

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 is partially revised to update the Treasury Judgement rate and the effective date of March 1, 2022.

REMOVE

Exhibit B: Pages 1 & 2 (Rev 27).

INSERT

Exhibit B: [Pages 1 & 2 \(Rev 28\)](#).

RD HANDBOOK CHANGES

INSERT RD HB-1-3550
(WSAL)

**DIRECT SINGLE FAMILY HOUSING LOANS
AND GRANTS FIELD OFFICE HANDBOOK.**
This Handbook is partially revised
as follows:

Handbook-1-3550, Chapters 1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 15, 16 changes address several regulatory changes published in the Final Rule 0575-AD 14 (including additions in response to the American Rescue Plan Act) and is expected to reduce the burden on RD Field Staff and the public.

To update the following terms throughout the handbook:

- MortgageServ to LoanServ
- National Financial and Accounting Operations Center (NFAOC) or Centralized Servicing Office (CSC) to Servicing and Asset Management Office (Servicing Office)
- Field Assistance Desk to SFH Assistance Section

Table of Contents:

- To update the contents to reflect the changes made through this Procedure Notice.

(CON.)

RD HANDBOOK CHANGES
RD HB-1-3550
(WSAL)

Chapter 1:

- Paragraph 1.5 to clarify the Section 504 loan term requirements to specify that the loan term will be 20 years. Increase the Section 504 maximum loan amount of \$20,000, the sum of all outstanding section 504 loans to one borrower and for one dwelling, to \$40,000. Change the lifetime maximum assistance of \$7,500 for a Section 504 grant to a lifetime grant limit to any one household or one dwelling of \$10,000.

Paragraph 1.6 clarifies that direct borrowers who are unable to repay their loans may be eligible for a variety of special servicing actions including refinance following a moratorium.

Chapter 2:

Paragraph 2.4 and 2.6 to update to allow a new borrower to use new loan funds to purchase a dwelling from an existing RHS borrower.

Paragraph 2.10 to update the language 'must' or 'will' on processing timeframe, to 'should'. This will provide states some flexibility on processing. To update the pre-qualification language in Chapter 2 for consistency with Chapter 3.

Chapter 3:

Paragraph 3.4 and Attachment 3-J to change from "homeowner education" to "homeownership education" for consistency. Change the requirement placed on State Directors to update the list of homeownership education providers annually to as needed, but no less than every three years.

Paragraph 3.7 to update the language 'must' or 'will' on processing timeframe, to 'should'. This will provide states some flexibility on processing.

Paragraph 3.14 to update to allow a new borrower to use new loan funds to purchase a dwelling from an existing RHS borrower.

Attachment 3-A to change the packaging fee for approved non-certified packagers to \$750 and amend language regarding a preliminary eligibility determination.

(CON.)

RD HANDBOOK CHANGES

RD HB-1-3550

(WSAL)

Chapter 3:

Paragraph 3.10, 3.13, Attachment 3-A, Attachment 3-C and Attachment 3-D to update application processing priorities to be applied on a regular basis, and not just during periods of insufficient funding. Added language to the second priority status to include loans assumed ('or purchased with new loan proceeds'). Revised the language for the fourth priority status to always make applications submitted via an intermediary through the certified application packaging process permanent. Clarified the language for the fifth priority. Updated veterans' preference definition, but it remains a priority in accordance with 42 U.S.C. 1744. Grammatical correction of veterans preference to veterans' preference.

Attachment 3-D to remove the restriction related in-ground swimming pools for existing housing.

Attachment 3-G to update Lead Based Paint Compliance Key and Department of Labor (DOL) website links.

Chapter 4:

Paragraphs 4.3 and 4.17 to revise occupancy requirements to include term principal residence and to remove restrictions for military personnel and students. Principal residence is added to definitions.

Paragraph 4.11 to remove "pre-qualification" when describing the required review by a packager.

Paragraph 4.22 to change the principal, interest, taxes, and insurance ratio for very-low income applicants to 33% (which is the ratio used for low income applicants).

Paragraph 4.24 to remove language regarding counseling the applicant on payment shock.

Chapter 5:

Paragraph 5.4 to remove the requirement that the value of the site must not exceed 30 percent of the as improved market value of the property.

Paragraph 5.6 to remove the restriction related to in-ground swimming pools for existing housing.

Chapter 6:

Paragraph 6.4 to revise occupancy requirements to include term principal residence and to remove the restriction related to in-ground swimming pools for existing housing.

(CON.)

RD HANDBOOK CHANGES
RD HB-1-3550
(WSAL)

Chapter 6:

Paragraphs 6.5 to revise the circumstances for refinancing Agency debt to include as a special servicing action. To clarify income eligibility requirements when refinancing existing Agency debt as a special servicing action.

Paragraph 6.7 to clarify the circumstances for refinancing Agency debt to include as a special servicing action. To remove the requirement that the amount of a junior lien, when it is a grant or a forgivable affordable housing product, may not exceed the market value by more than 5 percent (i.e., up to a 105% loan to value ratio); and provide circumstances under which loan to value may exceed the market value.

Paragraph 6.8 revised to allow more small Section 502 direct loans to be repaid in periods of up to 10 years. Changed the limit from \$2,500, to under \$24,000.

Paragraph 6.11 to clarify income eligibility requirements when refinancing existing Agency debt as a special servicing action. To revise occupancy requirements to include term principal residence. Principal residence is added to definitions. To revise the recapture requirements to clarify when Principal Reduction Attributable to Subsidy (PRAS) is, or is not, collected.

Attachment 6-B to separate loans on moratorium from the severely delinquent first and second year loans from the annual reviews.

Chapter 7:

Attachment 7-B to clarify that the full tax service fee is charged when financing an existing Agency loan with new loan funds, rather than an assumption.

Chapter 8:

Paragraph 8.2 to update the language 'must' or 'will' on processing timeframe to 'should'. This will provide states some flexibility on processing.

Paragraph 8.4 to modify the requirement for title insurance and a closing agent for Section 504 loans from \$7,500 and greater, to when the total outstanding balance on Section 504 loans is greater than \$25,000.

(CON.)

RD HANDBOOK CHANGES
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(WSAL)

Chapter 11:

Paragraph 11.3 to update paragraph reference.

Attachment 11-A to change the principal, interest, taxes, and insurance ratio for very-low income applicants to 33% (which is the ratio used for low income applicants).

Chapter 12:

Paragraph 12.2 to revise the circumstances for refinancing Agency debt to include refinancing Section 504 funds as a special servicing action.

Paragraph 12.3 to update the language 'must' or 'will' on processing timeframe to 'should'. This will provide states some flexibility on processing.

Paragraph 12.4, Paragraph 12.7, Attachment 12-A to revise the Section 504 loan term requirements to specify that the loan term will be 20 years. Increase the Section 504 maximum loan amount of \$20,000 to \$40,000 maximum outstanding balance on the sum of all Section 504 loans. Change the lifetime maximum assistance of \$7,500 for a Section 504 grant to a lifetime grant limit to any one household or one dwelling of \$10,000.

Paragraph 12.5 to revise occupancy requirements to include term principal residence. Principal residence is added to definitions. To remove the restriction related in-ground swimming pools for existing housing.

Paragraph 12.8 modifies the requirement for title insurance and a closing agent for Section 504 loans from \$7,500 and greater to when the total outstanding balance on Section 504 loans is greater than \$25,000.

Paragraph 12.10 to update guidance that is consistent with FEMA's National Flood Insurance Program and RD Instruction 426.2 and to conform with the changes made with the PN 538 dated July 16, 2020.

Attachment 12-B to update application processing priorities to be applied on a regular basis, and not just during periods of insufficient funding. To remove the requirement that the amount of a junior lien, when it is a grant or a forgivable affordable housing product, may not exceed the market value by more than 5 percent (i.e., up to a 105% loan to value ratio). To revise the Section 504 sum of all outstanding section 504 loans to one borrower and for one dwelling, to \$40,000. To modify the requirement for title insurance and a closing agent for certain secured Section 504 loans from \$7,500 and greater, to greater than \$25,000.

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Chapter 12:

Attachment 12-C to update the Lead Based Paint Compliance Key and Department of Labor (DOL) website links.

Attachment 12-E to remove IRS Form 4506-T, Request for Transcript of Tax Return to conform with corresponding handbook changes.

Chapter 13:

Paragraph 13.3 to include refinancing Agency debt as a special servicing action.

Paragraph 13.4 to include the circumstances for refinancing Agency debt to include refinancing Section 502 or 504 loans as a special servicing action. To clarify income eligibility requirements when refinancing existing Agency debt as a special servicing action.

Paragraph 13.14 revised to allow a new borrower to use new loan funds to purchase a dwelling from an existing RHS borrower.

Chapter 15:

Paragraph 15.1 to clarify that the responsibilities of on-site management activities are split between the Field Offices and the Servicing Office. To include language to clarify the Responsible Party for oversight of on-site management. The term Responsible Party was updated throughout Chapter 15.

Paragraph 15.3 to update the language for the acquisition of an REO property.

Paragraph 15.9 to update the Lead Based Paint Compliance Key link.

Paragraph 15.11 and Attachment 15-C to remove obsolete references and clarify the process and priorities in the sale or lease of Real Estate Owned (REO) properties. The revision also clarifies the sale or lease process and reservation periods for priority buyers to comply with 42 U.S.C. 11408a.

(CON.)

RD HANDBOOK CHANGES**RD HB-1-3550****(WSAL)****Chapter 16:**

Paragraph 16.1 to include language to clarify the Responsible Party for oversight of disposing of REO Properties. The term Responsible Party was updated throughout the Chapter 16.

Paragraph 16.3, 16.7, 16.8 and 16.10 to remove obsolete references and clarify the process and priorities in the sale or lease of Real Estate Owned (REO) properties. The revision also clarifies the sale or lease process and reservation periods for priority buyers to comply with 42 U.S.C. 11408a.

Glossary:

To update the 'Market Value' definition to match USPAP guidance and Chapter 5.

To revise the 'Modest Housing' definition to allow for the financing of existing, modest homes with swimming pools. In-ground pools with new construction, or with dwellings that are purchased new, are prohibited.

To update the 'Moratorium' definition to generalize that scheduled payments are not required and remove reference to principal, interest and deposits to the escrow account.

To update the 'LoanServ' definition which was previously listed as MortgageServ.

To remove 'National Financial and Accounting Operations Center (NFAOC)'; which is replaced with the 'Servicing and Asset Management Office (Servicing Office)'.

To add 'Principal residence' definition to align with the guaranteed SFH loan program and the mortgage industry.

To revise 'Veterans preference' definition to remove obsolete information and streamline the definition by citing the definitions of a veteran or a family member of a deceased service member in 42 U.S.C 1477.

Appendix 1:

Appendix 1 is revised due to the publication of the Final Rule entitled "[Direct Single Family Housing Loans and Grants Programs](#)" dated February 7, 2022 with an effective date of March 9, 2022.

(CON.)

RD HANDBOOK CHANGES
RD HB-1-3550
(WSAL)

Appendix 10:

VI. Documentation of Impact updated to reflect 'principal' residence.

VIII. Customer Service and Loan Servicing updated phone number for the Servicing Office.

REMOVE

Chapter 1 dated 01-23-03:
 Page 7;
 Chapter 2 dated 01-23-03:
 Page 1 thru 8;
 Chapter 3 dated 01-23-03:
 Pages 1 thru 19;
 Attachment 3-A: Pages 1 thru 4,
 Attachment 3-C: Pages 1 & 2,
 Attachment 3-D: Pages 3 & 4, 5,
 Attachment 3-E,
 Attachment 3-G,
 Attachment 3-J: Page 3.
 Chapter 4 dated 01-23-03:
 Pages 27 & 28, 41 & 42, 43 & 44,
 57 & 58, 59 & 60, 61 & 62,
 67 & 68;
 Chapter 5 dated 01-23-03:
 Pages 5-9 thru 5-12;
 Chapter 6 dated 01-23-03:
 Pages 6-3 thru 6-6,
 6-11 thru 6-20, 6-27 & 6-28,
 Attachment 6-A: All Pages,
 Attachment 6-B: Pages 1 & 2;
 Chapter 7 dated 01-23-03:
 Pages 7-1 thru 7-11,
 Attachment 7-A: All Pages,
 Attachment 7-B: All Pages,
 Attachment 7-C: Pages 1 & 2;
 Chapter 8 dated 01-23-03:
 Pages 8-1 thru 8-6, 8-11 thru 8-20,
 Chapter 11 dated 01-23-03:
 Pages 11-1 thru 11-4,
 Attachment 11-A: All Pages;
 Chapter 12 dated 01-23-03:
 Pages 12-1 thru 12-12 and
 12-15 thru 12-17, and
 Attachment 12-A,
 Attachment 12-B,
 Attachment 12-C,
 Attachment 12-E;

INSERT

Chapter 1 dated 01-23-03:
[Page 7 revised](#);
 Chapter 2 dated 01-23-03:
[Pages 1 thru 8 revised](#);
 Chapter 3 dated 01-23-03:
[Pages 1 thru 19 revised](#),
 Attachment 3-A: [Pages 1 thru 4](#),
 Attachment 3-C: [Pages 1 thru 4](#),
 Attachment 3-D: [Pages 3 & 4, 5](#),
[Attachment 3-E revised](#),
[Attachment 3-G revised](#),
 Attachment 3-J: [Page 3 revised](#);
 Chapter 4 dated 01-23-03:
[Pages 27 & 28, 41 & 42, 43 & 44,](#)
[57 & 58, 59 & 60, 61 & 62,](#)
[67 & 68](#);
 Chapter 5 dated 01-23-03:
[Pages 5-9 thru 5-12](#);
 Chapter 6 dated 01-23-03:
[Pages 6-3 thru 6-6,](#)
[6-11 thru 6-20, 6-27 & 6-28,](#)
[Attachment 6-A revised](#),
 Attachment 6-B: [Pages 1 & 2](#);
 Chapter 7 dated 01-23-03:
[Pages 7-1 thru 7-8 and 7-11,](#)
[Attachment 7-A revised](#),
[Attachment 7-B revised](#),
 Attachment 7-C: [Pages 1 & 2](#);
 Chapter 8 dated 01-23-03:
[Pages 8-1 thru 8-6, 8-11 thru 8-20,](#)
 Chapter 11 dated 01-23-03:
[Pages 11-1 thru 11-4,](#)
[Attachment 11-A revised](#);
 Chapter 12 dated 01-23-03:
[Pages 12-1 thru 12-12 and](#)
[12-15 thru 12-17, and](#)
[Attachment 12-A revised](#),
[Attachment 12-B revised](#),
[Attachment 12-C revised](#),
[Attachment 12-E revised](#);

RD HANDBOOK CHANGES
RD HB-1-3555
(WSAL)

REMOVE

Chapter 13 dated 01-23-03:
Pages 13-1 thru 13-20,
13-23 thru 13-30,
13-33 thru 13-40,
Attachment 13-A,
Attachment 13-B,
Attachment 13-C;
Chapter 15 dated 01-23-03:
Pages 15-1 thru 15-16,
Attachment 15-A,
Attachment 15-C:
Pages 1 & 2;
Chapter 16 dated 01-23-03:
Pages 16-1 & 16-2,
16-5 thru 16-10,
16-13 thru 16-20, 16-27 & 16-28;
Glossary dated 01-23-03:
All Pages;
Appendix 1 dated 01-23-03:
Pages 1 thru 6, 17 thru 30,
33 thru 38, 43 & 44,
59 thru 70, 79 thru 82,
85 & 86, 89 & 90,
93 thru 96; and
Appendix 10 dated 01-23-03:
All Pages;

INSERT

Chapter 13 dated 01-23-03:
[Pages 13-1 thru 13-20,](#)
[13-23 thru 13-30,](#)
[13-33 thru 13-40,](#)
[Attachment 13-A revised,](#)
[Attachment 13-B revised,](#)
[Attachment 13-C revised;](#)
Chapter 15 dated 01-23-03:
[Pages 15-1 thru 15-16,](#)
[Attachment 15-A revised,](#)
Attachment 15-C:
[Pages 1 & 2;](#)
Chapter 16 dated 01-23-03:
[Pages 16-1 & 16-2,](#)
[16-5 thru 16-10, 16-13 thru 16-20,](#)
[16-27 & 16-28;](#)
Glossary dated 01-23-03:
[Pages 1 thru 12 revised;](#)
Appendix 1 dated 01-23-03:
[Pages 1 thru 6, 17 thru 30,](#)
[33 thru 38, 43 & 44,](#)
[59 thru 70, 79 thru 82,](#)
[85 & 86, 89 & 90,](#)
[93 thru 96;](#) and
Appendix 10 dated 01-23-03:
[Pages 1 thru 7 revised 03-09-22.](#)

RD HANDBOOK CHANGES
INSERT RD HB-2-3550
(WSAL)

**DIRECT SINGLE FAMILY HOUSING LOANS
AND GRANTS CUSTOMER SERVICE CENTER
HANDBOOK.** This Handbook is partially
revised as follows:

This handbook is partially revised to coincide with related changes to HB-1-3550. The specific revisions are outlined below.

Chapter 2:

Paragraph 2.23, to revise the recapture requirements to specify when Principal Reduction Attributable to Subsidy (PRAS) is, or is not, collected.

RD HANDBOOK CHANGES

**INSERT RD HB-2-3550 (Con.)
(WSAL)**

Chapter 5:

Paragraph 5.2, to revise the payment moratorium requirements to require reamortization of each loan coming off a moratorium.

Paragraph 5.5, to revise and require reamortization of each loan coming off a moratorium regardless of repayment ability.

Chapter 6:

Paragraph 6.5, to revise and include that RHS must lease or sell program and nonprogram inventory properties to public agencies and nonprofits to provide transitional housing and to provide turnkey housing for tenants of such transitional housing and for eligible families.

REMOVE

Chapter 2 dated 05-27-98:
Pages 2-31 & 2-32;
Chapter 5 dated 05-27-98:
Pages 5-7 thru & 5-10 and
5-15 & 5-16; and
Chapter 6 dated 05-27-98:
Page 6-15.

INSERT

Chapter 2 dated 05-27-98:
Pages 2-31 & 2-32 revised;
Chapter 5 dated 05-27-98:
Pages 5-7 thru & 5-10 and
5-15 & 5-16 revised; and
Chapter 6 dated 05-27-98:
Page 6-15 revised 03-09-22.

FORM

NOTICE

SF-424

APPLICATION FOR FEDERAL ASSISTANCE.

This Form is revised to update the DUNS field to collect the UEI number.

FORM

REPLACEMENT

RD 5001-4
(WSAL)

LOAN NOTE GUARANTEE revised 02-22.

Prescribed in RD Instruction 5001. This Form constitutes an obligation supported

by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which the Lender has actual knowledge at the time it became such Lender or which Lender participates in or condones. This Form and FMI are available on the Rural Development Directives/Forms website (<https://www.rd.usda.gov/resources/forms>).

REMOVE

FMI dated 01-05-22.

INSERT

FMI revised 03-09-22.

FORM

REPLACEMENT

RD 5001-6
(WSAL)

between the Agency, lender, and holder, setting forth the terms and conditions of an assignment of all or a portion of the guaranteed portion of a loan. This Form and FMI are available on the Rural Development Directives/Forms website (<https://www.rd.usda.gov/resources/forms>).

REMOVE
FMI dated 01-05-22.

ASSIGNMENT GUARANTEE AGREEMENT revised 02-22. Prescribed in RD Instruction 5001. This Form is the signed agreement

INSERT
FMI revised 03-09-22.

RD 5001-13
(WSAL)

revised to add language for clarity. Lenders or holders may request this form when a loan is being sold into the secondary market. This form is only completed if requested by a lender or holder. This Form and FMI are available on the Rural Development Directives/Forms website (<https://www.rd.usda.gov/resources/forms>).

REMOVE
FMI dated 11-12-20.

CERTIFICATE OF INCUMBENCY AND SIGNATURE revised 02-22. Prescribed in RD Instruction 5001. This Form and FMI are

INSERT
FMI revised 03-09-22.