

PROCEDURE NOTICE

RD MANUAL CHANGES

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The following Instructions are partially revised to provide clarification, correct minor inconsistencies, and eliminate unintended barriers in the Business and Industry (B&I) Guaranteed Loan Program through changes to Administrative language within the governing B&I regulations. The revisions are required due to changes in organizational structure in the National Office, while other changes are made for clarity purposes and deemed insignificant but will further enhance program consistency to enhance economic opportunities for rural lenders and businesses.

<u>RD INS</u>	<u>REMOVE</u>	<u>INSERT</u>
4279-A	Pages 11 & 12 (Rev 2), 13 & 14 (Rev 1), 15 & 16, 17 & 18, 19 & 20, 25 & 26 (Rev 1), 27 & 28 (Rev 1), 29 & 30.	Pages 11 & 12 (Rev 3), 13 & 14 (Rev 2), 15 & 16 (Rev 1), 17 & 18 (Rev 1), 19 & 20 (Rev 1), 25 & 26 (Rev 2), 27 & 28 (Rev 2), 29 & 30 (Rev 1).
4279-B	Pages 3 & 4, 7 & 8 (Rev 1), 15 & 16, 19 & 20 (Rev 1), 22A, 23 & 24 (Rev 2), 25 & 26 (Rev 1), 27 & 28, 31 & 32 (Rev 1), 33 & 34 (Rev 1), 35 & 36 (Rev 2), 37 & 38 (Rev 1), 47 & 48 (Rev 1), 51 & 52 (Rev 1), 53 & 54 (Rev 2), 55 & 56, 57 & 58 (Rev 1), 61 & 62, 63 & 64, 65 & 66.	Pages 3 & 4 (Rev 1), 7 & 8 (Rev 2), 15 & 16 (Rev 1), 19 & 20 (Rev 2), 22A (Rev 1), 23 & 24 (Rev 3), 25 & 26 (Rev 2), 27 & 28 (Rev 1), 31 & 32 (Rev 2), 33 & 34 (Rev 2), 35 & 36 (Rev 3), 37 & 38 (Rev 2), 47 & 48 (Rev 2), 51 & 52 (Rev 2), 52A added, 53 & 54 (Rev 3), 55 & 56 (Rev 1), 57 & 58 (Rev 2), 61 & 62 (Rev 1), 63 & 64 (Rev 1), 65 & 66 (Rev 1) and 66A added 04-30-20.
4287-B	Pages 7 & 8, 9 & 10 (Rev 1), 13 & 14 (Rev 1), 15 & 16, 19 & 20 (Rev 1), 23 & 24, 27 & 28 (Rev 1); Appendix A: Pages 3 & 4 (Rev 1); Appendix C: Pages 7 & 8, 23 & 34.	Pages 7 & 8 (Rev 1), 9 & 10 (Rev 2) 13 & 14 (Rev 2), 15 & 16 (Rev 1), 19 & 20 (Rev 2), 23 & 24 (Rev 1), 27 & 28 (Rev 2); Appendix A: Pages 3 & 4 (Rev 2); Appendix C: Pages 7 & 8 (Rev 1), 23 & 24 (Rev 1).

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(WSAL)

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

Chapter 11:

Updated to clarify monthly mortgage liabilities, when a liability may be omitted from the total debt ratios, and streamline compensating factor guidance.

Paragraph 11.2 B:

PITI: The individual items that may be applicable to the PITI payment are outlined.

Long term obligations: This section was changed to "Installment accounts". Clarification is included for debts may be excluded from the debt ratio.

Revolving accounts: Additional account types are listed for enhanced guidance.

Court ordered debts: This is a new section heading, but the guidance is unchanged.

Student loans: The minimum required payment for a non-fixed student loan is reduced to the greater of .50 percent of the loan balance or the current documented payment under the approved repayment plan with the creditor. Additional guidance has been added for individual student loan debts paid by another party and forgiveness plans.

Previous Mortgage: This section has been revised to include three separate previous mortgage areas of guidance. The new chapter includes guidance for rental property, no release of liability, and divorce.

Tax repayment agreements: This is a new section to address Federal and State income tax repayment plans.

Lease payments: This is a new section to address auto, solar, energy, and additional lease payments.

Paragraph 11.3:

Streamlined guidance for acceptable PITI and Total Debt ratios. No changes to the thresholds.

Acceptable compensating factors: Social Security benefits that have been received for a minimum of two years is added as an acceptable compensating factor.

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Paragraph 11.2 B:

Reformatting has occurred to place GUS Accept guidance at the beginning of the topic followed by GUS Refer, Refer with Caution, and manually underwritten guidance.

Removed: "The borrower demonstrated a conservative attitude toward the use of credit" is removed as a compensating factor for refinance transactions. It is vague and difficult to document.

Paragraph 11.4:

Mortgage Credit Certificates (MCC): The consideration of an MCC, GUS data entry, and documentation requirements is in HB-1-3555 Chapter 9. This section has been revised to refer to Chapter 9.

Paragraph 11.5:

Funded Buydown Accounts: Guidance has been streamlined and clarified. No changes to guidance.

Paragraph 11.6:

Section 8 Homeownership Vouchers: The consideration of a Section 8 voucher, GUS data entry, and documentation requirements is in HB-1-3555 Chapter 9. This section has been revised to refer to Chapter 9.

Chapter 12:

Paragraph 12.4:

Guidance on sites with multiple parcels was added.

Guidance on properties with solar panels was added.

Paragraph 12.5 D:

Replaced State Director with Director of Origination and Processing Division, where applicable.

Paragraph 12.6 A:

Added guidance for individual water systems in Hawaii and the Western Pacific Region.

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Chapter 12:

Paragraph 12.6 B:

Removed requirement to consider the cost of connecting individual sewage systems to public systems.

Paragraph 12.12:

Added guidance for excluding current mortgage payments for borrowers who are pending the sale of their current dwelling subject to completion and closing of a new construction loan.

Paragraph 12.22:

Added that Electronic Status Reporting (ESR) is required in accordance with Chapter 17.

Paragraph 12.23:

Added statement that allows an initial disbursement, not based on work in place, to commence construction.

Paragraph 12.25:

Added a statement that allows remaining funds in a contingency reserve account to be used for an eligible loan purpose or be applied to the principal balance.

Paragraph 12.28:

Included addition of a garage, attached or detached to eligible loan cost.

Chapter 18:

Accounts with Repayment Problems, to include the updated guidance described in the Loss Claims Loss Mitigation final rule dated December 26, 2019.

Many language updates to provide better readability and more concise guidance.

Refreshed links and references to other chapters that have been updated.

Updated guidance on Electronic Status Reporting (ESR).

Moved guidance on custodial properties from Chapter 19 to Chapter 18 for better fit.

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Chapter 18:

Clarified guidance on emergency repairs so lenders don't have to wait for concurrence.

Loss Mitigation guide updates:

Clarified language in forbearance section that engaged borrowers who are making payments should be given every opportunity to succeed when the signed agreement is outstanding (has not been signed yet).

Added requirement that servicers must deliver recorded docs within 6 months of execution.

Clearly stated when a trial period is required (if payments increase) vs not required.

Removed attachments that included worksheets that are outdated.

Moved guidance on maximum allowable preservation costs from Chapter 19 to Attachment 18E.

Chapter 19:

Eliminated all reference to real estate owned (REO) and marketing acquired properties.

Moved loss claim process from Chapter 20 to Chapter 19.

Updates to increase readability.

Refreshed links and references to other chapters that have been updated.

Added language to clarify impact of previously paid partial claims on any future claims paid.

Removed references to future recovery.

Updated timelines for filing claim to meet requirements in the final rule.

Added language to describe new valuation model used to calculate claims paid at foreclosure.

Added "Cash for Keys" guidance in Paragraph 19.2.

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Appendix 1:

The following revisions are due to the publication of the Final Rule entitled "Single Family Housing Guaranteed Loan Program (Loss Claims Loss Mitigation) dated December 26, 2019 with an effective date of April 24, 2020.

Table of Content:

3555.306, Update Paragraph (f) title to "Lender acquisition of title."
3555.353, Update Paragraph (a) title changed to "For property that has been sold" and Paragraph (b) title changed to "For a property has been acquired."

Sec. 3555.10, revise definition for "Settlement date" and added paragraph (5).

Sec. 3555.51 (b) (1) added additional lender participating requirements.

Sec. 3555.301 (h), revise to require lender to use web-based automated systems to submit formal servicing plans.

Sec. 3555.302 (b) to remove the lender's option to obtain a waiver of concurrence by the Agency concurrence before issuing protective advances for significant amounts specified by the Agency.

Sec. 3555.303 (b) :

Revise (b) (3) (i) to add market interest rate at time of loan of modification.

Revise (b) (3) (ii) to clarify that late charges and lender fees may not be capitalized.

Revise (b) (3) (v) to allow lenders to require borrowers a trial payment plan prior to a loan modification.

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Sec. 3555.304:

Remove (a) (2) that required lenders to obtain Agency concurrence or waiver before implementing servicing options.

Redesignating paragraphs (a) (3) and (4) as paragraphs (a) (2) and (3);

Added (a) (4) that allows borrowers with 31 percent or less income ratio special servicing options to cure without loan modification.

Revised (c) (1) to allow capitalization of arrearage and other fees.

Revise (c) (2) to require that the interest rate be fixed and not exceed the current market at the time of modification.

Revise (d) (1) to change the maximum amount of a mortgage recover advance to 30 percent of the unpaid principal balance as of the date of the initial default.

Revise (d) (2) to allow a mortgage recover advance to cure the borrower's deficiency when the borrowers total monthly mortgage payment is less than 31 percent of gross monthly income.

Sec. 3555.305:

Revised introductory paragraph to remove last sentence.

Revise (a) (1) clarify that loan must be 30 days delinquent or meet imminent default definition.

Sec. 3555.306 (f), revised that requires lenders to submit loss claim package within 60 days of the foreclosure sale with market value appraisal.

Sec. 3555.352:

Revise (c) to change 90 days to 60 days under additional interest.

Revise (e) to change liquidation to market value appraisal under liquidation costs.

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Sec. 3555.353:

Revised (a) to change "actual net recovery value" to "for a property that has been sold" and clarified guidance on property sold to third party.

Revised (b) to change "anticipated net recover value" to "for property that has been acquired and clarified guidance on property acquired through foreclosure sale or deed in lieu of foreclosure and removed paragraphs under (1) and (2).

Sec. 3555.354:

Revised paragraph to require lenders to use web-based automated systems to submit all loss claim requests.

Revised (b) to require lenders to submit loss claim package within 60 days of the foreclosure sale or date the lender acquires the property and removed paragraphs under (1) and (2).

Sec. 3555.356, this section was removed and reserved.

Appendix 1:

The following revisions are due to the publication of the Final Rule entitled Single Family Housing Guaranteed Loan Program (Construction to Permanent)" dated July 22, 2019 with an effective date of August 21, 2019.

Sec. 3555.10:

Remove "Maximum allowable interest rate."

Add definition for "Warehouse lender."

Sec. 3555.104, revise interest rate requirements outlined in (a) (2) through (4).

Sec. 3555.105:

Revise (c) (1) under use of loan funds to include repair and rehabilitation and clarify that condominiums, detached and site, are ineligible.

Added (c) (2) (iv) to include cost of interim construction interest and PITI reserve amounts.

Revise (d) (2) to clarify who determines fair market value.

Add (d) (7) allowing lenders to fund up to a 12-month PITI reserve eliminating the need for a loan modification.

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Sec. 3555.105:

Revise (e)(1) to include rehabilitation of a dwelling.

Adding (e)(8) that remaining PITI reserve balance must be applied to principal curtailment once construction is complete.

Revise (g) to include that remaining PITI reserve and construction escrow accounts will be applied to principal curtailment due to unplanned changes during construction.

Appendix 8:

Appendix 9 renumbered to Appendix 8.

Paragraph 8.1 updated the accrued interest timeline from 90 days to 60 days.

Paragraphs 8.3 and 8.4, added two Penalties for deficient servicing.

Paragraph 8.5 Incorporated indemnification language and removed 90 days to the allowable days.

REMOVE

Table of Contents: Pages 5 & 6;
Chapter 11 dated 03-09-16:
Pages 11-1 thru 11-11;
Chapter 12 dated 03-09-16:
Pages 12-1 thru 12-42;
Chapter 18 dated 03-09-16:
Pages 18-1 thru 18-15,
Attachment 18-A:
Pages 1 thru 43,
Chapter 19 dated 03-09-16:
Pages 19-1 thru 19-13,
Attachment 19-A;
Chapter 20 dated 03-09-16:
All Pages;
Appendix 1 dated 03-09-16:
Pages 1 thru 7, 17 & 18,
21 & 22, 23 & 24, 25 & 26,
35 & 36, 37 & 38, 39 & 40,
41 & 42, 77 & 78, 79 & 80,
81 & 82, 83 & 84, 85 & 86,
87 & 88, 89 & 90, 91 & 92,
93 & 94; and
Appendix 8 dated 03-09-16:
Pages 1 thru 5; and
Appendix 9 dated 03-09-16:
ALL Pages.

INSERT

Table of Contents: Pages 5 & 6;
Chapter 11 dated 03-09-16:
Pages 11-1 thru 11-12 revised;
Chapter 12 dated 03-09-16:
Pages 12-1 thru 12-44 revised;
Chapter 18 dated 03-09-16:
Pages 18-1 thru 18-17,
Attachment 18-A:
Pages 1 thru 35,
Attachment 18-E added;
Chapter 19 dated 03-09-16:
Pages 19-1 thru 19-9
Appendix 1 dated 03-09-16:
Pages 1 thru 7, 17 & 18,
21 & 22, 23 & 24, 25 & 26,
35 & 36, 37 & 38, 39 & 40,
41 & 42, 77 & 78, 79 & 80,
81 & 82, 83 & 84, 85 & 86,
87 & 88, 89 & 90, 91 & 92,
93 & 94 revised; and
Appendix 8 dated 03-09-16:
Pages 1 thru 5 revised 04-30-20.

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FORM

REPLACEMENT

**RD 3555-17
(WSAL)**

LOAN NOTE GUARANTEE revised 04-20.

Prescribed in RD Handbook HB-3-3560. The Form and FMI are revised to update the

accrued interest timeline from 90 days to 60 days due to the publication of the Loss Claim Loss Mitigation, Final Rule. 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.

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FMI dated 06-02-16.

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FMI revised 04-30-20.

NO SPECIAL PROCEDURE NOTICE RELEASED.

NO ADMINISTRATIVE NOTICES RELEASED.

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