



**United States Department of Agriculture
Rural Development**

Virginia State Office

VA AN NO. 470 (3550)

February 21, 2007

TO: Rural Development Managers and
Area Directors

SUBJECT: Direct Single Family Housing Area Loan Limits

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to establish the Area Loan Limits for each eligible locality (county/city) in the Commonwealth of Virginia that are to be used during FY 2007.

These limits were established by adding the residential cost data for new construction to the typical market value for an improved site.

CAMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 452 (3550) dated September 28, 2005 which expired on February 16, 2007.

IMPLEMENTATION:

The Final rule of 7 CFR 3550 changed a critical component of the modest housing definition. The description of modest housing changed from "cost that does not exceed the applicable limit established under 203(b)" to **"market value that does not exceed the applicable area loan limit as established by RHS...."**

A loan may exceed the area loan limit in an amount necessary to cover the Agency-approved appraisal fee, the tax service fee and any required contribution to an escrow account for taxes and insurance. Exceptions to the area loan limit may be granted on a case by case basis when the current limit is insufficient to provide adequate housing. Requests for exceptions may be approved by the State Director if the limit is to be increased by \$3,600 or less.

SFH Origination Offices will be required to collect and maintain the typical market value of sites, site clearing, the cost of water and sewage, driveways, and landscaping, etc. for each eligible locality throughout the fiscal year. The market value must be based on

EXPIRATION DATE: 2/29/2008

FILE REF: HB-1-3550- Appendix 10

1606 Santa Rosa Road • Suite 238 • Richmond, VA 23229-5014
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comparable sales data for typical sites and on-site improvements. The dwelling construction cost, the market value of the site and cost of typical improvements will be added together to create the area loan limits. **In no case can the Maximum Loan Limit exceed the HUD 203(b) limit.**

The supporting documentation such as comparables used in the analysis and documentation of phone calls should be arranged by fiscal year and kept in the operational files under 1924-C, Planning and Performing Site Development Work.

Effective March 1, 2007, the maximum loan limit listed in Attachment A to this AN will be used for all pending applications unless the applicant received Form RD 1944-59, Certificate of Eligibility or submitted a contract for the purchase of a property or to build a home prior to the effective date of the new maximum loan limits.

/s/ Ellen Matthews Davis 2/21/07
ELLEN MATTHEWS DAVIS
State Director

Attachment A - FY 2007 SFH Maximum Loan Limits