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Environmental and Insurance Requirements

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



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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Guaranteed Loan Program Regulation


7 CFR Part 3555

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




7 CFR Part 3555

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





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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



7 CFR Part 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-1-3560 MFH Loan Origination Handbook

HB-2-3560 MFH Asset Management Handbook

HB-3-3560 MFH Project Servicing Handbook

HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook

Application Information Systems Support Handbook

HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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Chapter 19 - Custodial and Real Estate Owned Property

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Appendix 9 - Penalties

Appendix 10 - Unnumbered Letter and State Supplements



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7 CFR Part 3555: 3555.5

3555.5

Environmental requirements.

- (a) Policy.
- (b) Regulatory references.
- (c) Agency responsibilities.
- (d) Lender and loan applicant responsibilities.



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7 CFR Part 3555: 3555.5

(b): Regulatory References

- Additional USDA published environmental regulations may apply (RD Instruction 1970)
- New construction considerations are applicable
- Applicable to origination and servicing actions

(c): Agency responsibilities:

- USDA must ensure all applicable regulatory guidelines are met



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7 CFR Part 3555: 3555.5

(d): Lender and loan applicant responsibilities

- Lenders must use due diligence to avoid hazards
- 1994 National Flood Insurance Reform Act will determine Special Flood Hazard Areas (SFHA)
- Lenders must be knowledgeable of USDA requirements
- Comply with federally mandated flood insurance requirements



7 CFR Part 3555: 3555.5

(d): Lender and loan applicant responsibilities

- FEMA National Flood Insurance Program (NFIP), Write Your Own, or private flood insurance required as applicable
- Purchased and maintained for life of loan
- New construction in SFHA ineligible unless: LOMA or LOMR obtained or alternative analysis plus eligible flood elevation certificate documented



Guaranteed Loan Program Technical Handbook

HB-1-3555

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

HB-1-3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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HB-1-3555: Reference these HB Chapters

- Chapter 4: 4.4, Attachments 4-A and 4-B
- Chapter 6: 6.2 C
- Chapter 12: 12.10 A and B
- Chapter 15: 15.5 A 5
- Chapter 16: 16.2, 16.11 C 1, and 16.11 C 2



TIPS

- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research Rule & 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);

Find x

Adoption

Previous Next



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7 CFR PART 3555 / HB-1-3555

LEARNING CHECKS



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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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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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LET'S GET **STARTED**





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Environmental and Insurance

- Existing dwelling has private well and septic
- Distance between well and septic meets county code, but not current HUD Handbook required distances
- Property is eligible for guaranteed loan consideration

A. TRUE

B. FALSE



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Environmental and Insurance

ANSWER: 3555.201(b)(4), HB 12.6 A

A. TRUE

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



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Environmental and Insurance

- Scott has a purchase contract for an existing 4 bedroom/3 bath home in a SFHA (flood zone)
- The lender must evaluate listings to document there are no other 4 bedroom/3 bath homes available in the community or within reasonable commuting distance outside of the SFHA

A. TRUE

B. FALSE



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Environmental and Insurance

ANSWER: 3555.5(d)(5), HB 12.10 B

B. FALSE

- Scott has selected this home
- No additional research is needed, it is existing dwelling
- Obtain eligible flood insurance



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Environmental and Insurance

- Phil wants to buy a home in a SFHA with a private septic
- What requirements may apply to the water source (public or private) for this home:
 - A. Home is serviced by public water
 - B. A cap must be placed on a well in the event of flood
 - C. Opening of well must be above BFE
 - D. All of the above



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Environmental and Insurance

ANSWER: 3555.5(d)(1), HB 12.10 B

D. All of the above

- Water source must be protected in the event of a flood
- Flooded septic should not mingle with water source



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Environmental and Insurance

- Jill is purchasing a new construction dwelling in a SFHA
- A LOMA has been documented
- The new construction dwelling is eligible for a guaranteed loan

A. TRUE B. FALSE



Environmental and Insurance

ANSWER: 3555.5(d)(7), HB 12.10 B and 15.5 A 5

A. TRUE

New construction dwellings in SFHA:

- LOMA or LOMR or
- Eligible FEMA elevation certificate and alternative analysis



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Environmental and Insurance

- Existing dwelling purchase: \$135,000
- Located in SFHA
- Flood insurance deductible purchased: \$2,500
- FEMA deductible allowed: \$3,000
- This is an eligible deductible

A. TRUE B. FALSE



Environmental and Insurance

ANSWER: 3555.5(d)(6), HB 12.10 B and 15.5 A 5

A. TRUE

Flood insurance deductibles may not exceed:

- \$1,000 or 1% face value of policy (greater of) or
- State/Federal maximum deductibles (FEMA is a Federal program)



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Environmental and Insurance

- Stafford Community Bank does not escrow for hazard insurance
- They are ineligible to participate in the guaranteed loan program

A. TRUE B. FALSE



Environmental and Insurance

ANSWER: 3555.5(d)(1), HB 4.4

B. FALSE

Lender must ensure they:

- Meet Attachment 4-A
- Ensure borrower(s) execute Attachment 4-B



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Environmental and Insurance

- Appraiser notes their observation of abandoned gas tanks and an oil spill on the subject property
- Lender's underwriter is not required to perform an additional analysis, request inspections/mitigation, etc.

A. TRUE B. FALSE



Environmental and Insurance

ANSWER: 3555.5(a), HB 12.10 A

B. FALSE

- Appraiser completed their due diligence
- Underwriter must complete due diligence as well to ensure the collateral is not at risk, nor poses a health/safety risk to occupants



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Environmental and Insurance

- Lender signs RD Form 3555-18 “Lender Certification”
- Their signature confirms all applicable hazard and/or flood insurance has been purchased and will be maintained for the life of the loan

A. TRUE B. FALSE



Environmental and Insurance

ANSWER: 3555.5(d), HB 16.2 and 16.11 C

A. TRUE

- Signature on the Lender Certification (Form RD 3555-18) indicates all listed conditions have been met
- This includes hazard and flood insurance requirements
- Lender retains applicable documentation



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Thank you for supporting
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