

U.S. DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
Washington, D.C 20250

MANUAL ISSUE No.
WSAL PN 583
DATE
June 2, 2023

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 June 1, 2023.

REMOVE

Exhibit B:
Pages 1 & 2 dated 05-17-23

INSERT

Exhibit B:
[Pages 1 & 2 revised 06-02-23.](#)

RD HANDBOOK CHANGES

INSERT RD HB-1-3550
(WSAL)

DIRECT SINGLE FAMILY HOUSING LOANS AND GRANTS
FIELD OFFICE HANDBOOK. This Handbook is
partially revised. The specific revisions are
outlined below.

Chapter 4 - Purpose:

HB-1-3550, Chapter 4 is being revised to provide clarification to income, credit, assets, determining repayment ability, other eligibility requirements and issuing the Certificate of Eligibility. All website hyperlinks were checked for accuracy and updated accordingly throughout the chapter. Edits include but aren't limited to:

- o Clarify 'earned' income of a full-time student is excluded after it exceeds \$480 in Exhibit 4-1.
- o Clarify the use of the Verification of Employment (VOE) and oral verification and added an example and guidance regarding comparing income (Paragraphs 4.2 (A) 4., 4.2(A) 5. and 4.3 (E)).
- o Update guidance on verifying child support when there is no written agreement or court decree, and funds are not received through a state agency. (Paragraphs 4.2 (A) 5. and 4.3 (E)).
- o Clarify unemployment associated with seasonal employment (Paragraph 4.2 (A) 5. and 4.3 (E)).
- o Add clarification and examples on how the Loan Originator should review the Income Worksheet submitted by a packager or self-help grantee (Paragraph 4.2 (B)).

(Con.)

RD HANDBOOK CHANGES
INSERT RD HB-1-3550**Chapter 4 - Purpose:**

- o Add clarification that paystubs should be no more than 60 days old (Paragraphs 4.2 (B) and 4.2 (E)).
- o Clarify self-employment business structures and the corresponding IRS forms needed, income analysis of each business structure and to clarify the deductions that can be added back into repayment income (Paragraph 4.3 (A) 2., 4.3 (E), and Attachment 4-C).
- o Clarify when recurring gifts paid toward a debt should be considered as income and included in the Total Debt (TD) ratio versus when they can be omitted from income and TD ratio (Paragraphs 4.3 (A) 7. and 4.22 (B) 2.).
- o Add clarification to recurring monetary gifts when funds are received through Cash Applications (i.e., Venmo, PayPal, Zelle, etc.) (Paragraph 4.3 (A) 1.).
- o Update the SNAP benefit example to modify the monthly child support received to differ from the monthly SNAP benefit to avoid confusion (Paragraph 4.3 (B) 10).
- o Clarify retirement income and assets (Paragraphs 4.3 (C) 12., 4.5, Exhibit 4-3, Paragraphs 4.7 and 4.8) .
- o Clarify when review W-2 information, Block 5 is typically used for gross income (Paragraph 4.3 (E)).
- o Add electronic verification or copy from the Financial Aid Office is the preferred verification source for Student Financial Aid (Paragraph 4.3 (E)).
- o Clarify Supplemental Verification Sources chart for Season Employment, Unemployment Benefits, Income and Assets if the applicant receives Social Security benefit through a Social Security debit card and Disability Assistance (Paragraph 4.3 (E)).
Clarify the four calculation methods and to update the example to omit the oral verification reference (Paragraph 4.3 (E) 2.).
- o Clarify verification of disability deduction can be done through receipt of disability income (Paragraph 4.4 (F)).
- o Update medical deduction guidance to correspond with language in HB-1-3550, Chapter 12 (Paragraph 4.4 (G)).
- o Clarify guidance on nontaxable income (Paragraph 4.4 (H)).
- o Remove the word 'term' in Exhibit 4-3 and clarify the cash value of life insurance policies are not to be considered in assets (Paragraph 4.5, Exhibit 4-3).
- o Changes to Exhibit 4-4, Indicators of Unacceptable Credit, to clarify late payments on revolving and installment accounts are on a per account basis, not cumulative. .
- o Add clarification of purpose of DNP portal, update DNP portal data sources, remove guidance to suspend application processing, clarify if there is a positive Do Not Pay that we would need the delinquency paid in full or on a payment arrangement with a history of payments and clarify if the delinquency is not resolved HB letter 15 should be issued to include the delinquent federal debt and all other reasons for denial. (Paragraph 4.11).

(Con.)

RD HANDBOOK CHANGES**INSERT RD HB-1-3550 (Con.)****Chapter 4 - Purpose:**

- o To clarify that once an application is selected for processing, the Loan Originator should pull the tri-merge credit report to correspond with the guidance in Chapter 3 (Paragraph 4.12).
- o Added a chart to clarify what is needed for a credit review based on credit score, number of credit scores, tradelines and significant delinquency (Paragraph 4.12 (A)).
- o Added guidance for non-derogatory and derogatory disputed accounts (Paragraph 4.12 (B) and Paragraph 4.12 (D), Exhibit 4-5).
- o Changed Landlord Verification to Verification of Rent and added the method of verifying rent by obtaining 24 months of canceled checks, money order receipts, or electronic payment confirmation paid directly to landlord (Paragraph 4.12 (C) 1.).
- o Clarify that monthly subscriptions (i.e., Hulu, Netflix, Xbox, etc.) can be used as an alternative nontraditional credit source and should not be included in the Total Debt (TD) ratio (Paragraph 4.12 (C) 3.).
- o Clarify that a 502 borrower may not have an outstanding RD direct or guaranteed loan at the same time and clarified guidance when an applicant owns an existing dwelling (Paragraph 4.15) .
- o Add language to clarify when an applicant is presumed to be unable to obtain credit from other sources and added guidance if all four conditions met clarified when the applicant has the ability to obtain other credit (Paragraph 4.16).
- o Change long-term installment obligations with more than 10 (previously 6) months repayment remaining must be included in the TD ratio and added 'including back child support payments' as a long-term installment obligation. Also clarified when all four conditions are not met or a waiver has not been granted, the higher of the monthly student loan payment listed on the credit report or one-half percent (.50%) of the student loan balance must be used in the TD ratio. (Paragraph 4.22(B)1).
- o To clarify that the applicant's file should be electronically maintained in the Electronic Customer File (ECF). (Paragraph 4.22 (C)).
- o Change title of Exhibit 4-6 to 'Establishing Minimum Area Loan Amount' and to add an example of a minimum loan amount and leveraging funds with a local housing authority (Paragraph 4.24, Exhibit 4-6).
- o To modify language from 'may' to 'will' to provide consistency when an Energy Efficiency waiver is allowed. (Paragraph 4.24 (A) (4)).
- o Clarify the Loan Approval Official must sign Handbook Letter 15, Adverse Decision Letter (Paragraphs 4.24 Exhibit 4-6, 4.25 and Attachment 4-D).
- o To implement one 120-day timeframe for all applications issued a Certificate of Eligibility (COE), to eliminate the two different timeframes (Leveraging and 100% financing) and the two 30-day extensions. (Paragraph 4.25).

(Con.)

RD HANDBOOK CHANGES**INSERT RD HB-1-3550 (Con.)**

- o To update the location of the Attachment 4-A Worksheet for Computing Income & Max Loan Amount calculator (Attachment 4-A).
- o Make minor updates to reference ECF classifications, rather file positions and updated Area Loan Limit amount to conform to average HUD 203(b) limits.
- o Update Attachment 4-D to conform to changes to SAVE system.

Chapter 6:

This chapter is being revised to provide updates to underwriting guidance related to refinance loans, allowable loan terms, and the annual loan quality review requirements along with other minor formatting changes. Changes include but are not limited to:

- o To clarify that the purchase and installation of essential equipment can be purchase new when those items are not included in the sale of the home or are not in working order.
- o Clarify the refinancing of a site with an existing dwelling requires a home inspection and that any noted deficiencies affecting decent, safe, and sanitary standards must be addressed as a loan condition.
- o Remove term 'approved' and replace with 'insured' for acceptable 10-year warranty plans purchased by the builder to allow 100% financing when other acceptable construction quality documentation is not available. This change aligns with HB-1-3550, Chapter 5 updates.
- o Provide additional instruction to clarify that Agency priorities for refinancing of existing borrowers will be provided through directives to prevent confusion that this option is allowed outside of those identified priorities (e.g., ARPA).
- o Removed the language regarding the moderate-income limit in effect, since it does not apply to the paragraph regarding note rates. Removed language regarding when the obligation date and approval dates differ, since the two dates should be the same date.
- o Paragraph 6.11(A) (3) was updated to correspond with the language in paragraph 6.11(A) (2).
- o Paragraph 6.17 to clarify that the applicant's file should be electronically maintained in the Electronic Customer File (ECF) and updated to reference to Attachment 3-G, to correspond with the removal of Attachment 6-A.
- o Removal of Attachment 6-A and references within the chapter, and the section reserved for future Agency use as a placeholder. Staff survey provided that 90% of those surveyed were not aware of and do not utilize this attachment during underwriting and instead utilize Attachment 3-G, 502 Single Family Housing Checklist.
- o Update Attachment 6-B, Loan Quality Review, to address:

(Con.)

RD HANDBOOK CHANGES**INSERT RD HB-1-3550 (Con.)****Chapter 6:**

- States who have an Internal Quality Review (ICR) scheduled will not be required to complete the 6-B review during the fiscal year of their ICR.
- Removal of reference to Loan Approval Official (LAO) counseling applicant on payment shock to align with removal of payment shock counseling elsewhere in HB-1-3550.

Chapter 10:

This Chapter is being revised to provide corresponding clarification to income, assets and issuing the Certificate of Eligibility. All website hyperlinks were checked for accuracy and updated accordingly throughout the chapter. Edits were made to:

- o To correct a grammatical error and update the term MortgageServ to LoanServ (Paragraph 10.4):
 - To remove the exception for a Certificate of Eligibility that leveraged loans have a 60-day timeframe for applicants to identify a property (Paragraph 10.8)
 - Update the language for the asset limitation to be consistent with Chapter 4 (Paragraph 10.9 (C))

Appendix 3 is being revised to update HB Letters 11, 12, 17 and 18. Edits were made to:

- o HB Letter 11 - Request Information - to update the National Appeals Division (NAD) website to file for an appeal.
- o HB Letter 12 - Notice of Approval (504 Grants and/or Loan)- updated confusing language related to homeowners written satisfaction statement.
- o HB Letter 17 - Adverse Decision Involving an Appraisal - modified to reflect one 120-day timeframe for all applications when reissuing the Certificate of Eligibility.
- o HB Letter 18 - Unfavorable Decision After Technical Review of an Appraisal - modified to reflect one 120-day timeframe for all applications when reissuing the Certificate of Eligibility.

(Con.)

RD HANDBOOK CHANGES**INSERT RD HB-1-3550 (Con.)****Appendix 10:**

These changes will increase grant obligations and better serve areas impacted by natural disasters.

- o Added allowance to serve both presidentially declared disaster areas (individual and public assistance).
Added direction that funds received from FEMA, while considered to determine whether there is a duplication of benefits, should not be considered net family assets calculations.
- o Added allowance to use the regulatory maximum grant assistance of 10% the national area loan limit.

REMOVE

Chapter 4 dated 01-23-03:
Pages 4-1 thru 4-32,
4-35 thru 4-70,
Attachment 4-A,
Attachment 4-C,
Attachment 4-D;
Chapter 6 dated 01-23-03:
Pages 6-3 thru 6-18 and 6-28,
6-27 & 6-28;
Attachment 6-A: **RESERVED**.
Attachment 6-B: Pages 1 & 2,
7 & 8;
Chapter 10 dated 01-23-03:
Pages 10-7 thru 10-12;
Appendix 3 dated 01-23-03:
Handbook LTR:
11, 12, 17 and 18;
Appendix 10 dated 01-23-03:
Pages 1 thru 7; (Con.)

INSERT

Chapter 4 dated 01-23-03:
[Pages 4-1 thru 4-32,](#)
[4-35 thru 4-74,](#)
[Attachment 4-A revised,](#)
[Attachment 4-C revised,](#)
[Attachment 4-D revised;](#)
Chapter 6 dated 01-23-03:
[Pages 6-3 thru 6-18 and 6-28,](#)
[6-27 & 6-28 revised,](#)
Attachment 6-B: [Pages 1 & 2,](#)
[7 & 8 revised;](#)
Chapter 10 dated 01-23-03:
[Pages 10-7 thru 10-12 revised;](#)
Appendix 3 dated 01-23-03:
Handbook LTR:
[11, 12, 17 and 18 revised;](#)
Appendix 10 dated 01-23-03:
[Pages 1 thru 6 revised 06-02-23.](#)

FORMS**REPLACEMENT**

RD 1944-59
(WSAL)

CERTIFICATE OF ELIGIBILITY revised 06-23.
Prescribed in RD Handbooks HB-1-3550 and
HB-2-3550. The specific revisions are
outlined below:

- Implement one 120-day timeframe for all applications issued a Certificate of Eligibility, to remove reference to the two 30-day extensions.
- Add additional guidance regarding documentation to be submitted by applicants.
- The Form and FMI can be located on the eForms website [eForms Home \(usda.gov\)](https://www.usda.gov/eforms).

REMOVE

FMI dated 04-18-07.

INSERT

FMI revised 06-02-23.

(Con.)

FORMS

REPLACEMENT

RD 3560-62

(WSAL)

MFH PAYMENT TRANSMITTAL COVERSHEET revised
06-23. Prescribed in RD Handbooks HB-3-3560.

The Form and FMI are revised to update the mailing address of the Business Center Servicing Office and remove the Federal Express address due to the relocation of the Servicing Office. This form is used by Rural Development staff to send multi-family housing payments and credit report fees to the Business Center Servicing Office - Multi-Family Housing Project Payment Section (PPS) for funds to be applied to borrower (or applicant) accounts. The Form and FMI can be located on the eForms website [eForms Home \(usda.gov\)](https://eforms.usda.gov).

REMOVE

FMI dated 08-17-17.

INSERT

FMI revised 06-02-23.

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