



United States Department of Agriculture
Rural Development
Texas State Office

USDA Rural Development Texas AN No. 601 (3550)

APR 26 2007

TO: All Local Office Employees
USDA Rural Development, Texas

FROM: Bryan Daniel
State Director
USDA Rural Development, Temple

A handwritten signature in black ink that reads "Bryan Daniel". The signature is written in a cursive style and is positioned over the printed name and title of the sender.

SUBJECT: First-Time Homebuyers - Homeownership Education
Direct Homeownership Loans (Section 502)

The purpose of this Administrative Notice is to inform Local Office employees of the new homeownership education requirements for direct Section 502 loans and provide local office employees with a list of homeownership education providers. On February 5, 2007, the Federal Register published the "Final Rule" which contained the requirements for homeownership education. The new requirements become effective on May 7, 2007. The goal of homeownership education is to have first-time homebuyers financed under the direct Section 502 loan program well prepared for homeownership.

Applicants who are first-time homebuyers must agree to provide documentation, in the form of a completion certificate or letter from the provider, that a homeownership education course from a certified provider has been successfully completed as defined by the provider prior to loan closing. When the applicants receive their certificate of eligibility for a loan they will be advised that by accepting the certificate of eligibility they agree to submit documentation of homeowner education completion before loan closing and that they understand that it is a condition of loan closing. Language to this effect will be added to the Agency's certificate of eligibility document. At that time, the Agency will provide referrals to certified housing counselors to the applicants and discuss with the applicant where and when they will complete the homeowner education class.

EXPIRATION DATE:
May 31, 2008

FILING INSTRUCTIONS:
HB-1-3550

101 South Main • Suite 102 • Temple, TX 76501
Phone: (254) 742-9770 • Fax: (254) 742-9735 • TDD: (254) 742-9712 • Web: <http://www.rurdev.usda.gov>

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Requests for exceptions to the homebuyer education requirement must be submitted to the State Office for approval by the State Director. Requests will be reviewed and granted by the State Director on an individual case-by-case basis for individuals in geographic areas within the State where certified homeownership education is not reasonably available in the local area in any of the formats listed below. On a case-by-case basis, the State Director may also grant an exception, when the applicant documents a special need, such as a disability, that would unduly impede completing a homeownership course in a reasonably available format.

The order of preference for homeowner education formats is as follows:

1. Classroom; one-on-one counseling; or interactive video conference.
2. If none of the formats in paragraph (1) above is reasonably available, then the applicant may use interactive home-study or interactive telephone counseling of at least four hours duration.
3. If none of the formats in paragraphs (1) and (2) above is reasonably available then the applicant may use on-line counseling to meet the homeownership education requirement.

Homeownership education must include a letter or certificate of completion and be provided by homeownership education counselors that are certified by any of the following:

1. The Department of Housing and Urban Development (HUD);
2. NeighborWorks America (NWA);
3. The National Federation of Housing Counselors (NFHC);
4. National American Indian Housing Council (NAIHC); or
5. The State Housing Finance Agency or other qualified organization approved by the State Director.
6. The Texas Cooperative Extension Service is currently working on an online homebuyer education class. When it becomes available it will also be an acceptable homebuyer education provider in Texas.

The provider will issue a letter or certificate of completion to document that the borrower has satisfactory knowledge of these minimum topics:

1. Preparing for homeownership (evaluate readiness to go from rental to homeownership),
2. Budgeting (pre and post-purchase),
3. Credit counseling,
4. Shopping for a home,
5. Lender differences (predatory lending),
6. Obtaining a mortgage (mortgage process, different types of mortgages),
7. Loan closing (closing process, documentation, closing costs),
8. Post-occupancy counseling (delinquency and foreclosure prevention),
9. Life as a homeowner (homeowner warranties, maintenance and repairs),

The homeownership education provider may tailor the homeownership education training to the needs of the borrower to ensure satisfactory knowledge of the topics listed above.

Whether such homeownership education is reasonably available will be determined based on factors including, but not limited to: distance, travel time, geographic obstacles, and cost. Reasonable fees for homeownership education in Texas have been determined by the State Director to be \$50.00.

Attached is a list of approved homeowner education providers that provide homeowner education courses that are free of charge or have nominal fees. Borrowers will be first referred to no fees or nominal fee classes or one-on-one counseling. Where there is a fee charged to the borrower, the borrower should be advised of sources such as non-profit organizations that will pay for their homeowner education. If no sources are available, the fee may be added to the loan amount in excess of the area loan limit and appraised value of the house.

Please notify all affected parties, such as builders, Realtors, leveraged lenders, etc. that homeownership education must be provided in accordance with the above instructions prior to loan closing. A list of questions and answers is also attached for your information.

Please contact Linda Sultenfuss, Housing Programs if you have any questions.

Attachment