



Site Standards

Well and Septic

Single Family Housing Guaranteed
Loan Program

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Welcome to Site Standards, including the topics of well and septic, presented by USDA's Single Family Housing Guaranteed Loan Program!



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Training Objectives

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

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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.

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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

- Final Rule Effective: March 9, 2016
- Eight Subparts: A – H
- Appendix 1

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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.

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7 CFR Part 3555

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

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Rural Development

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

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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 banner image of a rural landscape. 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 detailed 'Table of Contents' for the selected handbook, listing chapters from 1 to 20 and appendices from 1 to 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.



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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

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Site requirements is located in Subpart E, Section 3555.201.

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7 CFR Part 3555: 3555.201

3555.201	Site requirements.
	(a) Rural areas.
	(b) Site standards.

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The regulation Table of Contents provides a quick view of the individual topics included under this Section.



7 CFR Part 3555: 3555.201

(b) Site standards. Sites must be modest and developed in accordance with any standards imposed by a State or local government and must meet all of the following requirements.

- (1) The site size must be typical for the area.
- (2) The site must not include income-producing land or buildings to be used principally for income-producing purposes. Vacant land without eligible residential improvements, or property used primarily for agriculture, farming or commercial enterprise is ineligible for a loan guarantee.
- (3) The site must be contiguous to and have direct access from a street, road, or driveway. Streets and roads must be hard surfaced or all weather surfaced and legally enforceable arrangements must be in place to ensure that needed maintenance will be provided.
- (4) The site must be supported by adequate utilities and water and wastewater disposal systems. Certain water and wastewater systems that are privately-owned may be acceptable if the lender determines that the systems are adequate, safe, compliant with applicable codes and requirements, and the cost or feasibility to connect to a public or community system is not reasonable. Certain community-owned water and wastewater systems may be acceptable if the lender determines that the systems are adequate, safe, and compliance with applicable codes and requirements. The Agency may require inspections on individual, central, or privately-owned and operated water or waste systems.

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3555.201(b) includes the basics for site requirements that pertain the guaranteed loans including:

1. The site size must be typical for the area, this simply means that there are comparable properties that are similar to the subject.
2. Site cannot be income producing: no businesses, farming or livestock operations, etc. A business should be easy to identify. USDA also does not offer lot loans for vacant land that an applicant may wish to purchase in order to later build a home.
3. The buyer must be able to have direct access to the home they wish to purchase. Streets and roads must be all weather with public works maintaining them, or a legally enforceable private agreement in place.
4. The site must also have adequate utilities, water, and wastewater disposal systems. If the site is not served by public utilities, private and community owned systems may be eligible when they met state/county codes. Connection to public utilities may be required when feasible. USDA may require inspections on some systems as applicable.



Guaranteed Loan Program Technical Handbook HB-1-3555

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

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HB-1-3555

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Handbooks

- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook
- HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
- HB-1-3555 SFH Guaranteed Loan Program Technical Handbook**
- HB-1-3556 MFH Loan Origination Handbook
- HB-2-3556 MFH Asset Management Handbook
- HB-3-3556 MFH Project Servicing Handbook
- HB-1-3558 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook
- Application Information Systems Support Handbook
- HB-1-3559 Direct Single Family Housing Loans and Grants - Field Office Handbook

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 - Claims Access Instructions
- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements

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The handbook may be accessed from the Regulations and Guidelines website. Site requirements are located in Chapter 12.

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HB-1-3555: Chapter 12

- 12.4 SITE REQUIREMENTS
- SECTION 2: APPRAISALS
 - 12.5 RESIDENTIAL APPRAISAL REPORTS
 - A. Qualified Appraiser
 - B. Appraisal Report
 - C. Agency Review
 - D. State Director Responsibilities
 - E. Types of Agency Reviews
 - F. Appraisals in Remote Rural Areas, On Tribal Lands Or in Areas Lacking Market Activity
 - 12.6 WATER AND WASTEWATER DISPOSAL SYSTEMS
 - A. Water
 - B. Wastewater
 - 12.7 STREET ACCESS AND ROAD MAINTENANCE
 - A. Access
 - B. Maintenance

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

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TIPS

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

7 CFR Part 3555

supplemental social security income and Social Security benefits received in a lump sum.

(vii) Any earned income tax credit:

(viii) Adoption assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c):

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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.



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

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



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Question Slide

“Topic”

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

TRUE/FALSE or other answer options will be displayed

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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

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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.

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Let's get started!



Site requirements

- Subject property has 11 acres, non-income producing
- Comparable properties have 12, 8, and 13 acres
- Site is typical for the area

A. TRUE B. FALSE

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Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b) and HB 12.4
B. TRUE

- There is no maximum acreage limitation
- Site must not be income producing (gardens are allowed)
- Appraisal supports site as typical for the area
- Property must be predominately residential in use, design, and character

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True

USDA has no maximum acreage limitation, but the site cannot be income producing such as tillable agricultural property, or have active crops on it. The handbook does allow for gardens, even those that may produce a small crop for sale (think hobby not occupation). The appraisal includes properties that have similar acreage.

Ultimately the property must be predominately residential in use, design, and character. Farms, businesses, and other commercial properties are easy to spot.



Site requirements

- Dwelling has a private well and septic
- Distance between them meets county code
- Distances between them does not meet current HUD Handbook requirements
- Dwelling is eligible for a guaranteed loan

A. TRUE B. FALSE

20

Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b) and HB 12.6 A 1
A. TRUE

- Well and septic distances must meet current HUD Handbook requirements or state/county requirements

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True

The distances between the well and septic units may meet the state/county requirements OR the current published HUD Handbook distances to meet minimum property requirements.



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Site requirements

- Dwelling has a private well
- Water inspection cannot exceed ____ days at the time of loan closing

A. 90 B. 120

22

Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b) and HB 12.A 1
B. 120

- Well and/or septic inspections (as applicable) are valid for 120 days
- Required inspections must be valid at the time of loan closing
- If known environmental issues occur prior to loan closing (chemical spill, flood, etc.) a new water test should be obtained to ensure occupant safety

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Response B

Well and septic inspections are valid for 120 days.

They must be valid at the time of loan closing.

If the lender or borrower is aware of any environmental issues that have occurred to the home/area since the tests were completed, it is the lender's responsibility to document the current test remains valid or if a replacement inspection is required to ensure occupant safety.



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Site requirements

- Dwelling has a private road
- A permanent recorded easement is required

A. TRUE B. FALSE

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Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b) and HB 12.7 A
A. TRUE

- Lender retains easement in file
- Road maintenance agreement is not required

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True

The lender will retain the easement in their permanent loan file. The homeowner must have access to their home.

Road maintenance agreements are not required.



Site requirements

The dwelling below is residential in use, design, and character.

- A. TRUE
- B. FALSE



Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b) and HB 12.4
B. FALSE

The dwelling would be ineligible due to:

- Active crop production (more than a garden)
- Multiple farm service buildings are present

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False

This property is clearly not residential in use, design, or character.

It is an agricultural property that is actively producing crops and includes multiple farm service and crop storage units.

Site requirements

The dwelling below is residential in use, design, and character.

A. TRUE B. FALSE



Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b) and HB 12.4
A. TRUE

- SFH dwelling that is residential in design, use and character
- No crops/land used for agricultural commodities
- Storage buildings/workshops are acceptable

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True

This is a single family housing dwelling.

There is no tillable/active crop land included in the parcel.

There is no restriction on a home also having access to buildings that will be used for storage, non-commercial workshop, recreation rooms, etc.



Site requirements

The dwelling below is residential in use, design, and character.

- A. TRUE B. FALSE



30

Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b)(2) and HB 12.4
B. FALSE

The dwelling is ineligible due to:

- Mixed use dwelling: SFH and business
- Clearly a business due to storefront and signage

31

False

This is a mixed use dwelling. It may provide a single family resident on the second floor, but the first floor is clearly a business entity that includes a storefront and signage.



Site requirements

The buildings below will render a SFH dwelling ineligible.

A. TRUE B. FALSE



Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b)(2) and HB 12.4
B. FALSE

- Residences are allowed to have garages, storage buildings, non-commercial workshops, etc.
- The presence of these buildings does not indicate the property is ineligible

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False

Residences are allowed to have garages (yes, even in addition to one that may be attached to the dwelling itself), storage buildings, etc.

These buildings do not indicate a non-residential structure.

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Site requirements

- Applicants have a few horses for their own pleasure
- They wish to purchase a SFH dwelling with this building
- The property is eligible

A. TRUE B. FALSE



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Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b)(2) and HB 12.4
A. TRUE

- Homeowners are allowed to have horses
- The building is not a business/income producing

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True

USDA does not restrict homeowners on owning horses, not having an acceptable building to maintain them.

This building is not an equestrian enterprise. It is built for a small number of horses with a small fenced area. This is not a boarding facility with large riding arena.

Site requirements

- SFH dwelling includes pond and 5 acres of wooded land
- The site exceeds 2 acres, therefore it is ineligible

A. TRUE B. FALSE



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Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b)(1) and HB 12.4
B. FALSE

- There is no maximum acreage limit
- Land cannot be income producing
- Appraisal must support the property is typical for the area through comparable selections and report narrative if applicable

37

False

USDA has no maximum acreage limitation.

The land in this scenario is wooded, includes a lake/pond, and is in no way income producing.

The appraisal must support the property is typical for the area with reasonable comparable properties. The appraiser may even need to include a narrative at their discretion.



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Site requirements

- SFH dwelling has a private shared well
- The shared well serves two households
- The shared well is eligible

A. TRUE B. FALSE

38

Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b)(4) and HB 12.6 A 2
A. TRUE

- Shared wells are limited to four households
- Recorded agreement/easement is required to allow for maintenance and access
- Shut off valve for each home is required

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True

Shared wells are limited to four households.

A recorded agreement/easement must be in place to ensure the homeowner can correct issues and always have access to the well.

A shut off valve is required for each home connected to the shared well.



Site requirements

- SFH dwelling has a well
- The well has a water purification unit
- Acceptable water test is documented by lender
- The well is acceptable

A. TRUE B. FALSE

Read the question on the slide and select a response.



Site requirements
ANSWER: 3555.201(b)(4) and HB 12.6 A
A. TRUE

- Water purification units are acceptable
- Units must meet state/county codes or requirements
- Acceptable water test retained in lender's file

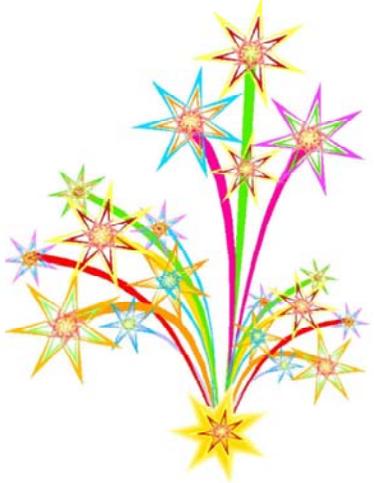
41

True

Water purification units are acceptable when the water is deemed acceptable after passing through it.

The unit must also meet the applicable requirements of the state/county code for this type of treatment.

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WAY TO GO!

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Way to go! You have completed the learning checks!

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