



UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

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SFH SECTION

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Rural Development Texas AN. No. 558 (1980)

December 10, 2001

SUBJECT: Thermal Performance Requirements for Existing Housing
Guaranteed Rural Housing (GRH) and Section 502 Direct
Single Family Housing (SFH) Loan Program

TO: All Offices
USDA Rural Development, Texas

PURPOSE/INTENDED OUTCOME: The purpose of the Texas Administrative Notice (AN) is to clarify the thermal performance requirements for existing housing financed through the Section 502 Guaranteed Rural Housing (GRH) and Direct SFH loan programs.

COMPARISON WITH PREVIOUS AN: This AN replaces Rural Development Texas AN No. 539 which expired on November 30, 2001.

IMPLEMENTATION RESPONSIBILITIES: USDA Rural Development local office employees will use the following requirements in the processing of SFH loans:

USDA Rural Development (Direct loans) and the lender (GRH loans) will be required to comply with Alternative I in meeting the USDA Rural Development thermal requirements for existing dwellings. If the inclusion of items necessary to meet the requirements is not cost justified, USDA Rural Development employees or the lender may comply with Alternative II or III.

ALTERNATIVE I. In order to comply with the requirements of RD Instruction 1924-A, the first alternative will be to include a minimum of R-30 insulation in the attic, operable storm or double insulated windows, storm doors, and insulation in the subfloor if the home has a crawl space. The subfloor will have an insulation value of R-19 in the northern part of the state or R-13 if located in the southern part of the state. The cost of these improvements will be included in the proposed loan if it is supported by the appraisal.

ALTERNATIVE II: If the file contains documentation (cost estimates, as-improved appraisal, etc.) that the inclusion of operable storm windows and subfloor insulation is not cost justified and the cost of the additions cannot be included in the amount of the loan because the appraisal does not support the additional amount, the property can meet thermal requirements with the following compensating measures:

EXPIRATION DATE: November 30, 2002

FILING INSTRUCTIONS: Following
RD Instruction 1980-D

**Rural Development is an Equal Opportunity
Lender, Provider, Employer. Complaints of discrimination should be
sent to: USDA, Director, Office of Civil Rights, Washington, DC 20250-9410**

- 1) USDA Rural Development or lenders will require that the attic insulation be increased to at least R-38 and solar screens be installed on all windows, and
- 2) In lieu of subfloor insulation for homes with crawl spaces, it is required that an insulated perimeter enclosure or foundation wall be installed around the perimeter of the entire house. This requirement will include all foundation wall area, including header joists.

ALTERNATIVE III: The applicant or the lender may employ an engineer to complete calculations on the dwelling which consider the existing features and their compliance with the requirements of RD Instruction 1924-A. The engineer's report indicating compliance will be included in the loan file or they may submit energy audits performed by the local utility company to compare utility costs on homes with storm windows, R-30 insulation in the attic, and subfloor insulation to the utility costs on those homes without the extra energy features. If the audits indicate that the difference in the utility bills is not significant enough to justify the additional cost of installing storm windows, etc., the information will be reviewed by USDA Rural Development and waivers may be given on a case-by-case basis. Window films or window air barrier kits are not acceptable.

These requirements apply only to existing housing. For new construction, the applicant must obtain and submit plans and specifications which have been certified that the dwelling will meet the requirements of the CABO-Model Energy Code of 1992. For GRH loans, the lender must submit only a certification that the plans and specifications have been reviewed and comply with the requirements of the CABO-Model Energy Code of 1992.

Local offices employees will provide copies of the AN to all approved GRH and Section 502 Direct leveraged loan lenders in their area.

In addition to the filing instructions indicated on page one (1), a copy of this AN will be placed in the State Supplements section of HB-1 3550.

Please contact Scooter Brockette in the Single Family Housing Section if you have any questions.

/s/ Bryan Daniel
BRYAN DANIEL
State Director