

PROCEDURE NOTICE

RD MANUAL CHANGES

INSERT RD INS 440.1
(WSAL)

**INTEREST RATES, AMORTIZATION,
GUARANTEE FEE, ANNUAL CHARGE, AND
FIXED PERIOD.** This Instruction is
partially revised as follows:

Exhibit B, to update various program rates and the Treasury Judgement Rate effective November 1, 2016.

REMOVE

Exhibit B: Pages 1 & 2 (Rev 92).

INSERT

Exhibit B: Pages 1 & 2 (Rev 93).

RD HANDBOOK CHANGES

INSERT RD HB-1-3550
(WSAL)

**DIRECT SINGLE FAMILY HOUSING LOANS
AND GRANTS FIELD OFFICE HANDBOOK.**
This Handbook is partially revised.
Specific revisions include:

Table of Contents:

Updated to reflect revisions to pages and headings throughout the handbook.

Chapter 1:

Paragraph 1.2, to state that CSC officially stands for the Customer Service Center. Subsequent references to this Center were updated accordingly throughout Handbook-1-3550.

RD HANDBOOK CHANGES

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

Chapter 1:

Paragraph 1.11, to incorporate the reference to Rural Development (RD) Instruction 1970 series; to include a discussion of cumulative impact when a project is developed over time and impacts a larger number of prospective applicants or acreage; to provide guidance for projects which include multiple funding sources; to clarify the timing for the preparation of the Environmental Assessment; and to include a discussion and sample text box regarding preparation of the environmental review when there are multiple Federal funding sources involved in the overall scope of the project.

Chapter 3:

Paragraph 3.3 (B), to replace the Credit Alert Verification Reporting System (CAIVRS) with the Department of Treasury's Do Not Pay (DNP) portal as the system to verify delinquency on a federal debt.

Paragraph 3.3 (D)(1), to remove the reference to the use of Handbook Letter 1 for potential applicants in the pre-qualification stage who have incomes above the low-income limit.

Paragraph 3.3 (D)(3), to clarify when a potential applicant should be asked if they attempted to obtain private credit.

Paragraph 3.4, to add guidance to encourage that homeownership education training be completed early in the application process.

Paragraph 3.6 (A), to incorporate a reference to Handbook Letter 11 (3550) which should be sent to the applicant to request missing items.

Paragraph 3.7, to clarify that Attachment 3-J will be used by applicants, packagers and intermediaries; and to clarify when a written explanation of derogatory credit should be requested.

Paragraph 3.8 (A)(1), to clarify that all lender charges which are imposed on a consumer must be disclosed regardless of how the costs are being paid.

Paragraph 3.8 (B), to clarify that a Truth in Lending (TIL) statement is required for all unsecured loans.

Paragraph 3.9, to add language to indicate that in limited situations (such as obtaining bids for repair work), applicants may be given a response time not to exceed 30 days; and clarifies that applicants who are over the low-income limit but within the moderate income limit should be issued Handbook Letter 1 (3550) "Moderate Income Options".

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

Chapter 3:

Paragraph 3.10, to replace the word "complete" with "eligible" when discussing the selection of applications within processing priorities when funding is limited.

Paragraph 3.11, to clarify that Certificates of Eligibility are issued based on expected state and national funding availability.

Paragraph 3.12, to insert a reference to Handbook Letter 4 (3550) Funds Not Available - Certificate of Eligibility/Identified Property which should be used when a Certificate of Eligibility has been issued or an applicant has identified a property, but funds are not available for the loan request.

Paragraph 3.13 (B)(4), to add applications processed through the certified loan application packaging process via an Agency-approved intermediary as a fourth priority; to clarify the priority for leveraged loans; and clarify that applications received via the Mutual Self Help program or via an intermediary need not have supplemental funding in order to qualify for the priority.

Paragraph 3.13 (D), to amend the name of Handbook Letter 11 (3550) from "Selected for Processing/Request Information" to "Request Information".

Attachment 3-A, to incorporate guidance related to the certified loan application processing process and to clarify the permissible packaging fees.

Attachment 3-B, to add guidance that during the initial review of the application, a determination should be made whether the application was submitted by a packager.

Attachment 3-C, to incorporate case study examples for an application submitted via an Agency-approved intermediary.

Attachment 3-D, to update the non-discrimination statement language; clarify that applications which are not fully completed or signed will be considered incomplete; incorporate language advising potential applicants how to obtain a free credit report; clarify that the first year's hazard insurance premium and whole house inspection report fee are costs that can be included in the loan; add language that the house must be located in a rural area; and clarify that applications may be submitted to a Rural Development office or through an application packager.

Attachment 3-G, to make conforming changes resulting from the Handbook updates specified in this Procedure Notice.

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

Chapter 3:

Attachment 3-J, to provide additional guidance to the applicant to ensure that the application is fully completed and signed where required; add Form RD 3550-4 Employment and Asset Certification to the checklist; replace the numbering of the required items with checkboxes; clarify that a written explanation for derogatory credit is necessary for those items of which the applicant may be aware; and clarify that evidence of date of birth is only necessary if it is not already listed on the photo identification.

Chapter 4:

Paragraph 4.2 (A), to update guidance on full time students in Exhibit 4-1.

Paragraph 4.2 (B), to remove the reference to Attachment 4-A, Sample Worksheet for Computing Income, and replace it with a link to an income calculator; also to remove the reference to Attachment 4-B.

Paragraph 4.3 (A), to remove Supplemental Nutrition Assistance Program (SNAP).

Paragraph 4.3 (B), to add Supplemental Nutrition Assistance Program (SNAP).

Paragraph 4.3 (C), to clarify the guidance for payments for the care of foster children or adults, by removing "who are not otherwise related to the mortgagor's household by blood, marriage, or operation of law".

Paragraph 4.3 (D), to clarify the guidance for payments received for foster children.

Paragraph 4.3 (E), to add guidance regarding electronically filed tax returns and IRS Form 4506-T, Request for Transcript of Tax Return.

Paragraph 4.3 (E) Verification Requirements and Procedures chart, to remove guidance on the use of IRS Form 4506-T for self-employed persons and as a seasonal employment verification source; and to remove guidance for exceptions to asset limits when medical expenses exceed 3 percent of annual income.

Paragraph 4.4 (A), to remove the reference to Attachment 4-B.

Paragraph 4.4 (B), to remove the reference to Attachment 4-B.

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(WSAL)

Chapter 4:

Paragraph 4.4 (H), to clarify guidance on nontaxable income sources to be "grossed up", such as Housing Choice Vouchers, social security, and child support (provided it is stable and is expected to continue for at least two years).

Paragraph 4.5, to clarify guidance on assets to be considered for down payment purposes, such that only non-retirement assets may be required to make a down payment; and to update the types of assets that are not considered in Exhibit 4-3.

Paragraph 4.5 (D), to remove selected guidance on retirement assets.

Paragraph 4.6, to update guidance on retirement assets and remove guidance on exceptions to the asset limits.

Paragraph 4.8, to remove guidance on asset limits to be considered when calculating repayment income.

Paragraph 4.11, to add guidance on the Department of Treasury's Do Not Pay (DNP) portal, and remove the references to HUD's online Credit Alert Verification Reporting System (CAIVRS).

Paragraph 4.12, to add guidance on handling of the credit report fee when an incomplete application has been received.

Paragraph 4.12 (A), to add guidance for when an OFAC match message appears on the TMCR, or the match was not valid; to add guidance regarding disputed accounts, which are not considered an eligible trade line to validate credit; and to update guidance on the age of the TMCR at the time of underwriting (or closing) from no more than 6 months old, to no more than 9 months old, before a new credit report must be ordered.

Paragraph 4.12 (B), to add guidance regarding disputed information on a credit report.

Paragraph 4.12 (C)(3), to clarify that only two non-traditional/alternative credit sources are required when one of those is a verification of rent or mortgage payments; and to update guidance about alternative sources when confirming the existence of nontraditional credit.

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(WSAL)

Chapter 4:

Paragraph 4.12 (D), to clarify that the use of a community property agreement or a community property trust is tied to Alaska; and to update guidance on authorized users in Exhibit 4-5.

Paragraph 4.14 (B), to add item 4. "Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement."

Paragraph 4.20, to update the language from "should be rejected" to "will be denied assistance".

Paragraph 4.24 (A)(4), to add guidance on "Homes Constructed Under Specific Energy Efficiency Program", and remove guidance on adjustments to non-taxable income.

Attachment 4-A, to replace the worksheet content with a web link to an automated worksheet for computing income.

Attachment 4-B, to remove the content and reserve the Attachment.

Attachment 4-C, to add guidance regarding electronically filed tax returns.

Attachment 4-D, to update guidance on SAVE system access and usage.

Chapter 5:

Paragraph 5.3 (C)(5), to update the eligibility website link.

Paragraph 5.7 (A), to clarify that a whole house inspection is needed for an initial Section 502 direct loan to purchase an existing dwelling and update the special considerations to this requirement.

Paragraph 5.8, to add guidance based on implementation of RD Instruction 1970-C.

Paragraph 5.8 (A)(1), to update guidance based on implementation of RD Instruction 1970-C.

Paragraph 5.8 (A)(2), to update guidance based on implementation of RD Instruction 1970-C.

Paragraph 5.8 (C), update forms based on implementation of RD Instruction 1970-C.

Paragraph 5.14, to add the statement "All appraisals must include a Market Condition Addendum (FORM FNMA 1004MC)."

Paragraph 5.22, to refer to the Loan Estimate.

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Chapter 5:

Paragraph 5.25 (A), to update guidance from a minimum of 3 bids, to 2 bids, when applicants are soliciting bids for rehabilitation work.

Paragraph 5.25 (B), to add guidance regarding information to be conveyed to a contractor at the pre-construction conference.

Paragraph 5.26 (B), to update guidance regarding noncompliance with environmental mitigation measures.

Chapter 6:

Paragraph 6.2, to add guidance in Exhibit 6-1 regarding environmental review requirements a property must meet.

Paragraph 6.4 (C), to add guidance that administrative fees charged to the buyer by the real estate agent are not eligible costs.

Paragraph 6.10 (B), to completely remove guidance on exceptions to the asset limits, which shifted the subsequent paragraph(s).

Paragraph 6.17, to modify guidance regarding the use of the Underwriting, Pre-Closing, and Compliance Tool.

Attachment 6-A, to update the documentation required prior to approving a loan.

Attachment 6-B, to modify the information required as part of the State Office Loan Underwriting Review.

Chapter 7:

Attachment 7-B, to remove "FOR FY 2016" since the amount listed in this attachment will remain in effect until a new contract is awarded (likely in the first part of Fiscal Year 2017).

Chapter 8:

Paragraph 8.4, to add guidance regarding Indian trust land security and to expand on the approval process for title insurance companies.

Paragraph 8.6 (A), to renumber the subtopics.

Paragraph 8.6 (F), to add guidance on Form RD 1940-41, Truth in Lending Statement.

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Chapter 8:

Attachment 8-A, to add Form RD 1940-41, Truth in Lending Statement (if applicable).

Attachment 8-B, to change the monitoring of undisbursed obligations to monthly.

Chapter 9:

Paragraph 9.3, to increase the conditional commitment fee from \$500 to \$550.

Paragraph 9.19, to replace the reference from RD Instruction 1940-G to RD Instruction 1970 series.

Chapter 10:

Paragraph 10.9 (C), to add guidance regarding the fee for homeownership education as an allowable excess cost and to remove the guidance on use of retirement assets towards a down payment.

Paragraph 10.9 (D), to replace the reference to "loan packaging" with "loan processing".

Chapter 11:

Attachment 11-A, to remove the guidance on use of retirement assets towards a down payment.

Chapter 12:

Paragraph 12.1, to explain what Attachments 12-C and 12-E are used for.

Paragraph 12.3, to add guidance that instructs staff to send Attachment 12-E as an accompaniment to an application; and, to make conforming changes based on changes to Chapter 5 as it relates to bids, in that two bids will now be required for repair work and a deadline of 30 days to obtain a repair bid(s) is established.

Paragraph 12.4 (B), to replace the Credit Alert Verification Reporting System (CAIVRS) with the Department of Treasury's Do Not Pay (DNP) portal.

Attachment 12-B, to update the asset requirements for a Section 502 Loan, and remove guidance on exceptions for households with high medical expenses.

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Chapter 12:

Attachment 12-C, to make conforming changes resulting from the Handbook updates specified in this Procedure Notice.

Attachment 12-D, to update the title.

Attachment 12-E, to add this new attachment, which is similar to Attachment 3-J but specifically tailored to the Section 504 loan and grant programs.

Chapter 13:

Paragraph 13.3 (C), to incorporate language from RD Instruction 1970 series which indicates that servicing actions (such as partial release of security, assumption, or subordination requests) do not require a separate environmental review.

Paragraph 13.3 (E), to increase field staff delegation to endorse the insurance claim check to the borrower from a total claim amount of \$2,500 to \$7,500; and to specify what actions are taken depending on the account status.

Paragraph 13.3 (E)(1), to increase field staff delegation to endorse the insurance claim check to the borrower from a total claim amount of \$2,500 to \$7,500; and to provide specific guidance regarding the administration of insurance proceeds.

Exhibit 13-1, to increase field staff delegation to endorse the insurance claim check to the borrower from a total claim amount of \$2,500 to \$7,500; and to specify the insurance claims administration procedure based on the total claim, account status, and rehabilitation components of the project.

Paragraph 13.9 (B), to delete the reference to a broker's price opinion; and to replace the reference from RD Instruction 1940-G to RD Instruction 1970 series.

Paragraph 13.11, to insert language regarding the need for an environmental review prior to the approval of a mineral lease.

Paragraph 13.12, to incorporate instructions to assist the Field Office with processing a partial release.

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(WSAL)

Chapter 13:

Paragraph 13.15 (A)(2), to delegate responsibility for the review and approval of a protective advance for essential repairs to the Housing Program Director; to instruct the Field Office to document why alternatives were not feasible and why the repairs are needed to protect the Government's interest; and to advise that protective advances will be reported to the Internal Revenue Service (IRS) as income to the vendor.

Paragraph 13.17 (B), to replace the reference from RD Instruction 1940-G to RD Instruction 1970 series; and to add language to specify that in Tribal areas, additional coordination may be needed to complete the Section 106 review.

Exhibit 13-2, to reflect guidance in RD Instruction 1970 series.

Chapter 15:

Paragraph 15.7, to replace the references from RD Instruction 1940-G to RD Instruction 1970 series; and amend the language to conform to RD Instruction 1970 series.

Paragraph 15.7 (A)(2), to specify that in Tribal areas, additional consultation with the Tribal Historic Preservation Officer should also be initiated.

Paragraph 15.9 (C), to update the website address for the Lead-Based Compliance Key.

Appendix 15: To replace the reference from RD Instruction 1940-G to RD Instruction 1970 series.

Chapter 16:

Paragraph 16.12, to replace the references to RD Instruction 1940-G with RD Instruction 1970 series; and amend language to conform to RD Instruction 1970 series.

Paragraph 16.15, to specify that in Tribal areas, additional consultation with the Tribal Historic Preservation Officer should also be initiated.

Glossary:

To remove Credit Alert Verification Reporting System (CAIVRS) and add the term/definition Do Not Pay (DNP) portal.

Acronyms:

To remove Credit Alert Verification Reporting System (CAIVRS) and insert Do Not Pay (DNP) portal and Title Status Report (TSR).

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

Appendix 1:

To replace the reference from 7 CFR part 1940 subpart G to 7 CFR part 1970.

Appendix 2:

To remove Form RD 1944-12, Rural Housing Loan Application Package and references to obsolete environmental forms.

Appendix 3:

To add Handbook Letter 4, Funds Not Available - Certificate of Eligibility and/or Property Identified.

Handbook Letter 11, to generalize so it can be used for incomplete applications and for updating complete applications.

Appendix 16:

To increase the amount of insurance proceeds Field Offices are authorized to release for borrowers affected by natural disaster from \$5,000 to \$10,000, and to correct the numbering in the appendix.

NOTE: Minor page numbering has been updated throughout the manual as well as the content updates noted in this Procedure Notice.

REMOVE

Table of Contents dated 01-23-03:
All pages;
Chapter 1 dated 01-23-03:
Page 1-1 thru 1-4,
1-19 thru 1-22;
Chapter 3 dated 01-23-03:
Pages 3-1 thru 3-22,
Attachment 3-A,
Attachment 3-B,
Attachment 3-C,
Attachment 3-D,
Attachment 3-G,
Attachment 3-J;
Chapter 4 dated 01-23-03:
Pages 4-3 thru 4-75,
Attachment 4-A,
Attachment 4-B,
Attachment 4-C,
Attachment 4-D;

INSERT

Table of Contents dated 01-23-03:
Pages 1 thru 23 revised;
Chapter 1 dated 01-23-03:
Page 1-1 thru 1-4,
Pages 1-19 thru 1-22 revised;
Chapter 3 dated 01-23-03:
Pages 3-1 thru 3-22 revised,
Attachment 3-A revised,
Attachment 3-B revised,
Attachment 3-C revised,
Attachment 3-D revised,
Attachment 3-G revised,
Attachment 3-J revised;
Chapter 4 dated 01-23-03:
Pages 4-3 thru 4-71 revised,
Attachment 4-A revised,
Attachment 4-C revised,
Attachment 4-D revised;

RD HANDBOOK CHANGES

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

REMOVE

Chapter 5 dated 01-23-03:
Page 5-9 & 5-10 and
5-13 thru 5-47;

Chapter 6 dated 01-23-03:
Pages 6-1 thru 6-31,
Attachment A,
Attachment B.

Chapter 7 dated 01-23-03:
Pages 7-1 & 7-2,
Attachments 7-B & 7-C;

Chapter 8 dated 01-23-03:
Pages 8-1 thru 8-14 and
8-17 thru 8-21,
Attachment 8-A,
Attachment 8-B;

Chapter 9 dated 01-23-03:
Pages 9-1 & 9-2, 9-11 & 9-12,
9-23 & 9-24;

Chapter 10 dated 01-23-03:
Pages 10-5 & 10-6 and
10-11 & 10-12;

Chapter 11 dated 01-23-03:
Pages 11-3 & 11-4,
Attachment 11-A;

Chapter 12 dated 01-23-03:
Pages 12-1 thru 12-4 and
12-9 & 12-10,
Attachment 12-B,
Attachment 12-C,
Attachment 12-D;

Chapter 13 dated 01-23-03:
Pages 13-1 thru 13-8,
13-17 thru 13-24 and
13-27 thru 13-32,
Attachment 13-B.

INSERT

Chapter 5 dated 01-23-03:
Page 5-9 & 5-10 and
5-13 thru 5-48 revised;

Chapter 6 dated 01-23-03:
Pages 6-1 thru 6-28 revised
Attachment A,
Attachment B revised;

Chapter 7 dated 01-23-03:
Pages 7-1 & 7-2 revised
Attachment 7-B & 7-C revised;

Chapter 8 dated 01-23-03:
Pages 8-1 thru 8-14 and
8-17 thru 8-20 revised,
Attachment 8-A revised,
Attachment 8-B revised;

Chapter 9 dated 01-23-03:
Pages 9-1 & 9-2, 9-11 & 9-12,
9-23 & 9-24 revised;

Chapter 10 dated 01-23-03:
Pages 10-5 & 10-6 and
10-11 & 10-12;

Chapter 11 dated 01-23-03:
Pages 11-3 & 11-4 revised,
Attachment 11-A revised;

Chapter 12 dated 01-23-03:
Pages 12-1 thru 12-4 and
12-9 & 12-10 revised,
Attachment 12-B revised,
Attachment 12-C revised,
Attachment 12-D revised,
Attachment 12-E added;

Chapter 13 dated 01-23-03:
Pages 13-1 thru 13-8,
13-17 thru 13-24 and
13-27 thru 13-32 revised,
Attachment 13-B revised;

RD HANDBOOK CHANGES

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

REMOVE

Chapter 15 dated 01-23-03:
Pages 15-7 thru 15-10 and
15-13 & 15-14,
Attachments 15-D & 15-E;
Chapter 16 dated 01-23-03:
Pages 16-19 thru 16-27,
Glossary dated 01-23-03:
All Pages;
Acronyms dated 01-23-03:
All Pages 1 thru 4;
Appendix 1 dated 01-23-03:
Pages 11 & 12, 67 & 68,
75 & 76;
Appendix 2 dated 01-23-03:
Pages 1 & 2;
Appendix 3 dated 01-23-03:
HB Letter 11;
Appendix 15 dated 01-23-03;
Appendix 16 dated 01-23-03:
All Pages 1 thru 7.

INSERT

Chapter 15 dated 01-23-03:
Pages 15-7 thru 15-10 and
15-13 & 15-14 revised
Attachments 15-D & 15-E revised;
Chapter 16 dated 01-23-03:
Pages 16-19 thru 16-27 revised
Glossary dated 01-23-03:
All Pages revised;
Acronyms dated 01-23-03:
Pages 1 thru 4 revised;
Appendix 1 dated 01-23-03:
Pages 11 & 12, 67 & 68,
75 & 76 revised;
Appendix 2 dated 01-23-03:
Pages 1 & 2 revised;
Appendix 3 dated 01-23-03:
HB Letter 4 added,
HB Letter 11 revised;
Appendix 15 revised;
Appendix 16 dated 01-23-03:
Pages 1 thru 7 revised 01-06-17.

RD HANDBOOK CHANGES

INSERT RD HB-3-3560
(WSAL)

MFH PROJECT SERVICING HANDBOOK. This
Handbook is partially revised as follows:

Table of Contents:

The Table of Contents is partially revised to reflect the revisions in Chapter 7.

Chapter 7:

This Chapter has been completely revised to update the processes used to evaluate, analyze and process ownership transfer requests received for properties having outstanding Section 515 Rural Rental Housing and Section 514/516 Farm Labor Housing loans or grants.

REMOVE

Table of Contents:
Pages 5 thru 10;
Chapter 7 dated 02-24-05:
Pages 7-1 thru 7-52,
Attachment 7-A thru 7-D.

INSERT

Table of Contents:
Pages 5 thru 10 revised;
Chapter 7 dated 02-24-05:
Pages 7-1 thru 7-84 revised,
Attachment 7-A thru 7-D revised 01-06-17.

NO SPECIAL PROCEDURE NOTICE RELEASED.

ADMINISTRATIVE NOTICES RELEASED:
(See AN Checklist)

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