

## 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 October 1, 2017.

REMOVE  
Exhibit B: Pages 1 & 2 (Rev 103).

INSERT  
Exhibit B: Pages 1 & 2 (Rev 104).

INSERT RD INS 1951-O  
(WSAL)

**Servicing Cases Where Unauthorized Loan(s)  
or Other Financial Assistance Was Received-  
Community and Insured Business Programs.** Exhibit B is partially revised to  
update program interest rates, effective October 1, 2017.

REMOVE  
Exhibit B: Pages 3 & 4 (Rev 6).

INSERT  
Exhibit B: Pages 3 & 4 (Rev 7).

### 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:

This Handbook is partially revised. The specific revisions, which are outlined below, will be effective 30 days from the date of this Procedure Notice.

#### Chapter 5:

Paragraph 5.7 (C), to update survey requirements and remove the prerequisite for the State Director to accept title insurance in lieu of a survey.

Paragraph 5.8 (B), to correct the reference to the template notice, which is found in RD Instruction 1970-F.

(OVER)

**RD HANDBOOK CHANGES**

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

**(WSAL)**

Paragraph 5.9, to instruct staff to use Attachment 5-B, Single Family Housing Site Checklist, in lieu of the Transaction Screen Questionnaire, ASTM Standard E-1528 (TSQ). This change appears elsewhere in the chapter.

Paragraph 5.12 (A), to clarify that this guidance only pertains to Section 502 loans and to remove the requirement related to the applicant's equity in the real estate.

Paragraph 5.18, to clarify that the abbreviation CO is the Contracting Officer and to add that the Statement of Work to be used in solicitation of appraisers is now included as Attachment 5-A.

Paragraph 5.22, to remove the language regarding the applicant orientation guide in light of inaccuracies with the guidance and considering pending changes to this process.

Section 6, "Managing Construction" to clarify that new construction and substantial rehabilitation are the intended types of construction that this section covers.

Paragraph 5.25 (A), to revise the requirement related to the number of bids for rehabilitation.

Paragraph 5.25 (B), to add a reference to the new Attachment 12-F, Pre-Construction Conference, as an acceptable alternative method for creating a record of the pre-construction meeting.

Paragraph 5.25 (C), to revise when the applicant and the contractor must sign the construction contract.

Paragraph 5.26, to clarify that the borrower should attend construction inspections and be available to sign checks for work performed.

Paragraph 5.26 (A), to clarify that it is the borrower who will be responsible for inspections to protect their interest and that Agency staff inspections are primarily to ensure completion of construction and the adequacy of the Agency's security interest. Additional language is added to further clarify that third party inspectors can perform a final inspection and to emphasize that Agency staff inspections create no implied duty or obligation to the borrower. A bulleted section provides guidance on the duties of a qualified inspector.

Paragraph 5.26 (B), to add guidance on acceptable inspection methods for substantial rehabilitation and to remove the paragraph on minor rehabilitation which was incorporated into the revisions in Chapter 12. Additional language was added on the acceptable documentation for the final inspection.

(OVER)

**RD HANDBOOK CHANGES**

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

**(WSAL)**

Paragraph 5.26 (C), to modify requirements for withholding 40% of the contract amount as retainage when a lesser percentage is required by State law.

Paragraph 5.26 (D), to clarify that change orders must be for an eligible loan purpose.

Paragraph 5.28 (D), to add the reference to RD Instruction 1924-F as it relates to compensation for construction defects for major defects in eligible dwellings.

Attachment 5-A, "Statement of Work (SOW) for Appraisal Services and Appraisal Instructions Single Family Housing Residential Property", added to provide standardized instructions for soliciting qualified appraisers and to provide the prospective appraiser and Agency staff with expectations and requirements when performing an appraisal for the Agency.

Attachment 5-B, to record additional information regarding the property (i.e. year built, occupancy, and accessibility to the interior) and to add additional questions under Item 1.

**Chapter 16:**

Paragraph 16.1, to clarify who is the authorized official for foreclosure and REO processing. Throughout the chapter, language tied to the authorized official was revised to include both centralized and non-centralized states (e.g. "Field Office" was replaced with "Agency" and references were changed to "State Director or CSC").

Paragraph 16.1 (A), to introduce liquidation value factors which will be used in conjunction with other administrative price reductions when selling REO properties.

Paragraph 16.1 (B), to clarify that investors who are offered nonprogram credit terms are not subject to income, asset, occupancy, or citizenship tests.

Paragraph 16.3, to provide instruction on using liquidation value factors when offering REO properties for sale.

Paragraph 16.3 (A), to replace the reference to the Transaction Screen Questionnaire form with Attachment 5-B and to instruct staff to order an appraisal with an interior inspection when the Agency becomes the owner after a foreclosure sale.

Exhibit 16-1, to amend and limit the sales schedule timeframes for program properties to 60 days after which the property will be determined nonprogram and follow the timeframes in Exhibit 16-2 as a day 61-90 property.

(OVER)

**RD HANDBOOK CHANGES**

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

Exhibit 16-2, to replace the existing sales schedule and price reductions for nonprogram properties.

Paragraph 16.4 (C), to revise the minimum marketing method and to provide additional marketing efforts that can be taken.

Paragraph 16.5 (A), to add a clarifier regarding seller concessions for program applicants.

Paragraph 16.21, to add a bullet regarding the use of an occupancy restriction for a nonprogram property.

REMOVE

Chapter 5 dated 01-23-03:  
Pages 5-15 thru 5-48,  
Attachment 5-A and 5-B;  
Chapter 16 dated 01-23-03:  
Pages 16-1 thru 16-28,  
Attachment 16-D.

INSERT

Chapter 5 dated 01-23-03:  
Pages 5-15 thru 5-48 revised,  
Attachment 5-A and 5-B revised;  
Chapter 16 dated 01-23-03:  
Pages 16-1 thru 16-28,  
Attachment 16-D revised 11-03-17.

**FORM**

**REPLACEMENT  
RD 4279-6  
(WSAL)**

**ASSIGNMENT GUARANTEE AGREEMENT**  
revised 11-17. Prescribed in RD  
Instructions 4279-A, 4279-B, 4280-B, 3575-A

and 1779. The Form and FMI are revised to clarify paragraph "5. Full Faith and credit" that the guarantee is only unenforceable "by the Lender," to the extent that any loss is occasioned by violation of usury laws, use of loan proceeds for unauthorized purposes, negligent loan origination, negligent loan servicing, or failure to obtain or maintain the required security regardless of the time at which USDA acquires knowledge of the foregoing. This Form and FMI are available on the Rural Development Instructions home page (<http://www.rd.usda.gov/publications/regulations-guidelines>). No paper copy distribution of this form will be made, and it will not be stocked in the warehouse.

REMOVE

FMI dated 06-23-17.

INSERT

FMI revised 11-03-17.

NO SPECIAL PROCEDURE NOTICE RELEASED.

ADMINISTRATIVE NOTICES RELEASED.  
(See AN Checklist)