



United States
Department of
Agriculture

**Rural
Development**

Single Family Housing Program Division
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April 8, 2003

**SUBJECT: Single Family Housing
504 Loan/Grant Processing Checklist**

**TO: All Single Family Housing Staff
USDA, Rural Development, Washington**

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to establish guidelines for the processing of 504 Loan/Grant Applications. The checklist is to ensure files contain all required documentation and that all required actions are completed timely.

COMPARISON WITH PREVIOUS AN:

There have been no previous 504 Loan/Grant specific checklists issued.

IMPLEMENTATION RESPONSIBILITIES:

Exhibit A, Checklist for Single Family Housing (SFH) 504 Loan/Grant Processing, will be utilized as a guide for processing applications timely and accurately. The checklist is to be completed with dates for each action that is taken throughout the process and is to be used as a tool for following up on action items needed to ensure timely processing of applications. The checklist will be filed in Position 1 of the applicant file.

/s/
JACKIE J. GLEASON
State Director

Attachment: Exhibit A, "SFH 504 Loan/Grant Processing Checklist"

EXPIRATION DATE
April 30, 2004

FILING INSTRUCTIONS
Appendix 7, HB-1-3550

**SFH 504 LOAN/GRANT
PROCESSING CHECKLIST**

**WASHINGTON AN 907 (7 CFR-3550)
Exhibit A**

<i>Applicant:</i>	
<i>Co-Applicant:</i>	
<i>Requested Loan Amount:</i>	<i>Requested Grant Amount:</i>

Application Received

Pos	Regulation	Date	Item
3	HB-1-3550, 3.5 A		Form RD 410-4 Uniform Residential Loan Application
3	HB-1-3550, 3.5 A		Form 3550-1 Authorization to Release Information
3	HB-1-3550, 3.5 C		Application Reviewed for completeness within 3 days and sign/date page 7
3	HB-1-3550,3.5 B		If 410-4 not complete, applicant contacted by phone to obtain missing information
4	HB-1-3550-, 3.5 C		Send Notice of Right to Appraisal (HB Letter 13) – loans only, as appropriate

Pre-Eligibility and Eligibility

Pos	Regulation	Date	Item
2	HB-1-3550,3.5 C		Application entered into UNIFI and case file established
3	HB-1-3550, 4.20		Suspension/Debarment Documentation printed from internet (EPLS)
3	HB-1-3550, 4.12		ADPS Current/Past Debt Inquiry screens for all grant applicants
3	HB-1-3550, 4.12		Fasteller Borrower X-Ref screen for all applicants
3	HB-1-3550, 4.12 A		CAIVRS printed for each Applicant
3	HB-1-3550, 4.12 B		Infile Credit Report (504 Loan only)
3	HB-1-3550, 12.4 B HB-1-3550, 4.14 & FMI		For loan of \$7,500 or more, RMCR ordered and Credit History Worksheet completed
3	HB-1-3550, 12.4 D		1944-3 Budget and Financial Statement completed/signed (with changes initialed) by RD and applicant(s) - narrative addresses repayment ability per budget – & UNIFI matches budget information
3	HB-1-3550, 12.4 E		For Grant eligibility – at least one applicant is 62 or older
5	HB-13550, 12.4 F		Evidence of Ownership
3	HB-13550, 12.2, 12.4 & 12.5		Narrative addresses property eligibility: value not in excess of area loan limit, property in rural area, and MAJOR hazards will be removed with funds
8	HB-1-3550, 12.5 B		Appraisal completed when total Agency indebtedness exceeds \$15,000
5	HB-1-3550, 12.8 & Attach 12-B		Deed of Trust/Title Insurance/Title Co. Closing for outstanding loans of \$7,500 or more
3	HB-1-3550, 4.23 B		UNIFI eligibility summary printed, signed and dated by loan approval official
3	3550-1, Att 4-E		Copy of Most Recent signed & filed Tax Return forms with all attachments
3	HB-1-3550, 3.15 1910-5 FMI		Form RD 1910-5 Verification of Employment and/or 3 rd Party Income Verification for: Applicant _____ Co-Applicant _____ Other _____
3	7 CFR 3550.112, HB-1-3550, 12.7		For Grant applicants, narrative documents that lifetime assistance received has been verified (Operational Listing)
4	HB-1-3550, 12.9		HB-3550, Letter 12 sent to notify grant recipient of grant approval
3	HB-1-3550, 4.3		HB-1-3550, Attach 4-A Income Calculation Worksheet, or equivalent documentation
3	HB-1-3550, 4.6		Form RD 1944-62 Verification of Deposit.
3	WA Policy		Eligibility narrative completed and signed by loan approval official (see below)
4	HB-1-3550, 4.26		HB Ltr # 15 – Adverse Decision Letter (with applicable Appeal/Mediation/Review rights attached)

Other Documentation, as applicable – Pos. 3 (HB 1-3550, Chapter 3)

Date	Item	Date	Item
	Evidence of Qualified Alien Status		Verification of Business Expenses/Self Employment Worksheet, Atchmt 4-F
	Verification of Pension/Annuity		Verification of Child Support Rcvd
	Verification of Student Income		Certification of Disposition of Assets
	Divorce/Legal Separation Agreement		Verification of Medical Expenses
	Certification of Disability Form RD 1944-04		Verification of Unemployment Benefits
	Verification of Social Security Benefits		Verification of Gift - Form RD 3550-02
	Verification of Child Care		Verification of Dependent Care

Written Narrative – Pos. 3

Signed/Dated by Loan Approval official, addressing at a minimum the following eligibility requirements per HB-1-3550, Chapters 4, 6, & 8:

Verification of Employment	Is a U.S. Citizen or Qualified Alien
Shows legal capacity to incur the debt	Is of Legal age
Cannot obtain other credit	Applicant Intends to occupy the property
Has Satisfactory Credit History	Income is within Program Limits
Budget shows repayment ability for a loan or no repayment if a grant	Has Adequate and Dependable Repayment Income – 2 years history considered, or if 2 years does not exist – justification as to why the current income is dependable/stable
Property Value/Loan amount is within Area Loan Limit guidelines	No known relationship with RD employee and/or Closing Agent
Property is in a rural area and meets program eligibility standards	Asset Limit has been/will be met prior to loan closing (explain)

Property Requirements

6	HB-1-3550, 12.3	Initial Site Visit completed within 30 days from date of receipt of application – 1924-12 Inspection Report completed – pictures and repair list attached
6	HB-1-3550, 5.1, B 1	HB-1-3550 Att. 5-A “Checklist for initial assessment of Existing Housing” completed or similar documentation that details property eligibility and required certifications.
6	HB-1-3550, 5.1 & 1924-C	HB-1-3550 Att. 5-B “Single Family Housing Site Checklist” completed for ALL properties
3 or 6	HB-1-3550-12.2 A	Documentation that all major health/safety hazards will be removed with 504 funds
5	HB-1-3550, 5.10	Security Requirements are met or will be met at closing.

Environmental Assessment

Pos	Regulation	Date	Item
3	HB-1-3550, 5.8 B		FEMA Form 81-93 Standard Flood Hazard Determination attached to Environmental Assessment
7	HB-1-3550, 5.7 D & HB-1-3550, 7.12 D		Form 3550-6 Notice of Special Flood Hazards, Flood Insurance Purchase Requirements, and availability of Federal Disaster Relief Assistance sent to and signed by Applicant(s) if property is in a flood plain
6	Lead Based Paint Comp. Key		Lead Based Paint Requirements (disclosure, testing, risk assessment, and/or abatement as applicable)
3	HB-1-3550, 5.9		Transaction Screen Questionnaire (TSQ) for any property with hazardous substances identified.

Appraisal

Pos	Regulation	Date	Item
8	HB-1-3550, 5.13 & 5.16		Appraisal (As-Improved) ordered if total indebtedness exceeds \$15,000
8	HB-1-3550, 5.13		Appraisal Received
8	HB-1-3550, 5.18		Form 1922-15, Administrative Review completed – appraisal documented and original form 1922-15 filed in operational
4	HB-1-3550, 5.16 E		HB Ltr #17 “Adverse Decision Involving an Appraisal”

Construction and Repair

Pos	Regulation	Date	Item
6	1924-A & HB-1-3550, 5.21		Repair list with specs and/or notification of required inspections/certifications sent to applicant and to approved contractors to request bids – 30 day timeframe
6	HB-1-3550, 5.22		Evidence that a minimum of 3 solicitations were sent for bids (rehab)
6	1924-A 1924.6 (11) & HB-1-3550, 5.22		Contractors’ Bid Proposals received – file documented as to borrower contractor selection
6	1924-A 1924.5 (b)		Form 1924-1 Development Plan Form may be omitted only when 3 conditions are met: (1) all development to be done by the contract method, (2) adequate cost estimates are in the docket, AND (3) the work, including all landscaping, repairs, and site development work, is completely described on the drawings, in the specs, or in the contract documents.
6	HB-1-3550, 5.21 B & 5.22; 1924-A, 1924.5 (f), and appropriate FMI's		In limited cases, when repairs require Plans/Specs, the following items are obtained: <ul style="list-style-type: none"> • Form 1924-25 Certified Building Plans with Approvals • Plans and Specifications signed by all parties on all pages • Form 1924-2 Description of Materials completed and signed by all parties
6	HB-1-3550 5.22 B, & 1924-A 1924.6 (a) 11 (i)		Pre-Construction Conference held with borrower(s) & contractor. All parties review and sign meeting minutes to indicate approval. Form RD 1924-16, "Record of Preconstruction Conference," may be used as a guide for an agenda. At a minimum, a summary of the items covered will be entered in the running case record. (1924-A)
6	1924-A 1924.6 (a) 1 & 2 AND HB-1-3550, 5.22 C		Form RD 1924-6 Construction Contract or similar document (which addresses main items found on RD Construction Contract)
6	1901-E 1901.205 & HB-1-3550, 5.22 C; 1924-A, 1924.6 (a) 11 (iv)		If the contract is \$10,000 or more, the following are obtained/completed: <ul style="list-style-type: none"> • RD 400-1 executed by Applicant(s) • Form RD 400-6 Compliance Statement executed by Contractor • Form RD 400-3 Notice to Contractors and Applicants with EEO Poster attached completed by RD official and distributed • DOL notified (within 10 days of date of contract)

Underwriting

Pos	Regulation	Date	Item
3	HB-1-3550, 6.17 & HB-1-3550, Attch 6-A		Final Underwriting Review completed and documented in narrative by loan approval official – Final UNIFI printout signed/dated
3	HB-1-3550, 6.15		Form RD 1944-62 “Request for Verification of Deposit” and/or Form RD 3550-2 “Request for Verification of Gift/ Gift Letter” to verify applicant has closing costs.

Escrow, Taxes, and Insurance

Pos	Regulation	Date	Item
2	HB-1-3550, 12.10		If total outstanding indebtedness is more than \$15,000, an escrow account is established to pay taxes/insurance, if another lender is not escrowing.
2	HB-1-3550, 7.5		Form 3550-9 Initial Escrow Account Disclosure Statement completed
7	HB-1-3550, 7.10		Form 3550-15 “Tax Information Sheet” completed by 3 rd party (not RD)
7	HB-1-3550, 7.13		Insurance Binder with on year pd receipt received (also flood insurance if applicable)

Loan Approval and Closing

Pos	Regulation	Date	Item
2	WA Policy – 1940-L		Request for Obligation of Funds sent to SFH Program Division
2	7 CFR 3550.114 & FMI & 3550-1, 12.9 B & WA Policy		Form 3550-24 Grant Agreement signed by applicant(s) (and any co-owners if life estate or undivided ownership interest) PRIOR to disbursement of grant funds. Original in safe, copy - case folder – copy to applicant(s)
2	WA Policy		Confirmation of Fasteller Obligation
2	HB-1-3550, 8.3		Form 3550-7 “Mortgage Loan Commitment” (Loan Approval document) signed by loan approval official and sent to applicant(s)
3	HB-1-3550-1, 8.6 A 1		Form 3550-23 Applicant Orientation Guide to be discussed by phone/in person, completed and signed by applicant(s) and RD loan approval official (loan only)
2	HB-1-3550, 8.2 B		Form 3550-7 “Mortgage Loan Commitment” signed by applicants and returned within 15 days (loan only)
4	HB-1-3550, 12.9 A		HB Ltr 12, “Notification of Approval” (Grant)
5	HB-1-3550, 8.4 D & 1927-B, 1927.55 (b)		1927-4 Transmittal of Title Information sent to State Approved Title Co. (If loan \$7,500 or more)
5	1927-B, 1927.55 (f) & HB-1-3550, 8.5 & 8.6		Preliminary Title Insurance Binder Received, reviewed by CDM and items for removal noted on binder (If loan \$7,500 or more)
5	HB-1-3550, 8.6 A 2 & FMI		Form 1927-16 “Notification of Loan Closing prepared, mailed to applicant(s), executed by applicant(s) and returned
3	HB-1-3550, Attach 6-A, 1940-M, 1940.606(b)]		Debarment list checked for each Applicant prior to closing
2	1940-I, (C), 1 & 2		Form 1940-41 Truth in Lending Statement prepared for each loan (as applicable) and signed by applicant(s) (loan only)
2	HB-1-3550, Attachmt. 8-A		Form SF5510 Authorization Agreement for Preauthorized Payments
2	1940-I, (d)		Form 1940-43 Notice of Right To Cancel (loan only)
5	HB-1-3550, 8.6 C AND 1927-b, 1927.56		Form 1927-15 Loan Closing Instructions prepared, signed by loan approval official and submitted to Title Co. (If loan \$7,500 or more)
5	HB-1-3550, 8.5 & Attach 8-A		1927-5 Affidavit Regarding Work of Improvement (applies to all transactions)
2	HB-1-3550-1, 8.11 B		1940-16 Promissory Note completed correctly and signed by Applicant(s) (original placed in safe – conformed copy to file)
5	HB-1-3550-1, 8.11 B		Form 1940-59 Settlement Statement received from Closing Agent, signed by all parties

Post-Closing Loan Set-Up Items

Pos	Regulation	Date	Item
2	1902-A; 1902.2(e); 2018-D]		Loan/Grant closed within 20 Business Days of date of Treasury Check (if check issued for closing) – all treasury checks negotiated within 20 business days of issuance
7	HB-1-3550-1, 7.13		Copy of Property Hazard Insurance Policy received (within 60 days of closing)
2	QAR rqmts; DLOS Manual – Closing & 3550-1, 8.11		Loan activated within 3 days of closing – Grant closed in UNIFI
2	3550-1, 8.11 D		Form 3550-19 Transmittal –Closing Documents to CSC within 5 days of loan closing
5	1927-b, 1927.58 (g) & 3550-1, 8.11		Form 1927-15 Loan Closing Instructions, returned with loan closing packet, signed by Loan Closing agent (w/in one day of closing) – signed by RD within 7 days
Ope	HB-1-3550, 12.8 C		Grant Assistance added to operational lifetime assistance file

Post-Closing Construction/Repair Closeout

Pos	Regulation	Date	Item
6	1924-A 1924.9 & HB-1-3550, 5.23 B		1924-12 Inspection Report – Final signed by RD & borrowers (builder signature optional)
6	HB-1-3550, 5.23 D		1924-7 “Contract Change Order” Submitted and approved for any changes
6	1924-A, 1924.6 (a) 12 (v1) c & HB-1-3550, 5.24		1924-10 Release of Claimants received for all subcontractors
6	1924-A, 1924.6 (a) 12 (v1) c & HB-1-3550, 5.24		1924-19 Builder’s Warranty fully completed, with attachments
6	1924-A, 1924.6 (a) 12 (v1) c & HB-1-3550, 5.24		1924-9 “Certificate of Contractor’s Release” signed by contractor
6	HB-1-3550, 5.24		Additional certifications and warranties (i.e.insulation, carpet, major appliances)
6	HB-1-3550, 5.24		Copies of Building Permits
2	3550-1, 5.25 A		Supervised Bank Account Closed (within 90 days of Final Inspection) and unused loan/grant funds returned to principal balance of loan/grant.
2	WA Policy		SFH Program Director exception request obtained if funds will be in SBA more than 90 days after Final Inspection.
2	1902-A, 1902.2 A 6		State Director Exception Request (sent to SFH Program Director) obtained if SBA will be open more than 12 months from date of initial deposit.

Post-Closing Review Certifications

Pos	Regulation	Date	Item
5	HB-1-3550-1, 8.11		Title Insurance Policy received and reviewed for correct lien position/security and amount of coverage
2	HB-1-3550-1, 8.11		Promissory Note reviewed and dates, interest rate, amount, due date, applicant/co-applicant/co-signor information verified for accuracy (orig in safe – copy in file)
5	HB-1-3550-1, 8.11		Original, Recorded Deed of Trust received and verified as to accuracy of date, amount, maturity date, signature, and statement re: the property not being used for agricultural purposes (orig in file)
N/a	HB-1-3550, 8.11 & 2033-A, 2033.6 (3) v		Borrower case file label is correct as to name, address, case number and file is placed in “Active Files”

I have conducted a post-closing review of this file and found that all items were processed and received as required.

Loan Approval Official

Date