




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

TO: State Directors
Rural Development

ATTN: Program Directors
Single Family Housing

FROM: Tony Hernandez 
Administrator
Housing and Community Facilities

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SUBJECT: Temporary Authorizations
Single Family Housing Direct Loan Program

PURPOSE:

The three temporary authorizations described in this memorandum are effective as of the date this memorandum and expire on September 30, 2014.

To promote full utilization of Single Family Housing (SFH) direct loan funds before the end of Fiscal Year 2014, this memorandum extends three temporary authorizations related to loan processing.

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 program, 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.

To promote full utilization of funds, temporary authorizations may be extended to create and/or advance funding opportunities when the pace of obligations is slower than expected. The three temporary authorizations described in this memorandum have been granted in the past.

EXPIRATION DATE:
September 30, 2014

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.

IMPLEMENTATION RESPONSIBILITIES:**1st 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. 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.

2nd Temporary Authorization: Section 502 New Rates and Terms Assumptions

Handbook-1-3550 prescribes the use of new rates and terms assumptions when an applicant is purchasing an existing borrower's property.

However, a transaction that would typically be processed as a new rates and terms assumption should be processed as an initial loan for the remainder of this fiscal year. In other words, existing loans would be paid in full with new loan proceeds.

3rd 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.

As a point of clarification, the applicant does not have to be delinquent at the time of application in order to be considered “in danger of losing the property”. The field staff must establish that there is a high risk of foreclosure because the applicant would not be able to continue making the payments for reasons beyond their control. It is critical that field staff establish and document the tie between the circumstance(s) and the need for the Agency to get involved with the refinance to demonstrate that the assistance will permanently alleviate the financial hardship and lead to successful homeownership.

Again, the three temporary authorizations described in this memorandum are effective as of the date this memorandum and expire on September 30, 2014.

To responsibly utilize funds, field staff are reminded:

- To keep abreast of updates and/or changes to the programs’ guidance by:
 - Reading the monthly SFH Teleconference notes posted on SharePoint at: Rural Development Share Point Sites > TeamRD > Housing & Community Facilities Programs > Single Family Housing
 - Signing up to receive Regulation Update emails from the Regulations and Paperwork Management Branch. To be added, send an email to comments@wdc.usda.gov. (Note: This email distribution list is limited to Rural Development employees.)
- Of the availability of the Underwriting, Pre-Closing and Compliance Review Tool in SharePoint at: Rural Development Share Point Sites > TeamRD > Housing & Community Facilities Programs > Single Family Housing > Direct Program Information > HB-1-3550 > Chapter 6 > Underwriting and Compliance Review Tool Final

If you have any questions regarding the above, please contact Scott Nista at 804-287-1532 or scott.nista@wdc.usda.gov.

Sent by Electronic Mail on July 7, 2014, at 3:15 p.m. by Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.