
TABLE OF CONTENTS

	Page
CHAPTER 1: OVERVIEW	1-1
SECTION 1: INTRODUCTION TO THE FIELD OFFICE HANDBOOK.....	1-1
1.1 WELCOME TO THE FIELD OFFICE HANDBOOK.....	1-1
1.2 USING THIS HANDBOOK	1-1
A. Handbook Symbols	1-2
B. Citations and Text Boxes	1-2
C. Attachments and Appendices	1-3
D. Terminology.....	1-3
SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING.....	1-5
PROGRAM	
1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM	1-5
1.4 SECTION 502 -- AN OVERVIEW	1-5
A. Program Loans.....	1-5
B. Nonprogram Loans.....	1-6
C. Demonstration Programs.....	1-6
1.5 SECTION 504 -- AN OVERVIEW	1-6
A. Section 504 Grants	1-6
B. Section 504 Loans.....	1-7
1.6 LOAN SERVICING.....	1-7
1.7 SECTION 306C WATER AND WASTE DISPOSAL (WWD) GRANTS TO INDIVIDUALS.....	1-7
SECTION 3: GENERAL PROGRAM REQUIREMENTS	1-9
1.8 CIVIL RIGHTS.....	1-9
A. Nondiscrimination.....	1-10
B. Reasonable Accommodations for Persons with Disabilities.....	1-11
1.9 REVIEW AND APPEALS.....	1-11
A. Informing Program Participants of Their Rights	1-11
B. Adverse Decisions That Cannot Be Appealed	1-13
C. Informal Administrative Review.....	1-14
D. Mediation	1-15
E. Appeal.....	1-19

1.10 CONFLICT OF INTEREST.....	1-20
A. Applicant Disclosure.....	1-20
B. Agency Employee Disclosure	1-20
C. Disposition of REO Properties.....	1-20
1.11 OTHER FEDERAL REQUIREMENTS	1-21
A. Environmental Requirements.....	1-21
B. Construction Standards	1-21
C. Administrative Requirements.....	1-21
1.12 EXCEPTION AUTHORITY.....	1-22
ATTACHMENT 1-A: EQUAL CREDIT OPPORTUNITY ACT	
ATTACHMENT 1-B: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN APPEALABLE ADVERSE DECISION	
ATTACHMENT 1-C: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN ADVERSE DECISION THAT CANNOT BE APPEALED	
ATTACHMENT 1-D: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF UNFAVORABLE DECISION REACHED AS A RESULT OF AN INFORMAL ADMINISTRATIVE REVIEW	
ATTACHMENT 1-E: ATTACHMENT FOR NOTIFYING CUSTOMERS WHO HAVE REQUESTED MEDIATION OF THE ASSIGNMENT OF THEIR CASE TO: A USDA-FUNDED STATE MEDIATION PROGRAM OR A COMMUNITY-BASED MEDIATION CENTER OR CERTIFIED MEDIATION PROVIDER FOR MEDIATION	
ATTACHMENT 1-F: ATTACHMENT FOR REQUESTING ASSIGNMENT BY RURAL DEVELOPMENT/USDA OF A CUSTOMER MEDIATION REQUEST TO A MEDIATION SERVICE PROVIDER	
ATTACHMENT 1-G: ATTACHMENT FOR NOTIFYING CUSTOMERS OF EXPIRATION OF THE 10 DAYS TO SELECT A MEDIATION SERVICE PROVIDER	
ATTACHMENT 1-H: ATTACHMENT FOR CUSTOMER NOTIFICATION OF UNRESOLVED RESULT OF THE MEDIATION OF THE ADVERSE DECISION	

CHAPTER 2: OVERVIEW OF SECTION 502	2-1
2.1 INTRODUCTION.....	2-1
SECTION 1: TYPES OF LOANS.....	2-1
2.2 OVERVIEW.....	2-1
2.3 INITIAL LOANS.....	2-1
2.4 ASSUMED LOANS.....	2-2
A. New Rates and Terms Assumption.....	2-2
B. Same Rates and Terms Assumption.....	2-2
2.5 SUBSEQUENT LOANS.....	2-3
2.6 NONPROGRAM LOANS	2-4
A. Facilitate Sale By an Existing Agency Borrower	2-4
B. Facilitate Sale of Real Estate Owned (REO) Property.....	2-4
SECTION 2: THE DEDICATED LOAN ORIGINATION AND SERVICING SYSTEM (DLOS).....	2-5
2.7 DLOS.....	2-5
2.8 UNIFI.....	2-5
2.9 MORTGAGESERV.....	2-6
SECTION 3: OVERVIEW OF LOAN ORIGINATION PROCESS.....	2-7
2.10 APPLICATION PROCESSING	2-7
2.11 BORROWER ELIGIBILITY	2-7
2.12 PROPERTY REQUIREMENTS.....	2-8
2.13 UNDERWRITING THE LOAN	2-8
2.14 TAXES, INSURANCE, AND ESCROW	2-8
2.15 LOAN APPROVAL AND CLOSING.....	2-8
CHAPTER 3: APPLICATION PROCESSING.....	3-1
3.1 INTRODUCTION.....	3-1
SECTION 1: PRE-QUALIFICATION.....	3-1
3.2 OVERVIEW.....	3-1
3.3 PROCEDURES FOR PRE-QUALIFICATION.....	3-1
A. Describe the Program.....	3-2
B. Gathering Basic Eligibility and Financial Information	3-2
C. Using UniFi to Calculate the Maximum Loan Amount.....	3-3
D. Discussing Pre-Qualification Results.....	3-3

SECTION 2: HOMEOWNER EDUCATION.....	3-5
3.4 HOMEOWNER EDUCATION REQUIREMENT.....	3-5
A. State Director Assessment of Homeowner Education	3-5
B. Providing Homeownership Education to the Applicant.....	3-7
C. Exception Provision	3-7
SECTION 3: APPLICATIONS.....	3-9
3.5 DISTRIBUTING APPLICATIONS.....	3-9
A. Individual Applicants.....	3-9
B. Application Packagers.....	3-9
3.6 Application Review.....	3-10
A. Required Documents.....	3-10
B. Missing Required Documents	3-10
C. Processing Applications	3-11
3.7 COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS	3-12
A. Real Estate Procedures Act.....	3-13
B. Truth In Lending Act.....	3-13
C. Fair and Accurate Transaction Act.....	3-11
3.8 OBTAINING ADDITIONAL INFORMATION.....	3-12
3.9 WITHDRAWING AND REJECTING APPLICATIONS.....	3-13
3.10 PRELIMINARY DETERMINATION OF ELIGIBILITY	3-13
SECTION 4: SELECTION FOR PROCESSING	3-15
3.11 OVERVIEW.....	3-15
3.12 DETERMINING WHETHER FUNDS ARE AVAILABLE.....	3-15
A. Regular Funding.....	3-15
B. Special Funding.....	3-16
3.13 IF FUNDING IS NOT AVAILABLE.....	3-16
3.14 SELECTING APPLICATIONS FOR PROCESSING.....	3-17
A. Selection Procedures	3-17
B. Processing Priorities.....	3-17
C. Veteran’s Preference	3-19
D. Notifying Applicants Who Are Selected for Processing	3-19
3.15 PURGING THE WAITING LIST.....	3-20
3.16 VERIFICATIONS.....	3-20
A. Types of Verifications.....	3-21
B. Evaluating Verified Information	3-22
ATTACHMENT 3-A: PACKAGING APPLICATIONS	
ATTACHMENT 3-B: FOLLOWUP QUESTIONS FOR FORM RD 410-4, UNIFORM RESIDENTIAL LOAN APPLICATION	
ATTACHMENT 3-C: CASE STUDY - PROCESSING PRIORITIES	
ATTACHMENT 3-D: APPLICANT INFORMATION SHEET - SINGLE FAMILY HOUSING	

ATTACHMENT 3-E: REQUEST TO RE-OPEN REJECTED APPLICATIONS IN MORTGAGESERV

ATTACHMENT 3-F: HOW TO ADDRESS NEGATIVE PRE-QUALIFICATION RESULTS

ATTACHMENT 3-G: 502 SINGLE FAMILY HOUSING CHECKLIST

ATTACHMENT 3-H: CREDIT SCORE DISCLOSURE

ATTACHMENT 3-I: SETTLEMENT SERVICE PROVIDERS AND RESPA RELATED DISCLOSURES

CHAPTER 4: BORROWER ELIGIBILITY 4-1

 4.1 OVERVIEW..... 4-1

SECTION 1: EVALUATING BORROWER INCOME 4-1

 4.2 OVERVIEW..... 4-1

 A. Key Concepts for Income Determinations..... 4-2

 B. Using UniFi and the Income Worksheet to Compute Income 4-8

 4.3 SOURCES OF INCOME 4-8

 A. Income Considered for Annual and Repayment Income 4-8

 B. Additional Income Considerations for Repayment Income 4-12

 C. Income Never Considered for Annual and Repayment Income 4-14

 D. Additional Income Never Considered for Annual Income 4-15

 E. Verifying Sources and Amounts 4-17

 4.4 CALCULATING ANNUAL AND ADJUSTED INCOME 4-26

 A. Calculating Annual Income 4-26

 B. Calculating Deductions from Annual Income..... 4-26

 C. Dependent Deduction..... 4-27

 D. Child Care Expenses 4-27

 E. Elderly Household Deduction 4-29

 F. Deduction for Disability Assistance Expense..... 4-29

 G. Deduction for Medical Expenses (for Elderly Households Only)..... 4-31

 H. Calculating Repayment Income 4-33

SECTION 2: EVALUATING BORROWER ASSETS 4-35

 4.5 OVERVIEW OF POLICIES RELATED TO ASSETS 4-35

 A. Reporting Assets... 4-36

 B. Calculating Market and Cash Value..... 4-37

 C. Retirement Assets..... 4-37

 4.6 LIMITATIONS ON ASSETS 4-38

 A. Limitation on Nonretirement Assets 4-38

 B. Limitation on Retirement Assets..... 4-38

 C. Exception to the Asset Limitations 4-38

4.7 CALCULATING INCOME FROM ASSETS FOR ANNUAL INCOME.....	4-38
4.8 CALCULATING INCOME FROM ASSETS FOR REPAYMENT INCOME	4-40
SECTION 3: CREDIT HISTORY	4-43
4.9 OVERVIEW.....	4-43
4.10 CREDIT REQUIREMENTS.....	4-43
4.11 CONDUCTING PRELIMINARY CREDIT CHECKS	4-45
A. Credit Alert Interactive Voice Response System.....	4-46
B. Infile Credit Report	4-46
4.12 CONDUCTING FULL REVIEW OF CREDIT HISTORY	4-47
A. Residential Mortgage Credit Report.....	4-48
B. Fair and Accurate Credit Transactions.....	4-49
C. Other Credit Verifications.....	4-50
4.13 CREDIT HISTORY WORKSHEET.....	4-52
4.14 MAKING EXCEPTIONS	4-52
SECTION 4: OTHER ELIGIBILITY REQUIREMENTS	4-55
4.15 OWNING A DWELLING	4-55
4.16 ABILITY TO OBTAIN OTHER CREDIT	4-55
4.17 OCCUPYING THE PROPERTY.....	4-55
4.18 LEGAL CAPACITY	4-55
4.19 SUSPENSION OR DEBARMENT	4-56
4.20 CITIZENSHIP STATUS.....	4-56
4.21 TRUTHFUL APPLICATION	4-56
SECTION 5: PROCESSING THE CERTIFICATE OF ELIGIBILITY.....	4-57
4.22 DETERMINING REPAYMENT ABILITY.....	4-57
A. The PITI Ratio.....	4-57
B. The TD Ratio.....	4-57
C. Determining the Maximum Loan Amount.....	4-58
D. Using Market Data to Interpret Unifi Results.....	4-59
4.23 RESERVED.....	4-59
4.24 OTHER CONSIDERATIONS RELATED TO MAXIMUM LOAN AMOUNTS.....	4-60
A. Using Compensation Factors.....	4-61
B. Adding Additional Parties or Cosigners to the Note.....	4-62
C. Payment Shock.....	4-63
4.25 ISSUING THE CERTIFICATE OF ELIGIBILITY.....	4-63
 ATTACHMENT 4-A: SAMPLE WORKSHEET FOR COMPUTING INCOME	
ATTACHMENT 4-B: CASE STUDY	

ATTACHMENT 4-C: REVIEWING A SELF-EMPLOYED APPLICANT’S INCOME
AND DEBT LOAD

ATTACHMENT 4-D: REVIEWING DOCUMENTATION FOR CITIZENSHIP
STATUS

CHAPTER 5: PROPERTY REQUIREMENTS..... 5-1

5.1 INTRODUCTION..... 5-1

 A. Overview of Property Requirements..... 5-1

 B. Key Processing Steps Related to Property Requirements..... 5-1

SECTION 1: SITE REQUIREMENTS 5-5

5.2 OVERVIEW..... 5-5

5.3 RURAL AREA DESIGNATION..... 5-5

 A. Rural Area Definition..... 5-5

 B. Special Considerations 5-6

 C. Reviewing Rural Area Designations 5-7

5.4 MODEST SITES..... 5-11

5.5 ADEQUATE WATER AND WASTEWATER SYSTEMS 5-11

SECTION 2: DWELLING REQUIREMENTS..... 5-13

5.6 MODEST HOUSING..... 5-13

 A. Establishing Area Loan Limits Within A State 5-13

 B. Options for Establishing Area Loan Limits Within A State 5-13

 C. Notification..... 5-14

 D. Prohibited Features 5-14

5.7 DECENT, SAFE AND SANITARY DWELLINGS 5-15

 A. Existing Dwellings..... 5-15

 B. New Construction..... 5-15

 C. Survey Requirements 5-15

 D. Flood-Related Requirements..... 5-16

SECTION 3: ENVIRONMENTAL REQUIREMENTS..... 5-18

5.8 PROTECTION OF ENVIRONMENTAL RESOURCES 5-18

 A. Types of Environmental Reviews..... 5-18

 B. Flood Hazard Determination..... 5-20

 C. Responsibility for Environmental Reviews..... 5-20

 D. Noise Abatement 5-21

5.9 MANAGEMENT OF HAZARDOUS SUBSTANCES 5-21

SECTION 4: SECURITY REQUIREMENTS.....	5-22
5.10 ACCEPTABLE MORTGAGE.....	5-22
5.11 OWNERSHIP REQUIREMENTS	5-22
A. Responsibilities.....	5-22
B. Acceptable Forms of Ownership.....	5-22
5.12 EXCEPTIONS TO THE AGENCY’S SECURITY REQUIREMENTS.....	5-26
A. Unsecured (Note Only) Loans	5-26
B. Best Mortgage Obtainable.....	5-26
SECTION 5: APPRAISALS	5-28
5.13 OVERVIEW.....	5-28
5.14 REQUIREMENTS FOR APPRAISALS.....	5-28
5.15 TYPES OF VALUE	5-29
5.16 APPRAISAL METHODOLOGY	5-29
5.17 ORDERING APPRAISALS	5-30
A. When Appraisals Are Needed.....	5-30
B. Program Responsibilities.....	5-31
C. Required Information	5-31
D. Appraisal Disputes	5-31
5.18 SELECTING AN APPRAISER.....	5-32
A. Blanket Purchase Agreement.....	5-32
B. Request for Contract Services.....	5-32
5.19 WORKING WITH THE APPRAISER.....	5-33
A. Post-Award Conference with the Appraiser.....	5-33
B. The Statement of Work.....	5-33
5.20 APPRAISER RESPONSIBILITIES	5-33
5.21 REVIEWING APPRAISALS	5-34
A. Administrative Review	5-34
B. Technical Review.....	5-35
C. Field Review.....	5-35
5.22 PAYING FOR APPRAISALS	5-36
5.23 APPRAISALS IN REMOTE RURAL AREAS ON TRIBAL LANDS OR WHERE THERE IS A LACK OF MARKET ACTIVITY.....	5-36
SECTION 6: MANAGING CONSTRUCTION	5-39
5.24 DESIGN.....	5-39
A. Disseminating the Standards.....	5-39
B. Review and Approve the Drawings and Specifications.....	5-39
5.25 PREPARING FOR CONSTRUCTION	5-39
A. Selecting the Contractor.....	5-39
B. Pre-Construction Conference	5-40

C. Construction Contract	5-41
D. Department of Labor Notification.....	5-41
5.26 CONSTRUCTION PERIOD	5-41
A. Qualified Inspector.....	5-42
B. Periodic Inspections	5-42
C. Partial Payments.....	5-43
D. Changes During Construction	5-43
5.27 CONSTRUCTION CLOSEOUT	5-44
5.28 SPECIAL SITUATIONS	5-46
A. Funds Remaining After Completion.....	5-46
B. Construction Work that Cannot be Completed	5-46
C. Deceased Borrowers.....	5-46
D. Compensation for Construction Defects	5-46
ATTACHMENT 5-A: CHECKLIST FOR INITIAL ASSESSMENT OF EXISTING HOUSING	
ATTACHMENT 5-B: SINGLE FAMILY HOUSING SITE CHECKLIST	
ATTACHMENT 5-C: AMENDMENTS TO MORTGAGES WITH LEASEHOLD INTEREST	
ATTACHMENT 5-D: WEB ACCESS INSTRUCTIONS TO OBTAIN FLOOD HAZARD DETERMINATIONS	
ATTACHMENT 5-E: TRANSMITTAL COVER SHEET FOR MAPPING SYSTEM MODIFICATION	
ATTACHMENT 5-F: ELIGIBILITY SYSTEM MODIFICATION REQUEST PROCESS	
ATTACHMENT 5-G: ELIGIBILITY SYSTEM MODIFICATION WORKFLOW	
CHAPTER 6: UNDERWRITING THE LOAN.....	6-1
SECTION 1: OVERVIEW OF THE UNDERWRITING PROCESS	6-1
6.1 INTRODUCTION.....	6-1
6.2 WHAT IS UNDERWRITING?.....	6-1
6.3 USING UNIFI TO FACILITATE UNDERWRITING.....	6-3
SECTION 2: LOAN TERMS AND REQUIREMENTS.....	6-5
6.4 ELIGIBLE LOAN PURPOSES AND USES.....	6-5
A. Site-Related Costs.....	6-5
B. Dwelling-Related Costs.....	6-5
C. Fees and Related Costs.....	6-6
D. Loan Restrictions.. ..	6-7
6.5 REFINANCING.....	6-7
A. Refinancing Agency Debt.....	6-7
B. Refinancing Non-Agency Debt.....	6-7

6.6	MAXIMUM LOAN AMOUNT	6-9
	A. Granting Exceptions	6-9
	B. Special Situations	6-10
6.7	LOAN-TO-VALUE (LTV) RATIO	6-11
	A. Loans for Existing Dwellings (100% LTV)	6-11
	B. Loans for New Dwellings (90-100% LTV)	6-11
	C. Subsequent Loans for Necessary Repairs	6-12
	D. Subsequent Loans for Closing Costs Only	6-13
	E. Refinanced Loan for Existing Agency Borrower	6-13
	F. Affordable Housing Products	6-13
6.8	REPAYMENT PERIODS	6-14
	A. Exceptions to the Standard 33-Year Maximum Term	6-14
	B. Effect of Repayment Period on Payment Subsidy	6-14
6.9	INTEREST RATES	6-15
	A. Note Rates	6-15
	B. Subsidized Rate	6-16
6.10	USE OF ASSETS	6-16
	A. Asset Limits	6-16
	B. Exception to the Asset Limits	6-17
	C. Eligible Uses of Assets	6-17
	D. Ineligible Uses of Assets	6-17
SECTION 3: PAYMENT SUBSIDIES		6-19
6.11	AN OVERVIEW OF PAYMENT SUBSIDIES	6-19
	A. Three Types of Subsidy	6-19
	B. Applicant Eligibility	6-20
	C. Loan Requirements	6-20
	D. Annual and Interim Reviews	6-21
	E. Recapture Requirement	6-19
6.12	CALCULATING PAYMENT ASSISTANCE	6-22
	A. Payment Assistance Method 2	6-22
	B. Payment Assistance Method 1	6-23
6.13	CALCULATING INTEREST CREDIT	6-26
SECTION 4: UNDERWRITING A LOAN FOR A SPECIFIC PROPERTY		6-29
6.14	APPROVING A SPECIFIC PROPERTY	6-29
	A. Applicant Submission	6-29
	B. Evaluation of the Property	6-29

7.14 AUTHORIZED INSURANCE PROVIDERS	7-10
7.15 REVIEWING INSURANCE POLICIES	7-11
ATTACHMENT 7-A: CALCULATION OF ESTIMATED TAXES DUE THROUGH CONSTRUCTION PERIOD AND INITIAL ESCROW DEPOSIT	
ATTACHMENT 7-B: TAX SERVICE FEE SCHEDULE	
ATTACHMENT 7-C: INSURANCE POLICY REQUIREMENTS	
CHAPTER 8: LOAN APPROVAL AND CLOSING.....	8-1
8.1 INTRODUCTION.....	8-1
SECTION 1: LOAN APPROVAL AND OBLIGATION.....	8-1
8.2 THE LENDING DECISION	8-1
A. Rejection.....	8-1
B. Approval.....	8-2
8.3 OBLIGATING FUNDS	8-2
A. Initial Obligation.....	8-2
B. Changing the Loan Amount	8-2
C. Canceling a Loan.....	8-3
SECTION 2: PREPARING FOR CLOSING.....	8-5
8.4 TITLE INSURANCE AND CLOSING AGENTS	8-5
A. Title Insurance.....	8-5
B. Closing Agents.....	8-5
C. Approvals.....	8-5
D. Procedures.....	8-6
8.5 RESPONSIBILITIES OF THE CLOSING AGENT	8-6
8.6 RESPONSIBILITIES OF THE LOAN ORIGINATOR	8-7
A. Prepare the Applicant.....	8-8
B. Review Title Insurance Binder (or Preliminary Title Opinion)	8-9
C. Prepare Loan Documents	8-9
D. Reverifying Income.....	8-10
E. Reverify Eligibility.....	8-10
SECTION 3: CLOSING.....	8-13
8.7 OBTAINING FUNDS FOR CLOSING.....	8-13
8.8 ESTABLISHING THE DISBURSEMENT SCHEDULE	8-13
A. Permanent Loans.....	8-13
B. Construction Loans	8-14
8.9 ESTABLISHING A REPAYMENT SCHEDULE	8-14
A. Monthly Installments.....	8-14
B. Housing Assistance Program (HAP).....	8-14

A. Advantages of Leveraged Loans.....	10-1
B. Two Separate Financial Agreements.....	10-2
10.2 SOURCE OF LEVERAGED FUNDS	10-2
A. Market Rate Financing.....	10-2
B. Other Subsidized Financing	10-2
10.3 KEY DIFFERENCES IN POLICIES AND PROCEDURES	10-3
A. Eligible Loans and Grants.....	10-3
B. Lien Position.....	10-4
C. Payment Assistance Calculation	10-4
D. Availability of Mortgage Credit Certificates (MCC).....	10-4
E. Section 8 Housing Choice Vouchers (HCV)	10-5
F. Origination.....	10-5
G. Servicing.....	10-5
10.4 DEVELOPING STATE-BY-STATE APPROACHES TO LEVERAGING.....	10-6
A. Lender Outreach.....	10-6
B. Borrower Education	10-7
C. Streamlined Processing Procedures	10-7
SECTION 2: ORIGINATING LEVERAGED LOANS.....	10-9
10.5 TAKING APPLICATIONS	10-9
10.6 REFERRING APPLICANTS TO PARTICIPATING LENDERS	10-9
10.7 DETERMINING APPLICANT ELIGIBILITY	10-10
10.8 ISSUING THE CERTIFICATE OF ELIGIBILITY	10-10
10.9 UNDERWRITING LEVERAGED LOANS.....	10-10
A. Lender vs. Agency Underwriting.....	10-10
B. Property Requirements and Appraisal.....	10-11
C. Loan-to-Value Ratio.....	10-11
D. Loan Terms and Fees	10-11
E. Determining Loan Amount.....	10-12
F. Agreements with the Participating Lender Regarding Construction.....	10-13
10.10 LOAN CLOSING.....	10-14
A. Required Documentation	10-14
B. Recording the Lien/Legal Documents.....	10-15

ATTACHMENT 10-A: SAMPLE TOPICS TO BE ADDRESSED IN
A MEMORANDUM OF UNDERSTANDING

CHAPTER 11: NONPROGRAM LOANS..... 11-1

- 11.1 INTRODUCTION..... 11-1
 - A. Nonprogram Assumptions 11-1
 - B. Nonprogram Loans to Purchase REO Property 11-1
- 11.2 PRE-QUALIFICATION 11-2
- 11.3 APPLICATION PROCESSING 11-2
- 11.4 ELIGIBILITY..... 11-2
- 11.5 PROPERTY REQUIREMENTS..... 11-2
- 11.6 UNDERWRITING THE LOAN 11-3
 - A. Down Payment Requirement 11-3
 - B. Amount to be Financed 11-3
 - C. Interest Rate..... 11-3
 - D. Loan Repayment Period..... 11-3
 - E. Repayment Ability..... 11-4

- 11.7 LOAN APPROVAL AND CLOSING..... 11-4
- 11.8 SERVICING NONPROGRAM LOANS 11-4

ATTACHMENT 11-A: SUMMARY OF DIFFERENCES BETWEEN
PROGRAM LOANS AND NONPROGRAM LOANS

CHAPTER 12: SECTION 504 LOANS AND GRANTS..... 12-1

- 12.1 INTRODUCTION..... 12-1
- 12.2 ELIGIBLE PURPOSES FOR 504 FUNDS 12-1
 - A. Restrictions on the Use of 504 Funds 12-2
 - B. Repairs to Mobile or Manufactured Homes..... 12-2
- 12.3 APPLICATIONS..... 12-3
- 12.4 APPLICANT ELIGIBILITY..... 12-3
 - A. Income..... 12-3
 - B. Credit Requirements..... 12-3
 - C. Asset Requirements..... 12-4
 - D. Repayment Ability 12-4
 - E. Age for Section 504 Grants 12-4
 - F. Ownership of Property..... 12-4
- 12.5 PROPERTY ELIGIBILITY 12-5
 - A. Property Requirements..... 12-5
 - B. Determining Property Value 12-6

C. Construction Standards	12-6
D. Environmental Requirements.....	12-6
12.6 INTEREST RATE AND LOAN TERM.....	12-6
12.7 MAXIMUM LOAN AND GRANT AMOUNTS	12-7
A. Maximum Loan Amount.....	12-7
B. Grant Limits.....	12-7
12.8 LOAN APPROVAL AND CLOSING.....	12-8
A. Loan Approval.....	12-8
B. Security Requirements	12-8
C. Loan Closing.....	12-8
12.9 GRANT APPROVAL AND DISBURSEMENT.....	12-8
A. Grant Approval.....	12-8
B. Grant Repayment Agreements	12-8
C. Documentation of Grants	12-9
12.10 ESCROW, TAXES, AND INSURANCE.....	12-9
ATTACHMENT 12-A: SUMMARY OF DIFFERENCES BETWEEN SECTION 504 LOANS AND GRANTS	
ATTACHMENT 12-B: DIFFERENCES BETWEEN SECTION 502 AND SECTION 504 LOANS	
ATTACHMENT 12-C: SECTION 504 LOAN AND GRANT CHECKLIST	
CHAPTER 13: SERVICING AND LIQUIDATION FUNCTIONS.....	13-1
13.1 INTRODUCTION.....	13-1
13.2 TRANSITION TO CSC	13-2
SECTION 1: WORKING WITH CSC	13-3
13.3 REGULAR SERVICING.....	13-3
A. Newly-Activated Borrower Account	13-3
B. Payments.....	13-3
C. Approval Actions.....	13-3
D. Appraisals.....	13-4
E. Insurance Claims.....	13-4
F. Reamortizations and Other Documents Requiring Borrower Signature	13-5
G. Payoffs.....	13-5
H. Final Payments and Satisfactions.....	13-6
I. Recapture Receivable Accounts.....	13-6
13.4 SPECIAL SERVICING ACTIONS	13-6
A. Borrower Counseling	13-6
B. Protective Advances.....	13-6

C. Refinancing.....	13-7
D. Subsequent Loans.....	13-7
E. Bankruptcies.....	13-7
F. Missing Borrowers.....	13-7
G. Payment Subsidy Renewals	13-8
H. Preacceleration Personal Contact.....	13-9
13.5 VOLUNTARY SALE	13-10
13.6 DEBT SETTLEMENT	13-13
13.7 ADDITIONAL INPUT	13-13
SECTION 2: BORROWER ACTIONS REQUIRING APPROVAL	13-15
13.8 OVERVIEW.....	13-15
13.9 GENERAL GUIDELINES.....	13-15
A. Reviewing Requests	13-15
B. Obtaining an Appraisal and an Environmental Review	13-15
C. Evaluating and Approving the Request.....	13-16
D. Using Proceeds.....	13-16
13.10 SUBORDINATION	13-17
A. Criteria for Subordination	13-17
B. Amount of Subordination.....	13-18
13.11 MINERAL LEASES	13-18
13.12 PARTIAL RELEASE OF SECURITY	13-19
13.13 LEASE OF SECURITY PROPERTY	13-21
13.14 ASSUMPTION OF INDEBTEDNESS.....	13-21
A. New Rates and Terms Assumptions	13-21
B. Same Rates and Terms Assumptions	13-21
C. Agency Approval.....	13-22
D. Procedural Requirements	13-23
E. Releasing a Departing Borrower from Liability.....	13-23
13.15 PROTECTIVE ADVANCES	13-24
A. Advances for Property Repairs	13-24
B. Advances for Other Purposes.....	13-25
SECTION 3: LIQUIDATION	13-27
13.16 OVERVIEW.....	13-27
13.17 NET RECOVERY VALUE	13-27
A. Establishing Market Value.....	13-27
B. Environmental Considerations	13-27

C. Ordering an Appraisal	13-28
D. Holding Period.....	13-29
E. Deductions from Market Value	13-29
F. Additions to Market Value	13-30
13.18 BASIC SECURITY LOSS.....	13-31
13.19 DEED IN LIEU OF FORECLOSURE.....	13-31
13.20 FORECLOSURE.....	13-32
A. Making the Acceleration Decision.....	13-32
B. Acceleration.....	13-33
C. Review of the Acceleration Decision.....	13-34
D. Initiating Legal Proceedings	13-34
E. Offers to Cure.....	13-35
F: The Foreclosure Sale	13-37

ATTACHMENT 13-A: PAYOFF RUSH REQUEST

ATTACHMENT 13-B: ACCOUNT ISSUE AND SUGGESTED RESOLUTION
SHEETS

ATTACHMENT 13-C: CURE FINANCIAL STATEMENT

CHAPTER 14: (RESERVED)..... 14-1

CHAPTER 15: MANAGING CUSTODIAL AND REO PROPERTY 15-1

15.1 OVERVIEW..... 15-1

SECTION 1: PROPERTY MANAGEMENT METHODS AND ACTIVITIES 15-1

15.2 MANAGEMENT METHODS AND CONTRACTS 15-1

 A. Selecting a Management Contractor 15-1

 B. Management Contract Requirements 15-2

15.3 TAKING POSSESSION 15-2

 A. Taking Custodial Possession..... 15-2

 B. Acquisition of an REO Property 15-3

15.4 INSPECTING AND SECURING CUSTODIAL AND REO PROPERTY 15-4

 A. Inspecting and Classifying the Property 15-4

 B. Securing Custodial and REO Property..... 15-4

ATTACHMENT 15-F: FEDERAL EMERGENCY MANAGEMENT AGENCY
AND THE RURAL HOUSING SERVICE
FEMA-RHS LETTER OF ASSIGNMENT

CHAPTER 16: DISPOSING OF REAL ESTATE OWNED PROPERTY..... 16-1

SECTION 1: PRICING AND LISTING PROPERTIES..... 16-1

16.1 OVERVIEW..... 16-1

 A. Sale Methods and Pricing 16-1

 B. Financing..... 16-1

 C. Warranty..... 16-2

 D. MortgageServ Processing for REO Sales 16-2

16.2 CONTRACTING FOR SALES SERVICES..... 16-2

 A. Selecting Exclusive Brokers 16-2

 B. Announcing Open Listing 16-3

 C. Commissions..... 16-3

 D. Broker Purchases of REO Properties 16-3

16.3 PRICING AND SALES SCHEDULES 16-3

 A. Appraisals..... 16-4

 B. Sales Schedules and Administrative Price Reductions 16-4

SECTION 2: MARKETING..... 16-7

16.4 MARKETING AND ADVERTISEMENT 16-7

 A. Fair Housing and Affirmative Fair Housing Marketing Plan 16-7

 B. Truth in Lending Requirements 16-7

 C. Advertising and Marketing Methods..... 16-7

 D. Review of Marketing for Unsold Properties 16-8

16.5 SPECIAL MARKETING TECHNIQUES..... 16-8

 A. Buyer Incentives.... 16-8

 B. Broker Incentives.. 16-9

 C. Acquisition of Land, Easements, or Rights-of-Way to Effect Sale 16-9

16.6 REO PROPERTY NOT MEETING DSS STANDARDS 16-9

 A. Notice of Occupancy Restriction 16-10

 B. Quitclaim Deed Restrictive Covenant..... 16-10

 C. Release of Restrictive Covenant 16-11

SECTION 3: SALE METHODS	16-12
16.7 REGULAR SALE METHOD	16-12
A. Listing the Property.....	16-12
B. Submission Requirements	16-12
C. Receiving and Considering Offers	16-12
D. Earnest Money.....	16-13
E. Cancellation of Sales Contracts.....	16-14
16.8 DISPOSITION BY SEALED BID OR AUCTION	16-14
A. Establishing the Minimum Acceptable Offer	16-14
B. Publicizing the Sale.....	16-14
C. Sealed Bid Procedures.....	16-14
D. Auction Procedures	16-16
16.9 NEGOTIATED SALE.....	16-17
16.10 DISPOSAL OF PROPERTY FOR SPECIAL PURPOSES.....	16-18
A. Multifamily Housing.....	16-18
B. Transitional Housing for the Homeless.....	16-18
C. Affordable Housing.....	16-19
16.11 DISPOSAL AS CHATTEL OR SALVAGE	16-19
SECTION 4: ENVIRONMENTAL REQUIREMENTS.....	16-20
16.12 OVERVIEW.....	16-20
16.13 PROPERTY LOCATED WITHIN A SPECIAL FLOOD OR MUDSLIDE HAZARD AREA OR CONTAINS WETLANDS.....	16-20
16.14 COASTAL BARRIER RESOURCES SYSTEMS	16-21
16.15 NATIONAL REGISTER OF HISTORIC PLACES	16-21
16.16 PROTECTIVE COVENANTS AND EASEMENTS	16-22
16.17 REPORTABLE UNDERGROUND STORAGE TANKS.....	16-23
16.18 MANAGEMENT OF HAZARDOUS SUBSTANCES AND PETROLEUM PRODUCTS.....	16-23
16.19 LEAD-BASED PAINT	16-24
SECTION 5: PROCESSING AND CLOSING	16-25
16.20 OVERVIEW.....	16-25
16.21 SPECIAL NOTICES AT SALE.....	16-25
A. HUD Insured Financing	16-25
B. Disclosure of Lead-Based Paint or Hazards.....	16-25
16.22 INSPECTION.....	16-26
16.23 PRORATING REAL ESTATE TAXES AND/OR ASSESSMENTS.....	16-26
16.24 DOWN PAYMENT	16-26
16.25 PAYMENT OF POINTS.....	16-27
16.26 CLOSING EXPENSES	16-27

16.27 COMMISSIONS.....	16-27
16.28 TRANSFERRING TITLE.....	16-27
16.29 REPORTING SALE.....	16-27
ATTACHMENT 16-A: SAMPLE SOLICITATION PACKAGE	
ATTACHMENT 16-B: SAMPLE ADVERTISEMENT FOR BROKERS	
ATTACHMENT 16-C: NOTIFICATION OF AVAILABLE TRIBAL PROPERTY	
ATTACHMENT 16-D: SAMPLE ADVERTISEMENT OF AVAILABLE REO PROPERTIES	

GLOSSARY

ACRONYMS USED IN THIS HANDBOOK

APPENDICES

Appendix 1	7 CFR Part 3550, Direct Single Family Housing Loans and Grants
Appendix 2	Forms and Certifications Referenced in this Handbook
Appendix 3	Handbook Letters Referenced in this Handbook
Appendix 4	7 CFR Part 11 National Appeals Division Rules of Procedure
Appendix 5	Reserved
Appendix 6	NP Interest Rates
Appendix 7	State Supplements
Appendix 8	Section 306C WWD Grants to Individuals
Appendix 9	HUD Income Limits
Appendix 10	Area Loan Limits
Appendix 11	Net Recovery Value
Appendix 12	Reserved
Appendix 13	Reserved
Appendix 14	North Carolina Elderly Demonstration Program (NC only)
Appendix 15	Rural Housing Demonstration Program
Appendix 16	Single Family Housing Field Guidance on Disaster Declarations