

RD AN No. 4442 (1980-D)
May 28, 2009

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Loan Coordinators,
Area Directors and Area Specialists

FROM: James C. Alsop (*Signed by James C. Alsop*)
Acting Administrator
Housing and Community Facilities Programs

SUBJECT: In-Ground Swimming Pools
Single Family Housing Guaranteed Loan Program

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify that in ground swimming pools are permitted under the Single Family Housing Guaranteed Loan Program (SFHGLP) as long as loan funds are not used to finance the contributory value of the swimming pool.

This clarification applies only to regular annual allocations and does not apply to any funding under the American Reinvestment and Recovery Act (ARRA).

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

EXPIRATION DATE:
May 31, 2010

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

BACKGROUND:

RD Instruction 1980-D, Section 1980.311(a), states that “Conditional Commitments will not be issued if loan funds are to be used . . . [to] purchase a dwelling with an in-ground swimming pool.”

The National Office has found that swimming pools may not contribute value to the modest home or only a minimal value that the low to moderate income borrower can finance without guaranteed loan funds.

IMPLEMENTATION RESPONSIBILITIES:

State Directors or their designees may approve the purchase of dwellings, which include an in-ground swimming pool, as long as any contributory value of the swimming pool is not financed in the loan amount. Such approval will not violate §1980.311(a).

Under the Uniform Standards of Professional Appraisal Practice (USPAP), licensed or certified appraisers should address subject property swimming pools and their value relative to the market. In many cases, the swimming pool will have a value, and Rural Development staff should ensure that the contributory value of the pool is not included in the final loan amount. The value of the swimming pool should be deducted from the maximum loan amount before the guarantee fee is added back (if financed).

Typically, a swimming pool has value and adjustments are made for comparable sales that do not have swimming pools. It is possible that a swimming pool does not have a contributory value. The appraiser should address such in their appraisal report. An appraiser must not indicate that a swimming pool has no value simply because “this is a Rural Development guaranteed loan.” Under USPAP, the appraiser should address the swimming pool under local market conditions. For example, if the swimming pool has a torn lining, and is not usable, the appraiser may conclude that it has no contributory value.

The Rural Development staff should make sure that the loans submitted through the Guaranteed Loan System meet these requirements.

This AN is applicable only to regular annual allocations and does not apply to any funding under the American Reinvestment and Recovery Act (ARRA). Without exception, no swimming pools are permitted for loans obligated using ARRA funds.

Any questions concerning this AN should be addressed to Cathy Glover, (202) 720-1460, or Joaquin Tremols, (202) 720-1465. Their respective email addresses are cathy.glover@wdc.usda.gov and joaquin.tremols@wdc.usda.gov.