




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

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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

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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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7 CFR Part 3555

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Handbooks

- **HB-4-3555 5FH Guaranteed Loan Program Technical Handbook**
- 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-1-3560 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-4-3555 5FH Guaranteed Loan Program Technical Handbook


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- 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 - Calvis Access Instructions
- Appendix 8 - EDI Documentation
- 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

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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

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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

Home / Publications / Regulations & Guidelines / Handbooks

Publications	Handbooks
Overview	HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Hand
Fact Sheets	HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Serv
Regulations & Guidelines	HB-1-3555 SFH Guaranteed Loan Program Technical Handbook
Reports	HB-1-3560 MFH Loan Origination Handbook
Dispute Appeals	HB-2-3560 MFH Asset Management Handbook
Publications for Cooperatives	HB-2-3560 MFH Project Servicing Handbook
Rural Cooperatives Magazine	HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Serv
	Application Information Systems Support Handbook
	HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Ha

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HB-1-3555: Reference these HB Chapters

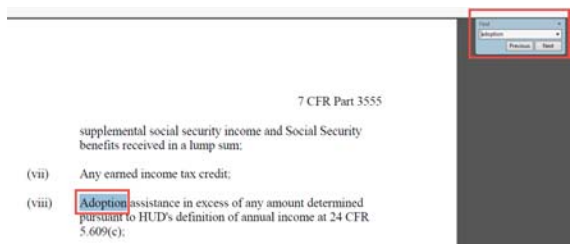
- Chapter 4: 4.4, Attachments 4-A and 4-B
- Chapter 6: 6.2 C
- Chapter 12: 12.10 A and B
- Chapter 15: 15.5 A 5
- Chapter 16: 16.2, 16.11 C 1, and 16.11 C 2

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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);


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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

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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

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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

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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

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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

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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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WAY TO GO!

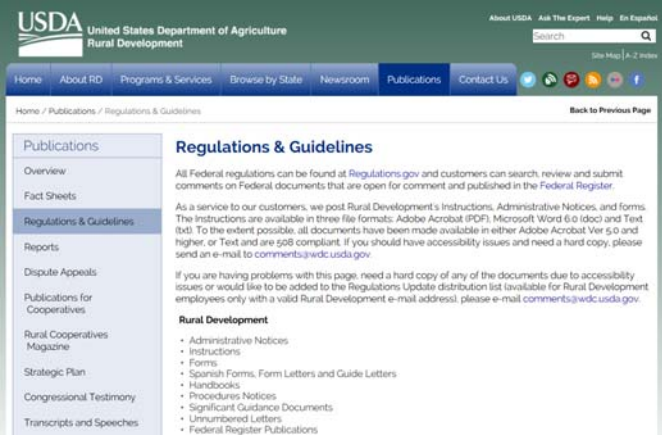
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Program!



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