




United States Department of Agriculture
Rural Development
Committed to the Future of Rural Communities

TO: State Directors
Rural Development

MAR 10 2015

ATTENTION: Program Directors
Single Family Housing

FROM: Tony Hernandez 
Administrator
Housing and Community Facility Programs

SUBJECT: Temporary Authorizations for Fiscal Year 2015 and New Reporting Tools
for Single Family Housing Direct Programs

PURPOSE:

To promote full utilization of Single Family Housing (SFH) direct loan funds before the end of Fiscal Year 2015, this memorandum extends temporary authorizations related to loan processing. This memorandum also introduces new reporting tools designed to help staff track direct loans that are obligated subject to appraisal and improve application reporting.

The temporary authorizations described in this memorandum are effective as of the date of this memorandum and expire on September 30, 2015.

BACKGROUND:

As plainly and pointedly stated on the White House website, the Federal Government has a fundamental responsibility to be effective stewards of the taxpayers' money. For the SFH direct programs, this means responsibly, effectively, and fully utilizing funds appropriated by Congress to address the housing needs of very low- and low-income persons in rural areas.

EXPIRATION DATE:
September 30, 2015

FILING INSTRUCTIONS:
Housing Programs

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If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202)690-7442 or email at program.intake@usda.gov.

Having an adequate supply of program eligible applicants, and processing applications in a timely manner, is critical to the advancement of this stewardship as is the collecting, entering, and maintaining the most complete and accurate application data in the programs' loan origination system.

IMPLEMENTATION RESPONSIBILITIES:

To create and/or advance funding opportunities, the following temporary authorizations are available through September 30, 2015.

Temporary Authorization: Obligation Subject to Appraisal

Loan Approval Officials are authorized to approve and obligate SFH direct loans subject to the receipt of an acceptable appraisal **provided the appraisal is completed within 30 days from the obligation date**. When approving and obligating direct loans subject to an appraisal, Form RD 3550-7, "Funding Commitment and Notification of Loan Closing," must contain the following language under the "Additional Items or Conditions" on page 2 for the applicant's review and acceptance by signature:

"This commitment is contingent upon USDA Rural Development obtaining an acceptable appraisal that adequately secures the loan and meets the requirements of 7 CFR Part 3550, Section 3550.62."

All loans obligated under this authorization must be for allowable loan purposes and the applicants must meet all eligibility criteria. Before closing the loan, the appraisal will need to be obtained and reviewed by the field staff in the manner prescribed in Handbook-1-3550, Paragraph 5.21, Reviewing Appraisals.

Funds must be cancelled in a timely manner whenever a transaction falls through for whatever reason.

State Offices are responsible for reviewing accounts where the timeframe has exceeded 30 days and determining if funds should be cancelled. To assist in this process, an Obligation Subject to Appraisal report will be posted to SharePoint the first week of each month at the following path:

Single Family Housing > Single Family Housing Information > Direct Program Information > Reports > Obligation_Subj_to_Apprsl

Temporary Authorization: Section 502 Refinancing

To promote refinancing opportunities this fiscal year, the Agency will temporarily relax the following refinancing provisions outlined in Handbook-1-3550, Paragraphs 6.5 B.1. and 2., Refinancing Non-Agency Debt:

- An increase in the interest rates or change in repayment terms for adjustable rate loans, interest-only loans, short-term rate locks and other forms of specialty lending are not considered to be beyond the borrower's control.
- The primary debt to be refinanced must have been made at rates and terms that were customary for long-term residential financing in the area at the time the debt was incurred.
- Periodic changes in the repayment terms of a loan should not be the focal point for consideration of the need to refinance.

All other refinancing stipulations outlined in Handbook-1-3550 and 7 CFR 3550 must be met.

Unfunded Application Report

Reports utilizing data from the programs' loan origination system provide valuable insight into areas such as program demand, processing times, staff performance, and more. These reports, which are used by various parties, impact the direction of the programs. Given this, it is imperative that both state and field staff routinely review unfunded applications in specific stages to ensure the validity of that stage (along with other prescribed data integrity measures). To assist in this process, an Unfunded Application report will be posted to SharePoint the first week of each month at the following path:

Single Family Housing > Single Family Housing Information > Direct Program Information > Reports > Unfunded Applications

The Unfunded Application report focuses on two application groups:

- 1) **Unfunded applications in the APPLICANT stage which are over one year old from the application date (as found on the New Application Additional Setup screen in UniFi).** This stage represents applications where the uniform residential loan application

has been fully completed, signed, and submitted by the applicant (along with an authorization to release information from each adult household member) but not all pertinent information required to underwrite the loan has been obtained. Examples of applications in this stage include applications preliminarily determined eligible but not yet selected for processing; applications selected for processing where the Agency is waiting for required documents; and applications with a Certificate of Eligibility where a property has yet to be identified.

2) Unfunded applications reported in the UNDERWRITING regardless of age.

This group represents applications where all pertinent applicant and property information has been obtained and the Agency is reviewing the file to determine if the deal works (i.e. underwriting the loan). Timely and accurate selection of this stage is extremely important.

If an application's APPLICANT or UNDERWRITING stage is determined to be invalid, steps must be taken to properly code the account.

For any questions regarding this memorandum, please contact the SFH Direct Loan Division at Scott.nista@wdc.usda.gov

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For any questions regarding this memorandum, please contact the SFH Direct Loan Division at Scott.nista@wdc.usda.gov

Sent by Electronic Mail on March 10, 2015, at 11:00 a.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.