

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

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## 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 May 1, 2024.

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Exhibit B revised 05-06-24.

### RD HANDBOOK CHANGES

INSERT RD HB-1-3555  
(WSAL)

**SINGLE FAMILY HOUSING GUARANTEED LOANS  
PROGRAM TECHNICAL HANDBOOK.** This Handbook

is partially revised. The specific revisions are outlined below:

Chapter 9:

Handbook revisions were made to update a change in policy for existing guidance regarding tax transcript requirements, gift fund sourcing, and employment verification methods that better align with current industry standards. Additionally, updates were made to reflect policy changes, and make minor grammatical and formatting edits.

**Paragraph 9.3 Annual Income**

- Clarified that the existing policy for obtaining and reviewing tax transcripts before closing is relevant to transcripts *available* at that time. Transcripts obtained after a loan closing are still to be retained in the permanent file.
- Revised language that addresses annual income calculations when an income source won't be received for the entire ensuing 12-month period.
- Updated policy to highlight that tax transcripts not able to be obtained prior to closing for any reason will not delay the loan closing but remains required to be retained in the lender's file.
- Clarified language that all applicants must continue to be current on tax filings which is determined by the IRS, for overall USDA program eligibility.
- Removed the requirement of filed tax extension evidence to be retained in the loan file and added reference to Chapter 10 for further payment plan guidance.
- Added written and email verification as options for employment verification within 10 days of closing in addition to verbal confirmation for Full Income and Alternative Income documentation.

(CON.)

**RD HANDBOOK CHANGES**

**INSERT RD HB-1-3555 (Con.)  
(WSAL)**

**Chapter 9:**

**Paragraph 9.4 Calculating Income from Assets**

- Clarified that the most recent asset information at *the time of loan application* is what the lender should obtain and review for income calculations. This has been clarified to align with the recent FAQ update as well.

**Attachment 9-A**

Added an additional reminder within the Attachment which mirrors verbiage from Section 9.3, requiring lenders to verify the income for each adult household member for the previous two-year period for annual income.

- Removed part time income as a separate income source and included part time under base wages, as they are calculated using the same standards.
- Revised guidance for unreimbursed employee/business expenses on the income chart to clarify that expenses deducted from the annual income total must also be deducted from qualifying repayment income amount.
- Added additional guidance to address permissible verification options when documenting funds to close using depository accounts.
- Revised guidance to indicate that the use of Social Security benefits as repayment income is permissible when the income is reasonably expected to continue for at least 3 years into the mortgage, the Agency standard for stable and dependable repayment income.
- Added additional guidance to confirm lenders are permitted to use a lesser amount when documenting assets and reserves at their discretion, when using the policy guidance to determine figures.
- Revised childcare expenses guidance to reflect existing policy information shown in Attachment 9-C when determining income adjustments.
- Added foreign asset requirements to the assets and reserves guidance.
- Updated policy guidance on gift fund sourcing requirements, eliminating the amount of sensitive financial documentation requested from the gifting party.

**Attachment 9-D**

- Updated the list of Federally Mandated Exclusions from Income per updated publication notice from HUD.

(CON.)

**RD HANDBOOK CHANGES**

**INSERT RD HB-1-3555 (Con.)  
(WSAL)**

**Chapter 10:**

The following updates were made to HB-1-3555, Chapter 10, to allow more flexibility in obtaining transcripts, provide clarification on non-traditional credit evaluations for monthly subscription services and gym memberships, and make minor grammatical and formatting edits.

Attachment 10-A Non-Traditional Credit

- Added additional guidance for non-traditional credit evaluations.
- Added an additional bullet for monthly subscription services and gym memberships etc. in the eligible section.
- Added clarification for obligatory debts and removed guidance referring to monthly subscription services and gym membership etc. as ineligible.

**Attachment 10-A Federal Taxes**

Removed verbiage regarding IRS extensions and required tax payments.

The following updates were made to HB-1-3555, Chapter 16 to make minor grammatical and formatting changes, correct discrepancies, and provide clarification for easier understanding of guidance.

**Chapter 16:**

Paragraph 16.7 B- Agency Review of Closing Documents and Issuance of the Guarantee

- Updated to state that all data will now be located in the Electronic Customer File (ECF) as the imaging repository has been discontinued.

Paragraph 16.12- Ownership Requirements

- 16.12 C .1. Removed "Borrower Occupied" under 3<sup>rd</sup> bullet, as all loans made under SFHGLP must be borrower occupied.
- 16.12 C. 1. Updated maximum deductible amount for hazard insurance to 5% of the total coverage amount to be consistent with other agencies.
- 16.12 C.2. Updated maximum flood insurance deductible amount to \$10,000, as this is the maximum allowable amount under federal law.
- 16.12 C.2 Added that when lenders use a high deductible that they need to be mindful of applicants repayment ability no to cause undo hardship on the borrower.

**INSERT**

Chapter 9 revised;  
Chapter 10 revised;  
Chapter 16 revised 05-06-24.