

## PROCEDURE NOTICE

### RD MANUAL CHANGES

INSERT RD INS 440.1  
(WSAL)

**INTEREST RATES, AMORTIZATION,  
GUARANTEE FEE, ANNUAL CHARGE, AND  
FIXED PERIOD.** Exhibit B is completely  
revised as follows:

To update various program rates and the Treasury Judgement Rate, effective October 1, 2019; and

To remove the maximum interest rate cap for the initial loan or refinance of existing section 502 Guaranteed Loan transaction effective October 1, 2019.

Remove footnote 9 and the remaining renumbered.

REMOVE  
Exhibit B.

INSERT  
Exhibit B revised 10-04-19.

### RD HANDBOOK CHANGES

INSERT RD HB \*  
(WSAL)

In the following Handbooks, Appendix 4 is partially revised to include the October 1, 2019, interest rate for the

Above-Moderate Single Family Housing non-program loans.

\* Number                      Title

HB-1-3550                      DIRECT SINGLE FAMILY HOUSING LOANS AND GRANTS FIELD OFFICE HANDBOOK.

HB-2-3550                      DIRECT SINGLE FAMILY HOUSING LOANS AND GRANTS CENTRALIZED SERVICING CENTER HANDBOOK.

REMOVE  
Appendix 4: Pages 3 & 4.

INSERT  
Appendix 4:  
Pages 3 & 4 revised 10-04-19.

(CON.)

**RD HANDBOOK CHANGES**

**INSERT RD HB-1-3555  
(WSAL)**

**SFH GUARANTEED LOAN PROGRAM TECHNICAL  
HANDBOOK.** This Handbook is partially  
revised as follows:

**Chapter 5:**

Paragraph 5.2 A, to removed language regarding obtaining traditional credit. Reference was made to guidance on the same subject in Chapter 8.

Updated the guidance on data threshold tolerance in Paragraph 5.3 G to match the language in the upcoming Chapter 10 revisions.

Paragraph 5.3 J, to removed language requiring lenders to submit interest rate lock dates. The revised Form RD 3555-21 eliminates the field for rate lock dates.

**Chapter 6:**

Chapter 6: Loan Purposes to include updated regulation per the single close construction Final Rule and include the Repair and Rehabilitation feature.

Updated Paragraph 6.2 B on repair and rehabilitation and refer to Chapter 12 for additional guidance.

Paragraph 6.2 C., "Closing Costs" to include regulatory language removing seller concession limits for single close construction loans.

In order to coincide with 3555.102(h) regarding seller concessions, "loan amount" was changed to "property's sale price."

Added a bullet in Paragraph 6.2C to address eligible loan purposes for Single-Close Construction loans.

Paragraph 6.2 D., to clarify eligible refinance purposes, identify the types of loans that may be refinanced, rearranged, renumbered paragraphs for clarity and removed redundant language.

Clarified that the guarantee fee may be added over original loan amount with a streamline refinance.

Paragraph 6.2 D (a) (3) (iii), to clarify a deceased borrower may be removed from a streamline assist refinance transaction.

Removed paragraph "Additional Guidance for Existing Direct 502 Loans" and moved it to Attachment B of the chapter.

Paragraph 6.2 D(b), edited for clarity under loan application documentation.

Clarified Lender and Agency requirements in the submission process in Paragraph 6.2D(c).

**RD HANDBOOK CHANGES**  
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**Chapter 6:**

Replaced the fax number to the NFAOC with the email address in Paragraph 6.2D(g).

Removed language in section 6.3 "Loan Discount Points" restricting discount points to 2% for non-streamline refinance transactions to concur with guidance throughout the chapter.

Updated section 6.3 "Seller Contributions" to include regulatory language removing seller concession limits for single close construction loans.

In 6.3, clarified that the 6% seller contributions are based on sale price and not applicable to construction loans.

Attachment 6-A was added to summarize the differences in the refinance options.

Attachment 6-B was added to provide additional guidance on refinancing Section 502 Direct Loans.

**Chapter 7:**

Removed language regarding the maximum interest rate cap. The Single-Close final rule published July 22, 2019, eliminates the maximum interest rate cap for SFHGLP loans. The language in section 7.3B has been updated accordingly.

**Chapter 9:**

The revisions to this chapter provide lenders clarification and guidance on evaluating acceptable income types and timeframes. It allows lenders additional flexibility in determining applicant's stable and dependable income.

Paragraph 9.3 B, Added a bullet to provide guidance on the use of income that will not continue for the entire ensuing 12 months for annual income calculations.

**Paragraph 9.3 E:**

Added bullet to outline the information required in paystubs/earnings statements for use as a verification source.

Added bullets that specify requirements for information in W-2 forms and required tax return documents for self-employed applicants for income verification purposes.

Clarified language pertaining to self-employed applicant's required income documentation and defined sharp increases and decreases in self-employment income that must be carefully evaluated.

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**Chapter 9.3 E:**

Clarified when business federal income tax returns are required.

Clarified language and formatting to the statement that IRS transcripts are required for all adult household members with the exception of full-time students.

Added language to address incomplete applications when the lender cannot obtain form IRS 4506-T for household members without a Social Security number or other acceptable identification number.

**Paragraph 9.8:**

Added bullets to define sharp increases and decreases that must be evaluated when used as stable and dependable income.

Added language to clarify the lender's responsibility in their determination of stable and dependable income.

**Paragraph 9.11:**

Added this paragraph to clarify the use of time spent in education as substitute for required repayment income timeframes to allow only education where specified certification can be obtained.

**Attachment 9-A:**

Made revisions to relax the required timeframes for certain type of incomes used in repayment income calculations from two years to one year.

Added guidance on additional income types that were previously not included in the hand book.

Provided additional guidance for documentation source options.

**Attachment 9-F:**

Clarified GUS Accept Full Documentation loan files are not manually underwritten loan files.

**RD HANDBOOK CHANGES****INSERT RD HB-1-3555****(WSAL)****Chapter 12:**

The following updates were made to Chapter 12 to include guidance on the new Single-Close Construction loan to coincide with the Final Rule and add the new feature for the purchase with repair and rehabilitation loan option.

Paragraph 12.4, removed language requiring the dwelling's economic life meet or be greater than the loan term. This is a HUD 223 program requirement not HUD HB 4000.1. Economic life of the dwelling is covered under section 12.5.

Paragraph 12.5 B, removed the requirement for the Market Condition Addendum (Form FNMA 1004 MC).

**Paragraph 12.6 (Water and Wastewater Disposal Systems):**

Added statement to clarify if the property meets HUD Handbook 4000.1 then additional well and septic tests are not required other than water quality tests.

Removed language regarding the cost to connect to a public system as determined by the lender for clarification and ease of use.

**Paragraph 12.7 A (Street Access):**

To updated the language in 12.7A to match regulation 3555.201(b) (3).

**Paragraph 12.9 B (New Dwellings):**

Clarified language pertaining to the completion of plans and specs, building permits, and owner occupancy certificates.

"Evidence of Construction Inspections" removed the work "insured" as a one-year warranty is not insured.

Added language for clarification on manufactured home inspection requirements.12.9C Repair Escrows

**Paragraph 12.9 C (Repair Escrows):**

Updated and clarified interior and exterior repair escrow requirements for greater ease of use.

**Paragraph 12.10 B (Flood Hazards):**

Updated language about maximum flood coverage by Flood Insurance to match the language in Chapter 16.

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**Paragraph 12.12 (Rural Energy Plus Loans):**

Section removed. The language remains in 3555.209 however, there is not a loan benefit offered at this time. To avoid confusion the language has been removed.

Section 7 "Combination Construction to Permanent Loans" renumbered to Section 6.

**Paragraph 12.12 (Single-Close Features):**

Added language to clarify a construction to permanent loan may be considered a purchase transaction by the Agency yet should be identified and coded in GUS/GLS as "construction only".

**Paragraph 12.13 Lender Requirements:**

Updated language for clarification.

**Paragraph 12.14 Construction Contractor-Builder Requirements:**

Added language to clarify an acceptable credit history for builder-contractors.

**Paragraph 12.15 Eligible Loan Costs:**

Edited section for clarity.

Added updated eligible loan costs as determined by the Single-Close Final Rule.

**Paragraph 12.17 Appraisals:**

Updated language to include reference to Section 3555.107(d).

**Paragraph 12.20 Loan Closing:**

Added language to include information on established reserve accounts for the fully amortized payment, interest, taxes, and insurance.

**Paragraph 12.24 Change Orders:**

Updated language for better clarity.

Section 12.25 on Interest After Loan Closing was removed. The language was added to section 12.20 for greater clarification and to avoid confusion.

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**(WSAL)**

**Chapter 12:**

Paragraph 12.26, edited for greater clarity.

Paragraph 12.28, section has been added to address guidance pertaining to the Repair and Rehabilitation loan option.

REMOVE

Table of Contents:  
Pages 3 thru 8, 11 thru 14;  
Chapter 5 dated 03-09-16:  
Pages 5-1 & 5-17;  
Chapter 6 dated 03-09-16:  
Pages 6-1 thru 6-16;  
  
Chapter 7 dated 03-09-16:  
Pages 7-1 thru 7-3;  
Chapter 9 dated 03-09-16:  
Pages 9-1 thru 9-10,  
Attachment 9-A:  
Pages 1 thru 19,  
Attachment 9-F;  
Chapter 12 dated 03-09-16:  
Pages 12-1 thru 12-43.

INSERT

Table of Contents:  
Pages 3 thru 8, 11 thru 14 revised;  
Chapter 5 dated 03-09-16:  
Pages 5-1 & 5-16 revised;  
Chapter 6 dated 03-09-16:  
Pages 6-1 thru 6-15 revised,  
Attachment 6-A added;  
Chapter 7 dated 03-09-16:  
Pages 7-1 thru 7-3 revised;  
Chapter 9 dated 03-09-16:  
Pages 9-1 thru 9-12 revised,  
Attachment 9-A:  
Pages 1 thru 32 revised,  
Attachment 9-F revised;  
Chapter 12 dated 03-09-16:  
Pages 12-1 thru 12-42 revised 10-04-19.

**FORM**

**REPLACEMENT**  
**RD 3555-21**  
**(WSAL)**

**CONDITIONAL COMMITMENT FOR SINGLE FAMILY**

**HOUSING LOAN GUARANTEE** revised 10-19  
Prescribed in RD Handbook HB-1-3555.

The Form and FMI are revised to indicate the technology fee amount required from the lender to receive the guarantee. This Form and FMI are available on the Rural Development Instructions home page (<https://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 10-02-18.

INSERT

FMI revised 10-04-19.

SPECIAL PROCEDURE NOTICE RELEASED:

SPECIAL PN NOTICE dated 09-23-19. DISTRIBUTION: WSAL.  
(RD Instruction 1970-A)

ADMINISTRATIVE NOTICES RELEASED:

(See AN Checklist)