



USDA United States
Department of
Agriculture
Rural Development

New Construction

Single Family Housing Guaranteed Loan Program

1

Welcome to New Construction, presented by USDA's Single Family Housing Guaranteed Loan Program!



Training Objectives

- Where is the topic located?
 - * 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

2

The objectives of the training include:

1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.



Things change!

- Every effort has been made to ensure training references are accurate at the time of publication.
- Always reference the most recent USDA publications available online.

3

Every effort has been made to ensure this training and all references are accurate, however, new program revisions and clarifications may occur. Therefore, please ensure you always reference the most recent USDA publications available online.

This training module is not intended to replace the need to reference the regulation, technical handbook, and additional USDA published documents regarding the Guaranteed Loan Program.



Guaranteed Loan Program Regulation
7 CFR Part 3555

- The regulation is the rule!
- 8 Subparts: A – H
- Appendix 1

4

7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions.

The regulation is the rule and it cannot be overridden by the technical handbook.

The 7 CFR Part 3555 is comprised of 8 subparts, A through H.

You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.

USDA United States Department of Agriculture
Rural Development

7 CFR Part 3555

<http://www.rd.usda.gov/publications/regulations-guidelines>

USDA United States Department of Agriculture
Rural Development

Home About RD Programs & Services Browse by State Newsroom Publications Contact Us

Home / Publications / Regulations & Guidelines

Publications

- Overview
- Fact Sheets
- Regulations & Guidelines**
- Reports
- Dispute Appeals
- Publications for Cooperatives
- Rural Cooperatives Magazine
- Strategic Plan
- Congressional Testimony
- Transcripts and Speeches

Regulations & Guidelines

All Federal regulations can be found at Regulations.gov and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks**
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications

5

The Regulations and Guidelines website is located from the link shown on the slide.

Under “Rural Development” there are many items available from this home page.

To access the regulation, select “Handbooks.”

The screenshot shows the USDA Rural Development website. At the top, there is a header with the USDA logo and the text 'United States Department of Agriculture Rural Development'. Below this is a large image of a rural landscape with a water tower and houses. The main heading is '7 CFR Part 3555'. Below the heading is a navigation bar with links for 'Home', 'About RD', 'Programs & Services', 'Browse by State', 'Newsroom', 'Publications', and 'Contact Us'. A search bar is also present. The main content area is divided into two columns. The left column is titled 'Publications' and lists various document types like Overview, Fact Sheets, Regulations & Guidelines, Reports, Dispute Appeals, Publications for Cooperatives, and Rural Cooperatives Magazine. The right column is titled 'Handbooks' and lists several handbooks, with 'HB-1-3555 SFH Guaranteed Loan Program Technical Handbook' highlighted in yellow. To the right of the handbook list is a 'Table of Contents' for HB-1-3555, listing chapters 1 through 20 and appendices 1 through 10. The page number '6' is visible in the bottom right corner.

A list of all USDA Rural Development handbooks will display.

Be sure to select the correct technical handbook: HB-1-3555.

Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection.

Appendix 1 is the full regulation, 7 CFR Part 3555.



7 CFR Part 3555
Subpart E: Underwriting the Property

- .201: Site requirements
- **.202: Dwelling requirements**
- .203: Ownership requirements
- .204: Security requirements
- .205: Special requirements for condominiums
- .206: Special requirements for community land trusts
- .207: Special requirements for Planned Unit Developments (PUD's)
- .208: Special requirements for manufactured homes
- .209: Rural Energy Plus loans

7

New construction is located in Subpart E, Section 3555.202.
This training module will not address the combination construction and permanent loan program, which addressed in a separate presentation.

USDA United States Department of Agriculture
Rural Development



7 CFR Part 3555

3555.202 Dwelling requirements.

- (a) New dwellings.
- (b) Existing dwellings.
- (c) Escrow account for exterior or interior development.

8

The regulation Table of Contents provides a quick view of the individual topics included under this Section. New construction is located in Subpart E, Section 3555.202.



7 CFR Part 3555: 3555.202(a)

(a) New dwellings. New dwellings must be constructed in accordance with certified plans and specifications, and must meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction. The lender must obtain and retain evidence of construction costs, inspection reports, certifications, and builder warranties acceptable to Rural Development.

9

3555.202(a) states that new construction dwellings must meet the following requirements:

- Be constructed in accordance with certified plans and specifications
- The dwelling must meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction, this is typically included in the building code,
- There must be evidence of acceptable construction inspections that have been completed, and
- An acceptable builder warranty must be retained.



Guaranteed Loan Program Technical Handbook
HB-1-3555

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters

10

The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.

USDA United States Department of Agriculture
Rural Development

HB-1-3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

Table of Contents

- Chapter 1 - Overview
- Chapter 2 - Record Retention
- Chapter 3 - Lender Approval
- Chapter 4 - Lender Responsibilities
- Chapter 5 - Origination and Underwriting Overview
- Chapter 6 - Loan Purposes
- Chapter 7 - Loan Terms and Conditions
- Chapter 8 - Applicant Characteristics
- Chapter 9 - Income Analysis
- Chapter 10 - Credit Analysis
- Chapter 11 - Ratio Analysis
- Chapter 12 - Property and Appraisal Requirements
- Chapter 13 - Special Property Types
- Chapter 14 - Funding Priorities
- Chapter 15 - Submitting the Application Package
- Chapter 16 - Closing the Loan and Requesting the Guarantee
- Chapter 17 - Regular Servicing-Performing Loans
- Chapter 18 - Servicing Non-Performing Loans - Accounts with Repayment Problems
- Chapter 19 - Custodial and Real Estate Owned Property
- Chapter 20 - Loss Claims - Collecting on the Guarantee

Acronyms

Glossary

- Appendix 1 - 7 CFR part 3555
- Appendix 2 - Forms and Instructions
- Appendix 3 - Review and Appeals
- Appendix 4 - Agency and Employee Addresses
- Appendix 5 - Income Limits
- Appendix 6 - Interest Assistance
- Appendix 7 - Calves Access Instructions
- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements

11

The handbook may be accessed from the Regulations and Guidelines website. New construction guidance is located in Chapter 12.



HB-1-3555

SECTION 3: DWELLING REQUIREMENTS

- 12.8 MODEST HOUSING
- 12.9 EXISTING AND NEW DWELLINGS**
 - A. Existing Dwellings
 - B. New Dwellings**
 - C. Repair Escrows

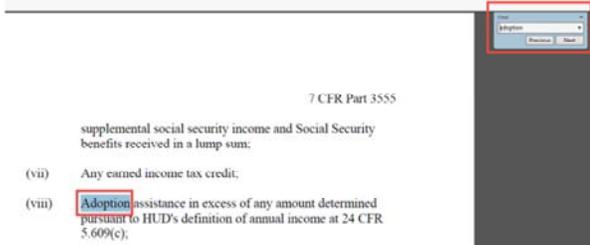
12

This screen shot displays the Table of Contents of Chapter 12. This helps the user to locate specific topics more quickly.

USDA United States Department of Agriculture
Rural Development

TIPS

- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research Rule & HB questions: Table of Contents
- Research Rule & HB questions: Control + F



The screenshot shows a document page with a search box overlay on the right side. The search box has a text input field containing the word "Adoption" and two buttons labeled "Previous" and "Next". The document text includes "7 CFR Part 3555" and a list of items. Item (viii) is "Adoption assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c)". The word "Adoption" in item (viii) is highlighted with a red box. The number "13" is visible in the bottom right corner of the document page.

A few helpful tips:

1. The underwriter of the loan is the approved lender's underwriter.
2. USDA is NOT the underwriter of the loan.
3. When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
4. A great best practice when searching for information is to open the regulation or a handbook chapter, select the "Control" button on the keyboard, hold it down, and then also select the "F" key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.



USDA United States Department of Agriculture
Rural Development

**7 CFR PART 3555 / HB-1-3555
LEARNING CHECKS**

14

The best way to learn information is to test your knowledge!



USDA United States Department of Agriculture
Rural Development

Question Slide

“Topic”

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed

15

Each question slide will list:

- the topic
- A question or scenario, and
- potential responses.



ANSWER SLIDE

“Topic”
ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

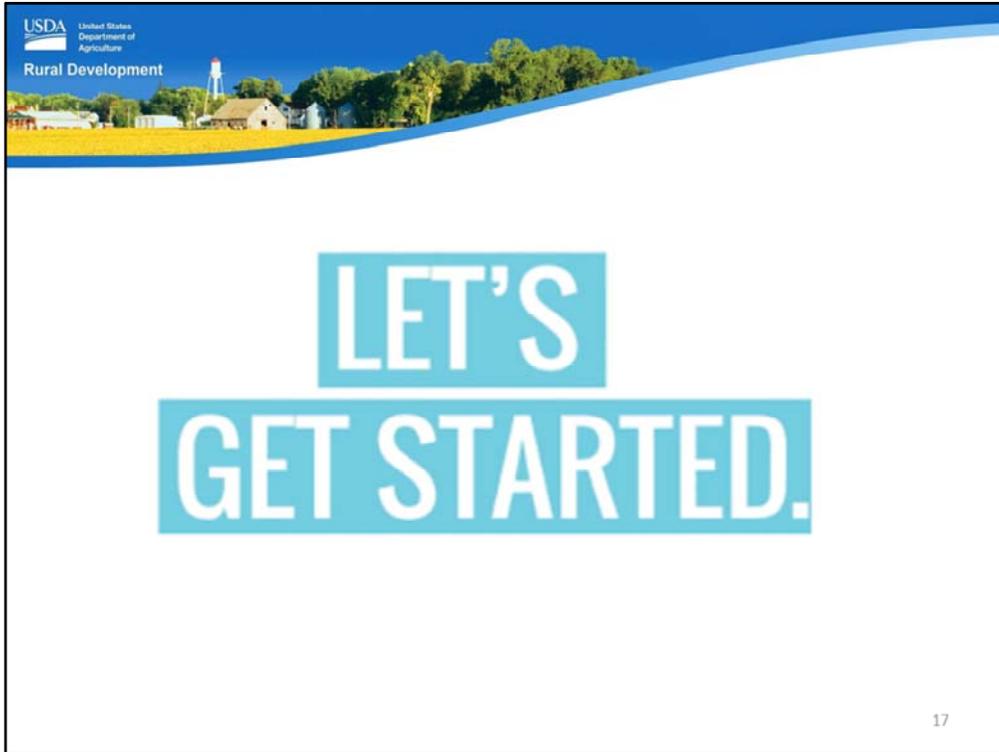
X. Correct Response

- Additional guidance for clarification may be provided

16

The answer slide will list:

- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.



Let's get started!



New construction

- New construction dwelling
- Built to eligible building code (includes thermal standard)
- 3 eligible construction inspections retained
- One year builder's warranty
- This new construction dwelling is eligible for a guarantee

A. TRUE B. FALSE

18

Read the question on the slide and select a response.



New construction

ANSWER: 3555.202(a), HB 12.9 B

A. TRUE

- Retained evidence must meet 3555.202(a) and 12.9 B
- Lender retains evidence in permanent loan file
- USDA may request for audit purposes

19

True

The evidence noted on the question slide must meet 3555.202 and HB 12.9 B. The lender will retain this evidence in their lender file. It may not be required to be submitted to USDA.

USDA may be required to obtain this documentation if the GUS loan file requires a full documentation submission, or if the file is manually underwritten.



New construction

Spec home:

- Certification of occupancy dated: October 2014
- Purchase agreement dated: December 2015
- This is a new construction dwelling

A. TRUE B. FALSE

20

Read the question on the slide and select a response.



New construction

ANSWER: 3555.202(a), HB 12.9 B

B. FALSE

- Home has been completed over 12 months
- Spec home is now considered an existing dwelling
- Must meet HUD Handbook minimum property requirements

21

False

The home has been complete for over 12 months, which will now render the home existing.

An existing dwelling is not required to meet building codes, inspections, etc. but rather HUD Handbook 4000.1 minimum property requirements.



USDA United States Department of Agriculture
Rural Development

New construction

- New construction dwelling
- Builder presents eligible 10 year insured warranty
- Builder is eligible to sign Form RD 1924-25
- Final inspection is obtained
- No further documentation is required

A. TRUE B. FALSE

22

Read the question on the slide and select a response.



New construction

ANSWER: 3555.202(a), HB 12.9 B

A. TRUE

- Insured builder’s warranty must meet RD Instruction 1924-A, Exhibit L
- Builder may sign the certification with an eligible insured warranty

23

True

When an acceptable insured builder’s 10 year warranty is obtained, the builder may sign the Form RD 1924-25 to certify the home has been built to certified plans and specifications including electrical, plumbing, and with construction inspections completed. This greatly reduces the documentation that must be retained by the lender.

RD Instruction 1924-A is the new construction regulation that coincides with 7 CFR Part 3555. Exhibit L includes the eligibility criteria that an insured builder’s warranty must meet to be eligible. Approved lenders may review the insured warranty under these guidelines and determine eligibility.



USDA United States Department of Agriculture
Rural Development

New construction

- New construction dwelling
- No evidence of building code
- Only one construction inspection available
- One year builder's warranty
- This loan is not eligible for guarantee

A. TRUE B. FALSE

24

Read the question on the slide and select a response.



New construction

ANSWER: 3555.103(c), HB 12.9 B

B. FALSE

- New construction homes without required evidence are limited to 90% loan to value
- Upfront guarantee fee may be included above 90% LTV

25

False

New construction homes that do not have the required evidence under the regulation and handbook are limited to a maximum loan amount of 90% of the appraised value plus the upfront guarantee fee.



USDA United States Department of Agriculture
Rural Development

New construction

Which of the following may not certify plans and specifications for a new dwelling?

- A) Licensed architect
- B) Professional engineer
- C) Builder
- D) Licensed Plumber

26

Read the question on the slide and select a response.



New construction
ANSWER: 3555.202(a), HB 12.9 B
D. Licensed Plumber

- Eligible parties to certify to plans and specifications are listed in the HB and on Form RD 1924-25
- Those completing the form may verify with electricians, plumbers, etc. codes they utilized

27

Response D: Licensed Plumber

A licensed plumber is not an eligible party to certify that a home has been built according to plans and specifications. They could certainly help certify to the plumbing work and codes, but not the overall structure of the home.

Form RD 1924-25 includes a list of eligible parties to review plans and specifications such as code officials, architects, engineers, etc.



USDA United States Department of Agriculture
Rural Development

New construction

- Appraisal for new construction dwelling
- Appraiser states HUD Handbook 4000.1 minimum property requirements is met
- This certification may be accepted in lieu of inspection requirements in 12.9 B

A. TRUE B. FALSE

28

Read the question on the slide and select a response.



New construction
ANSWER: 3555.202(a), HB 12.9 B
B. FALSE

- HUD Handbook minimum property requirements are for existing dwellings
- New construction dwellings must meet required documentation in HB 12.9 B

29

False

HUD Handbook 4000.1 minimum property requirements are only applicable under 7 CFR Part 3555 for an existing dwelling.

New construction dwellings must meet the requirements for a newly built home.



New construction

- Modular homes are considered stick built homes
- New modular homes must meet documentation requirements as determined for new construction dwellings

A. TRUE B. FALSE

30

Read the question on the slide and select a response.



New construction
ANSWER: 3555.202(a), HB 12.9 B
A. TRUE

- Modular homes are constructed to the building code of their destination
- Construction inspections and additional new construction dwelling documentation applies

31

True

Modular homes are built to the building code of their destination.

Construction inspections and additional documentation applies for these homes.



Way to go! You have completed the learning checks!

USDA United States Department of Agriculture
Rural Development

Regulations

<http://www.rd.usda.gov/publications/regulations-guidelines>

USDA United States Department of Agriculture Rural Development

Home About RD Programs & Services Browse by State Newsroom Publications Contact Us

Home / Publications / Regulations & Guidelines

Publications

- Overview
- Fact Sheets
- Regulations & Guidelines**
- Reports
- Dispute Appeals
- Publications for Cooperatives
- Rural Cooperatives Magazine
- Strategic Plan
- Congressional Testimony
- Transcripts and Speeches

Regulations & Guidelines

All Federal regulations can be found at Regulations.gov and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

As a service to our customers, we post Rural Development's instructions, Administrative Notices, and forms. The instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications

33

Don't forget the Regulations and Guidelines website is a wonderful source of USDA guideline knowledge.

USDA United States Department of Agriculture
Rural Development

GovDelivery Sign up

https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25

USDA United States Department of Agriculture
Rural Development

GovDelivery

Email Updates
To sign up for updates or to access your subscriber preferences, please enter your contact information below.

*Email Address

34

Please sign up for GovDelivery messages. USDA sends out origination (including GUS) and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

USDA United States Department of Agriculture
Rural Development



Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program!



35

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program! We appreciate the opportunity to help you serve more rural homebuyers!

 United States Department of Agriculture
Rural Development



In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.



EQUAL HOUSING OPPORTUNITY

36

This will conclude the training module. Thank you and have a great day!