	ÇS .
B. New Dwellings	
C. Survey Requireme	
D. Flood-Related Re	
	NTAL REQUIREMENTS5-16
	ENVIRONMENTAL RESOURCES
A. Types of Environ	
B. Flood Hazard Det	
	Environmental Reviews
D. Noise Abatement	
5.9 MANAGEMENT O	F HAZARDOUS SUBSTANCES

SECTION 4: SECURITY REQUIREMENTS5-2	23
5.10 ACCEPTABLE MORTGAGE	
5.11 OWNERSHIP REQUIREMENTS	
A. Responsibilities	
B. Acceptable Forms of Ownership	
5.12 EXCEPTIONS TO THE AGENCY'S SECURITY REQUIREMENTS	
A. Unsecured (Note Only) Loans	
B. Best Mortgage Obtainable	
SECTION 5: APPRAISALS5-2	27
5.13 OVERVIEW	27
5.14 REQUIREMENTS FOR APPRAISALS	
5.15 TYPES OF VALUE	
5.16 APPRAISAL METHODOLOGY	
5.17 ORDERING APPRAISALS	
A. When Appraisals Are Needed	
B. Program Responsibilities	
C. Required Information	
D. Appraisal Disputes	
5.18 APPRAISER RESPONSIBILITIES	
5.19 REVIEWING APPRAISALS	
A. Administrative Review	
B. Technical Review	
5.20 PAYING FOR APPRAISALS	
5.21 APPRAISALS IN REMOTE RURAL AREAS, ON TRIBAL LANDS, OR	
WHERE THERE IS A LACK OF CONVENTIONAL MARKET ACTIVITY	
SECTION 6: MANAGING CONSTRUCTION5-3	4
5.22 DESIGN	
A. Disseminating the Standards	
B. Review and Approve the Drawings and Specifications	
5.23 PREPARING FOR CONSTRUCTION	
A. Selecting the Contractor	
B. Pre-Construction Conference	

	C. Construction Contract	
	D. Department of Labor Notification	
	5.24 CONSTRUCTION PERIOD	
	A. Qualified Inspector	
	B. Periodic Inspections	
	C. Partial Payments	
	D. Changes During Construction	
	5.25 CONSTRUCTION CLOSEOUT	
	5.26 SPECIAL SITUATIONS	
	A. Funds Remaining After Completion	
	B. Construction Work that Cannot be Completed	
	C. Deceased Borrowers	
	D. Compensation for Construction Defects	
	ATTACHMENT 5-A: STATEMENT OF WORK (SOW) FOR APPRAISAL SERVIC AND APPRAISAL INSTRUCTIONS SINGLE FAMILY HOUSING RESIDENTIAL PROPERTY	CES
	ATTACHMENT 5-B: SINGLE FAMILY HOUSING SITE CHECKLIST	
	ATTACHMENT 5-C: AMENDMENTS TO MORTGAGES WITH LEASEHOLD	
	INTEREST	
	ATTACHMENT 5-D: TRANSMITTAL COVER SHEET FOR MAPPING SYSTEM MODIFICATION	
	ATTACHMENT 5-E: ELIGIBILITY SYSTEM MODIFICATION REQUEST PROCESS	
	ATTACHMENT 5-F: ELIGIBILITY SYSTEM MODIFICATION WORKFLOW	
	TER 6: UNDERWRITING THE LOAN	
SECT	ION 1: OVERVIEW OF THE UNDERWRITING PROCESS	
	6.1 INTRODUCTION.	6-1
	6.2 WHAT IS UNDERWRITING?	
	6.3 USING UNIFI TO FACILITATE UNDERWRITING	
SECT.	ION 2: LOAN TERMS AND REQUIREMENTS	6-4
	6.4 ELIGIBLE LOAN PURPOSES AND USES	
	A. Site-Related Costs	
	B. Dwelling-Related Costs	
	C. Fees and Related Costs	
	D. Loan Restrictions	
	6.5 REFINANCING	
	A. Refinancing Agency Debt	
	B. Refinancing Non-Agency Debt	

6.6 MAXIMUM LOAN AMOUNT
A. Granting Exceptions
B. Special Situations
6.7 LOAN-TO-VALUE (LTV) RATIO
A. Loans for Existing Dwellings (100% LTV)
B. Loans for New Dwellings (90-100% LTV)
C. Subsequent Loans for Necessary Repairs
D. Subsequent Loans for Closing Costs Only
E. Refinanced Loan for Existing Agency Borrower
F. Affordable Housing Products
6.8 REPAYMENT PERIODS
A. Exceptions to the Standard 33-Year Maximum Term
B. Effect of Repayment Period on Payment Subsidy
6.9 INTEREST RATES
A. Note Rates
B. Subsidized Rate
6.10 USE OF ASSETS
A. Asset Limits
B. Eligible Uses of Assets
C. Ineligible Uses of Assets
SECTION 3: PAYMENT SUBSIDIES6-1
6.11 AN OVERVIEW OF PAYMENT SUBSIDIES 6-1"
A. Three Types of Subsidy
B. Applicant Eligibility
C. Loan Requirements
D. Annual and Interim Reviews
E. Recapture Requirement
6.12 CALCULATING PAYMENT ASSISTANCE
A. Payment Assistance Method 2
B. Payment Assistance Method 1
6.13 CALCULATING INTEREST CREDIT
SECTION 4: UNDERWRITING A LOAN FOR A SPECIFIC PROPERTY6-20
6.14 APPROVING A SPECIFIC PROPERTY

6.	15 FUNDS AVAILA	BLE FOR CLOSING	
6.	16 CALCULATING	THE APPROVABLE LOAN AMOUNT	
	A. Calculating the A	Approvable Loan at Standard Terms	
	B. Working with Ap	oplicants Who Do Not Qualify Using Standard Terms	
6.	17 APPROVING CR	EDIT	
	TTACHMENT 6-A:		
A	TTACHMENT 6-B:	LOAN QUALITY REVIEW	
СНАРТІ	ER 7: ESCROW, TA	XES, AND INSURANCE	7-1
		······································	
	3 ESCROW DEPOSI		
	A. Monthly Paymer	nt	
	B. Borrower's Initia	al Deposit to the Escrow Account	
	C. Seller's Tax Liab		
7.	4 CALCULATING E	SCROW AMOUNTS	
7.	5 CLOSING		
7.	6 CONSTRUCTION	LOANS	
7.	7 SERVICING ESCR	ROW ACCOUNTS	
SECTIO	N 2: TAXES		7-7
7.	8 ESTIMATING TH	E AMOUNT OF TAXES	
7.	9 TAX SERVICE FE	E	
7.	10 TAX INFORMAT	TION SHEET	
SECTIO	N 3: INSURANCE		7-8
7.	11 OVERVIEW		7-8
7.	12 TYPES OF INSUI	RANCE	
	A. Hazard Insurance	e	
	B. Flood Insurance		
	C. Builder's Risk Po	olicies	
7.	13 EVIDENCE OF I	NSURANCE	

	7.14 AUTHORIZED IN	SURANCE PROVIDERS
	7.15 REVIEWING INS	URANCE POLICIES
	ATTACHMENT 7-A:	CALCULATION OF ESTIMATED TAXES DUE THROUGH
		CONSTRUCTION PERIOD AND INITIAL ESCROW
		DEPOSIT
	ATTACHMENT 7-B:	
	ATTACHMENT 7-C:	INSURANCE POLICY REQUIREMENTS
CHAI	OTED Q. I AAN ADDDA	OVAL AND CLOSING 8-1
CIIAI		WAL AND CLOSING
SECT		VAL AND OBLIGATION 8-1
olci	8.2 THE LENDING DE	
	A. Rejection	CISIOIY
	B. Approval	
	8.3 OBLIGATING FUN	IDS
	A. Initial Obligation	
	B. Changing the Loa	n Amount
	C. Canceling a Loan	
	D. Monitoring Oblig	
SECT		OR CLOSING8-5
		E AND CLOSING AGENTS
	A. Title Insurance	
	B. Closing Agents	
	C. Approvals	
	D. Procedures	
	8.5 RESPONSIBILITIE	S OF THE CLOSING AGENT/ATTORNEY
	8.6 RESPONSIBILITIE	S OF THE LOAN ORIGINATOR
	A. Prepare the Appli	cant
	B. Review Title Insu	rance Binder (or Preliminary Title Opinion) and Other Closing
	Documents	· · · · · · · · · · · · · · · · · · ·
	C. Re-verifying Emp	ployment and Income
	D. Re-verify Eligibil	ity
	E. Validate the Inter-	est/Note Rate
	F. Prepare Loan Doc	
SECT		8-14
	8.7 OBTAINING FUNI	
	8.8 ESTABLISHING T	HE DISBURSEMENT SCHEDULE
	A. Permanent Loans	
	B. Construction Loan	
	C. Construction Take	
		REPAYMENT SCHEDULE
	A. Monthly Installm	
	B. Housing Assistan	ce Program (HAP)

8.10 ORIGINAL EQUIT	Υ	
8.11 LOAN CLOSING		
A. Loan Closing Doc	cument Submission	
B. Review Closing D		
C. Activate the Loan		
D. Record Mortgage	or Deed of Trust	
E. Secure Title Insura		
	ON LOANS	8-19
8.12 ADMINISTER CO		
8.13 CONVERT CONS	TRUCTION LOANS	
A. Modify Note and	LoanServ	
B. Update Payment S		
<u> </u>	DOCUMENTS TO BE SIGNED OR SUBMITTED	
	AT LOAN CLOSING	
ATTACHMENT 8-B:	UNLIQUIDATED OBLIGATION REVIEW	
ATTACHMENT 8-C:	SINGLE FAMILY HOUSING UNLIQUIDATED	
	OBLIGATION REVIEW SUMMARY	
CHAPTER 9: SPECIAL SITU	UATIONS	9-1
	L COMMITMENTS	
	NDITIONAL COMMITMENTS	
9.3 APPLICATION AN		
9.4 EVALUATING THE	E CONDITIONAL COMMITMENT APPLICATION	
9.5 PRELIMINARY AP	PROVAL	
A. Ordering an Appra	aisal	
	Responsibility for Environmental Reviews	
C. Rejecting the App	lication for Conditional Commitment	
9.6 FINAL APPROVAL		
A. Proposed Price To	oo High	
B. Proposed Price Ac	eceptable	
9.7 DURATION OF CO		
9.8 CHANGES IN PLAI	NS, SPECIFICATIONS, OR COMMITMENT PRICE	
9.9 PROPERTY INSPEC	CTIONS	
9.10 BUILDER'S WAR		
9.11 CONDITIONAL C	OMMITMENTS INVOLVING PACKAGING	
OF APPLICATIONS		
	MS OF OWNERSHIP	
		9-8
9.13 LOANS FOR CON	DOMINIUM UNITS	
A. Definition		
B. Financing Approv	al	

HB-1-3550 Table of Con	itents
Page 14	
	C. (
	D. F

C. Condominium Sta	utus
D. Protection of Age	ncy Rights and Lien Position
E. Closing Documen	ts
F. Association Dues	
9.14 LOANS FOR UNIT	ΓS IN A COMMUNITY LAND TRUST
A. Definition	
B. Preservation of A	gency Rights and Lien Position
C. Restrictions on Re	esale Price
D. Right of First Ref	usal
E. Appraisals	
9.15 PLANNED UNIT I	DEVELOPMENTS
A. Definition	
B. Preservation of Ag	gency Rights and Lien Position
C. Closing Document	S
SECTION 3: MANUFACTUI	RED HOMES9-18
9.16 AUTHORIZED LC	OAN PURPOSES
A. Definition	
B. Authorized Loan l	Purposes
C. Loan Restrictions	
9.17 DEALER-CONTR	ACTOR REQUIREMENTS
9.18 PROCESSING PRO	OCEDURES
A. Submission Requi	irements
B. Appraisal Techniq	ues
C. Loan Rates and To	erms
9.19 CONSTRUCTION	AND SITE REQUIREMENTS
9.20 LOAN CLOSING	
A. Contract Requirem	nents
B. Lien Release Requ	uirements
C. Warranty Require	ment
D. Real Estate Tax R	equirement
ATTACHMENT 9-A:	SAMPLE COMFORT HEATING AND COOLING
	CERTIFICATE
ATTACHMENT 9-B:	THERMAL REQUIREMENTS FOR MANUFACTURED
	HOMES
ATTACHMENT 9-C:	CONDOMINIUM QUESTIONNAIRE
CHAPTER 10: LEVERAGEI	D LOANS
SECTION 1: UNDERSTAND	OING LEVERAGED LOANS 10-1
	10-1

A. Advantages of Leveraged Loans	
B. Two Separate Financial Agreements	
10.2 SOURCE OF LEVERAGED FUNDS	
A. Market Rate Financing	
B. Other Subsidized Financing	
10.3 KEY DIFFERENCES IN POLICIES AND PROCEDURES	
A. Eligible Loans and Grants	
B. Lien Position	
C. Payment Subsidy Calculation	
D. Availability of Mortgage Credit Certificates (MCC)	
E. Section 8 Housing Choice Vouchers (HCV)	
F. Origination	
G. Servicing	
10.4 DEVELOPING STATE-BY-STATE APPROACHES TO LEVERAGING	
A. Lender Outreach	
B. Borrower Education	
C. Streamlined Processing Procedures	
SECTION 2: ORIGINATING LEVERAGED LOANS	. 10-9
10.5 TAKING APPLICATIONS	
10.6 REFERRING APPLICANTS TO PARTICIPATING LENDERS	
10.7 DETERMINING APPLICANT ELIGIBILITY	
10.8 ISSUING THE CERTIFICATE OF ELIGIBILITY	
10.9 UNDERWRITING LEVERAGED LOANS	
A. Lender vs. Agency Underwriting	
B. Property Requirements and Appraisal	
C. Loan-to-Value Ratio	
D. Loan Terms and Fees	
E. Determining Loan Amount	
F. Agreements with the Participating Lender Regarding Construction	
10.10 LOAN CLOSING	
A. Required Documentation	
B. Recording the Lien/Legal Documents	
ATTACHMENT 10-A: SAMPLE TOPICS TO BE ADDRESSED IN	
A MEMORANDUM OF UNDERSTANDING	

HB-1-3550
Table of Contents
Page 16

CHAPTER 11: NONPROGRAM LOANS 11-1
11.1 INTRODUCTION
A. Nonprogram Assumptions
B. Nonprogram Loans to Purchase REO Property
11.2 PRE-QUALIFICATION
11.3 APPLICATION PROCESSING
11.4 ELIGIBILITY
11.5 PROPERTY REQUIREMENTS
11.6 UNDERWRITING THE LOAN
A. Down Payment Requirement
B. Amount to be Financed
C. Interest Rate
D. Loan Repayment Period
E. Repayment Ability
11.7 LOAN APPROVAL AND CLOSING
11.8 SERVICING NONPROGRAM LOANS
ATTACHMENT 11-A: SUMMARY OF DIFFERENCES BETWEEN
PROGRAM LOANS AND NONPROGRAM LOANS
CHAPTER 12: SECTION 504 LOANS AND GRANTS
CHAPTER 12: SECTION 504 LOANS AND GRANTS
12.1 INTRODUCTION. 12-1
12.1 INTRODUCTION
<ul> <li>12.1 INTRODUCTION.</li> <li>12.2 ELIGIBLE PURPOSES FOR 504 FUNDS <ul> <li>A. Eligible Purposes for 504 Funds</li> <li>B. Repairs to Mobile or Manufactured Homes</li> <li>C. Restrictions on the Use of 504 Funds</li> </ul> </li> <li>12.3 Form RD 3550-35, Section 504 Home Repair Loan and Grant Program Intake Form</li> <li>12.4 APPLICATIONS</li> </ul>
<ul> <li>12.1 INTRODUCTION.</li> <li>12.2 ELIGIBLE PURPOSES FOR 504 FUNDS <ul> <li>A. Eligible Purposes for 504 Funds</li> <li>B. Repairs to Mobile or Manufactured Homes</li> <li>C. Restrictions on the Use of 504 Funds</li> </ul> </li> <li>12.3 Form RD 3550-35, Section 504 Home Repair Loan and Grant Program Intake Form</li> <li>12.4 APPLICATIONS</li> <li>12.5 APPLICANT ELIGIBILITY</li> </ul>
<ul> <li>12.1 INTRODUCTION.</li> <li>12.2 ELIGIBLE PURPOSES FOR 504 FUNDS <ul> <li>A. Eligible Purposes for 504 Funds</li> <li>B. Repairs to Mobile or Manufactured Homes</li> <li>C. Restrictions on the Use of 504 Funds</li> </ul> </li> <li>12.3 Form RD 3550-35, Section 504 Home Repair Loan and Grant Program Intake Form</li> <li>12.4 APPLICATIONS</li> <li>12.5 APPLICANT ELIGIBILITY <ul> <li>A. Income</li> </ul> </li> </ul>
12.1 INTRODUCTION

- C. Construction Standards
- D. Environmental Requirements
- 12.7 INTEREST RATE AND LOAN TERM
- 12.8 MAXIMUM LOAN AND GRANT AMOUNTS
  - A. Maximum Loan Amount
  - B. Grant Limits
- 12.9 LOAN APPROVAL AND CLOSING
  - A. Loan Approval
  - B. Security Requirements
  - C. Loan Closing
- 12.10GRANT APPROVAL AND DISBURSEMENT
  - A. Grant Approval
  - B. Grant Repayment Agreements
  - C. Documentation of Grants
- 12.11 ESCROW, TAXES, AND INSURANCE
- 12.12 MANAGING REPAIRS AND MINOR REHABILITATION
  - A. Communicating the Standards
  - B. Selecting the Contractor
  - C. Pre-Construction Conference
  - D. Construction Contract
- 12.13 COMMENCEMENT OF WORK
  - A. Inspecting the Work
  - B. Payment Upon Completion
  - C. Required Forms
  - D. Borrower Method
- 12.14 CLOSEOUT PROCESS
  - A. Funds Remaining After Completion
  - B. Disbursement
  - C. Cancellation of Funds
- ATTACHMENT 12-A: SUMMARY OF DIFFERENCES BETWEEN

**SECTION 504 LOANS AND GRANTS** 

ATTACHMENT 12-B: DIFFERENCES BETWEEN SECTION 502 AND

**SECTION 504 LOANS** 

ATTACHMENT 12-C: 504 SINGLE FAMILY HOUSING LOAN AND

**GRANT CHECKLIST** 

ATTACHMENT 12-D: CHECKLIST FOR EVALUATION OF EXISTING

**DWELLING** 

ATTACHMENT 12-E: ITEMS TO ACCOMPANY APPLICATION FOR HOME

REPAIR LOAN OR GRANT FUNDS

ATTACHMENT 12-F PRE-CONSTRUCTION CONFERENCE

CHAPTER 13: SERVICING AND LIQUIDATION FUNCTIONS	. 13-1
13.1 INTRODUCTION.	. 13-1
13.2 TRANSITION TO SERVICING OFFICE	
SECTION 1: WORKING WITH SERVICING OFFICE	. 13-3
13.3 REGULAR SERVICING	
A. Newly-Activated Borrower Account	
B. Payments	
C. Approval Actions	
D. Appraisals	
E. Insurance Claims	
F. Reamortzations and Other Documents Requiring Borrower Signature	
G. Payoffs	
H. Final Payments and Satisfactions	
I. Recapture Receivable Accounts	
13.4 SPECIAL SERVICING ACTIONS	
A. Borrower Counseling	
B. Protective Advances	
C. Refinancing	
D. Subsequent Loans	
E. Bankruptcies	
F. Missing Borrowers	
G. Payment Subsidy Renewals	
H. Preacceleration Personal Contact	
13.5 VOLUNTARY SALE	
13.6 DEBT SETTLEMENT	
13.7 ADDITIONAL INPUT	
SECTION 2: BORROWER ACTIONS REQUIRING APPROVAL	13_18
13.8 OVERVIEW	
13.9 GENERAL GUIDELINES	15 10
A. Reviewing Requests	
B. Obtaining an Appraisal and an Environmental Review	
C. Evaluating and Approving the Request	
D. Using Proceeds	
13.10 SUBORDINATION	
A. Criteria for Subordination	
B. Amount of Subordination	

13.11 MINERAL LEASES
13.12 PARTIAL RELEASE OF SECURITY
13.13 LEASE OF SECURITY PROPERTY
13.14 ASSUMPTION OF INDEBTEDNESS
A. New Rates and Terms Assumptions
B. Same Rates and Terms Assumptions
C. Agency Approval
D. Procedural Requirements
E. Releasing a Departing Borrower from Liability
13.15 PROTECTIVE ADVANCES
A. Advances for Property Repairs
B. Advances for Other Purposes
SECTION 3: LIQUIDATION
13.16 OVERVIEW
13.17 NET RECOVERY VALUE
A. Establishing Market Value
B. Environmental Considerations
C. Ordering an Appraisal
D. Holding Period
E. Deductions from Market Value
F. Additions to Market Value
13.18 BASIC SECURITY LOSS
13.19 DEED IN LIEU OF FORECLOSURE
13.20 FORECLOSURE
A. Making the Acceleration Decision
B. Acceleration
C. Review of the Acceleration Decision
D. Initiating Legal Proceedings
E. The Foreclosure Sale
ATTACHMENT 13-A: REQUEST FOR PAYOFF STATEMENT
ATTACHMENT 13-B: ACCOUNT ISSUE AND SUGGESTED RESOLUTION SHEET
ATTACHMENT 13-C: CURE AND FINANCIAL STATEMENT
ATTACHMENT 13-D: RUSH FUNDS PROCESSING
CHAPTER 14: (RESERVED) 14.1

CHAPTER 15: MANAGING CUSTODIAL AND REO PROPERTY	15-1
15.1 OVERVIEW	15-1
SECTION 1: PROPERTY MANAGEMENT METHODS AND ACTIVITIES	15-1
15.2 MANAGEMENT METHODS AND CONTRACTS	
A. Selecting a Management Contractor	
B. Management Contract Requirements	
15.3 TAKING POSSESSION	
A. Taking Custodial Possession	
B. Acquisition of an REO Property	
15.4 INSPECTING AND SECURING CUSTODIAL AND REOPROPERTY	
A. Inspecting and Classifying the Property	
B. Securing Custodial and REOProperty	
15.5 DISPOSITION OF NONSECURITY PROPERTY	
A. Custodial Property	
B. REO Property	
15.6 TAXES AND INSURANCE	
A. Taxes	
B. Insurance	
15.7 ENVIRONMENTAL REQUIREMENTS	
A. Circumstances Necessitating an Environmental Assessment	
B. Lease or Management Contract	
15.8 MANAGEMENT OF HAZARDOUS SUBSTANCES	
15.9 PHYSICAL MAINTENANCE AND REPAIR	
A. Vandalism and Theft	
B. Off-Site Repairs or Improvements	
C. Lead-Based Paint Disclosure	
SECTION 2: SPECIAL USES	15-15
15.10 LEASING CUSTODIALS AND REO	
A. Security Deposits	
B. Costs and Income	
15.11 SPECIAL USES OF REO	
A. Transitional Housing for the Homeless	
B. Use by Federal Emergency Management Agency (FEMA)	
C. Mineral Leases	

	ATTACHMENT 15-A:	UNDERGROUND STORAGE TANKS	
	ATTACHMENT 15 D.	THAT MUST BE REPORTED MEMORANDUM OF UNDERSTANDING BETWEEN	
	ATTACHMENT 13-B:	UNITED STATES DEPARTMENT OF AGRICULTURE	
		(USDA) AND DEPARTMENT OF HEALTH AND HUM	.AIN
	ATTACIIMENT 15 C.	SERVICES (HHS) FACT SHEET THE FEDERAL INTERAGENCY	
	ATTACHMENT 13-C:	TASK FORCE ON FOOD AND SHELTER FOR THE	
		HOMELESS	
	ATTACIIMENT 15 D.	LEASE OF SINGLE FAMILY DWELLING	
		MEMORANDUM OF UNDERSTANDING BETWEEN	
	ATTACHMENT 13-E.	THE FEDERAL EMERGENCY MANAGEMENT	
		AGENCY AND THE FARMERS HOME	
		ADMINISTRATION	
	ΔTTΔCHMENT 15 <sub>-</sub> F·	FEDERAL EMERGENCY MANAGEMENT AGENCY	
	ATTACIIVILIVI 13-1.	AND THE RURAL HOUSING SERVICE	
		FEMA-RHS LETTER OF ASSIGNMENT	
СНАІ	PTER 16: DISPOSING	OF REAL ESTATE OWNED PROPERTY	16-1
		LISTING PROPERTIES	
2201			
	A. Sale Methods and		
	B. Financing		
	C. Warranty		
	D. LoanServ Process	sing for REO Sales	
		FOR SALES SERVICES	
	A. Selecting Exclusi	ve Brokers	
	B. Announcing Open	n Listing	
	C. Commissions		
	D. Broker Purchases		
	D. Broker Purchases 16.3 PRICING AND SA		
	16.3 PRICING AND SA A. Appraisals	ALES SCHEDULES	
	16.3 PRICING AND SA A. Appraisals		

HB-1-3550
Table of Contents
Page 22
SECTION 2: MARKETING
16.4 MARKETING AND ADVERTISEMENT
A. Fair Housing and Affirmative Fair Housing Marketing Plan
B. Truth in Lending Requirements
C. Advertising and Marketing Methods
D. Review of Marketing for Unsold Properties
16.5 SPECIAL MARKETING TECHNIQUES
A. Buyer Incentives
B. Broker Incentives
C. Acquisition of Land, Easements, or Rights-of-Way to Effect Sale
16.6 REO PROPERTY NOT MEETING DSS STANDARDS
A. Notice of Occupancy Restriction
B. Quitclaim Deed Restrictive Covenant
C. Release of Restrictive Covenant
SECTION 3: SALE METHODS16-13
16.7 REGULAR SALE METHOD
A. Listing the Property
B. Submission Requirements
C. Receiving and Considering Offers
D. Earnest Money
E. Cancellation of Sales Contracts
16.8 DISPOSITION BY SEALED BID OR AUCTION
A. Establishing the Minimum Acceptable Offer
B. Publicizing the Sale
C. Sealed Bid Procedures
D. Auction Procedures

16.10 DISPOSAL OF PROPERTY FOR SPECIAL PURPOSES

B. Transitional Housing for the Homeless
C. Affordable Housing
16.11 DISPOSAL AS CHATTEL OR SALVAGE

16.9 NEGOTIATED SALE

A. Multifamily Housing

	1 450 23
SECTION 4: ENVIRONMENTAL REQUIREMENTS	16-21
16.12 OVERVIEW	16-21
16.13 PROPERTY LOCATED WITHIN A SPECIAL FLOOD OR MUDSLIDE	
HAZARD AREA OR CONTAINS WETLANDS	
16.14 COASTAL BARRIER RESOURCES SYSTEMS	
16.15 NATIONAL REGISTER OF HISTORIC PLACES	
16.16 PROTECTIVE COVENANTS AND EASEMENTS	
16.17 REPORTABLE UNDERGROUND STORAGE TANKS	
16.18 MANAGEMENT OF HAZARDOUS SUBSTANCES AND PETROLEUM	
PRODUCTS	
16.19 LEAD-BASED PAINT	
SECTION 5: PROCESSING AND CLOSING	16-26
16.20 OVERVIEW	16-26
16.21 SPECIAL NOTICES AT SALE	
A. HUD Insured Financing	
B. Disclosure of Lead-Based Paint or Hazards	
16.22 INSPECTION	
16.23 PRORATING REAL ESTATE TAXES AND/OR ASSESSMENTS	
16.24 DOWN PAYMENT	
16.25 PAYMENT OF POINTS	
16.26 CLOSING EXPENSES	
16.27 COMMISSIONS	
16.28 TRANSFERRING TITLE	
16.29 REPORTING SALE	
ATTACHMENT 16-A: SAMPLE SOLICITATION PACKAGE	
ATTACHMENT 10-A. SAMI LE SOLICITATION L'ACKAGE ATTACHMENT 16-B: SAMPLE ADVERTISEMENT FOR BROKERS	
ATTACHMENT 16-B. SAMI LE ADVERTISEMENT FOR BROKERS ATTACHMENT 16-C: NOTIFICATION OF AVAILABLE TRIBAL PROPERTY	7
ATTACHMENT 16-C. NOTIFICATION OF AVAILABLE TRIBAL PROPERTY ATTACHMENT 16-D: SAMPLE ADVERTISEMENT OF AVAILABLE	
REO PROPERTIES	
REO I ROI ERTIES	

HB-1-3550 Table of Contents Page 24

# **GLOSSARY**

# ACRONYMS USED IN THIS HANDBOOK

# **APPENDICES**

Appendix 1	7 CFR Part 3550, Direct Single Family Housing Loans and
	Grants
Appendix 2	Forms and Certifications Referenced in this Handbook
Appendix 3	Handbook Letters Referenced in this Handbook
Appendix 4	Interest Rate
Appendix 5	Rural Housing Demonstration Program
Appendix 6	Section 306C WWD Grants to
	Individuals
Appendix 7	State Supplements
Appendix 8	Verifications
Appendix 9	Single Family Housing Direct Income Limits
Appendix 10	Single Family Housing Field Guidance on Disaster Declarations
Appendix 11	Single Family Housing Direct Programs Approval Authority
	Guidelines
Appendix 12	Single Family Housing Direct Programs American Rescue Plan Act
	(ARPA) Guidelines
Appendix 13	Self-Help Housing