

U.S. DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
Washington, D.C 20250

MANUAL            ISSUE No.  
WSAL              PN 602  
DATE  
January 5, 2024

## PROCEDURE NOTICE

### RD MANUAL CHANGES

**INSERT RD INS 440.1**  
(WSAL)

**INTEREST RATES, AMORTIZATION, GUARANTEE FEE, ANNUAL CHARGE, AND FIXED PERIOD.** This Instruction is partially revised as follows:

Exhibit B is partially revised to update the Treasury Judgement rate and the effective date of January 1, 2024.

INSERT  
[Exhibit B revised.](#)

**INSERT RD INS 444.8**  
(WSAL)

**RURAL HOUSING SITE LOAN POLICIES, PROCEDURES, AND AUTHORIZATIONS.** This Instruction is being revised to add additional guidance regarding maximum loan requests, repayment periods, and appraisals, along with issuing a new checklist and two new template letters for application review. These updates are expected to increase interest in the program and allow the program to be more functional within the current market.

### **VI. LIMITATIONS:**

The \$100,000 loan limit found in this section is prohibitive in today's land development market and program funding remains underutilized. RD Instruction 444.8, VI is being revised to add language that the Agency can consider requested loan amounts of varying sizes, as funding remains available. State Offices can use this direction to advise potential applicants of the option to apply for a larger loan than listed in the Instruction. These larger loan requests will be well documented to justify the need for the requested loan amount and show the qualifications of the applicant to both purchase and develop a site for low to moderate-income housing.

### **VIII. B. REPAYMENT PERIOD:**

Typical site development timelines exceed the currently prescribed two-year loan repayment term. This limiting repayment term has historically caused potential applicants to seek financing elsewhere. Given the current market conditions, the National Office will consider request for exceptions to extend the repayment period on a case-by-case basis.

(CON)

RD MANUAL CHANGES

INSERT RD INS 444.8 (Con.)  
(WSAL)

**X.A. 2. APPRAISALS:**

To increase efficiency in the appraisal procurement process, the Agency will accept an appraisal submitted by the applicant that meets the Site Loan program requirements

**EXHIBITS:**

Exhibit D "Site Loan Application Processing Checklist" was created as a guide for states to use when processing applications.

Exhibit E "Preapplication Review" template letter has been added.

Exhibit F "Site Loan Denial Template" template denial letter has been added.

**INSERT RD INS 4280-D**  
(WSAL)

**RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM.**  
This Instruction is revised as follows:

§ 4280.301, added a sentence to notify the reader on what the bold and italics text means.

§ 4280.311 (h), language was added to provide guidance for quarterly reports.

§ 4280.312 (a), added language to provide additional guidance for Form RD 1940-1, Request for Obligation of Funds.

§ 4280.324, added this section to provide guidance for deobligation of RMAP funds.

**INSERT RD INS 4284-L**  
(WSAL)

**RURAL INNOVATION STRONGER ECONOMY (RISE) GRANT PROGRAM.** This Instruction is revised as follows:

§ 4284.1101, added a sentence to notify the reader on what the bold and italics text means.

§ 4284.1119 (g), added to provide guidance for Request for Obligation of Funds.

§ 4284.1120 (h), added language to provide guidance for how performance reports will be reviewed and how they should be used in providing status for ULO Certification report.

§ 4284.1121, added this section to provide guidance for deobligation of RISE grants.

**RD HANDBOOK CHANGES**  
**INSERT RD HB-1-3555**  
**(WSAL)**

**SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK.** This Handbook is partially revised. The specific revisions are outlined below.

**Chapter 4:**

Handbook revisions were necessary to strengthen USDA's available guidance on negligent servicing, indemnification, and loss claim payment protocol related to loans that were not originated in accordance with Agency guidelines. Additionally, updates were made to make minor grammatical and formatting edits, and update contact information.

**Paragraph 4.6 Sell Loans Only to Approved Lenders**

- Corrected CFR Regulatory reference in header.
- Revised paragraph to remove instructions advising lender to mail Form RD 3555-11. Provided an email address.
- Added definition of negligent servicing and clarified that the Loan Note Guarantee will be unenforceable under these circumstances.

**Paragraph 4.9 Indemnification**

- Added additional guidance to further clarify conditions in which the Agency may seek indemnification within 60 months of loan closing.
- Added scenarios that provide context on how a claim will be paid when a loss claim is presented to the Servicing Office.

**Paragraph 4.10 Prevent Mortgage Fraud**

- Added department specific contact information for lenders to contact the Agency when reporting mortgage fraud.

**Paragraph 4.12 Additional Lender Responsibilities Upon Approval**

- Provided email information for the Servicing Office to be used when the lender has a request for assistance or inquiry while using the ESR system.

**Chapter 11:**

The following updates were made to HB-1-3555, Chapter 11 to update lender responsibilities in determining applicant's ratios.

**Paragraph 11.2 A. The PITI Ratio**

- Updated the bullet points for monthly housing expenses included to correspond with that of GUS and the 1003.

**Paragraph 11.2 B. The Total Debt Ratio**

- Clarified that if a lender uses an amount other than that shown on the credit report, the lender is to provide documentation of the amount utilized and upload documentation of that amount with submission to the agency.

RD HANDBOOK CHANGES  
INSERT RD HB-1-3555 (Con.)  
(WSAL)

**Chapter 11:**

**Paragraph 11.2 B. 4.**

- Added "Open" to "30-Day Accounts" to correspond with GUS and the 1003.

**Paragraph 11.2 B 5. Court Ordered Debts**

- Included an example of when the obligation account is entered as "other."

**Paragraph 11.2 B.8 Mortgages**

- Clarified that rental income received for less than 24 months should not be entered into GUS as rental income.

**Paragraph 11.2 19. Balloon/deferred payments**

- Added that when a balloon/deferred payment loan is due within 12 months, the lender must evaluate the complete loan application to make a determination regarding the applicant's repayment ability.

**Paragraph 11.5 Funded Buydown Accounts**

- Clarified that both the full note rate and the initial buydown rate must be entered in GUS.
- Clarified that a copy of the executed escrow agreements must be retained in lenders permanent loan file.

**Paragraph 11.7 Obligations Not Included in Debt-To-Income Ratios**

- Updated to state that all liabilities disclosed by the applicant should be listed in GUS. The lender may "omit" liabilities as permitted.

**Chapter 18:**

**Attachment 18-A - Loss Mitigation Guide**

- Clarified that all documents must be submitted electronically through the USDA LINC website.
- Updated the address listed under "Mortgage Recovery Advance" to indicate the correct location where payments for Mortgage Recovery Advances should be sent.

**INSERT**

[Table of Contents revised](#);  
[Chapter 4 revised](#);  
[Chapter 11 revised](#); and  
[Chapter 18 revised](#).