

Questions and Answers from HB-1-3550 Trainings

Chapter 3 – Application Processing

Describes the process of accepting and managing applications, up to the point that an applicant is selected for processing.

Section 1: Pre-Qualification

1. **Question:** It was mentioned that loan application packagers should conduct pre-qualification reviews. Does this apply to all direct loan programs (i.e. 502, 504, and self-help)?

Answer: According to Attachment 3-A “Loan Application Packagers”, a packager needs to “conduct a pre-qualification review on the potential applicant using unverified information to evaluate the likelihood that they will be eligible for the program”. The attachment goes on to state that, “If the potential applicant appears to be ineligible for the program (now or later in the packaging process), counsel them on ways to improve their situation. You should not submit loan application packages to the Agency that are unlikely to be determined eligible by the Agency staff.” This particular guidance applies to packaging any direct loan program.

2. **Question:** For Agency staff, why are pre-qualifications no longer strongly encouraged?

Answer: While pre-qualifications are supported for the reasons stated in Paragraph 3.2, they are not strongly encouraged for Agency staff since the results can discourage parties from applying for assistance or give parties a false sense of their eligibility since the results are based on unverified information.

Section 2: Homeownership Education

3. **Question:** Are eHome America and Framework the only homeowner education courses?

Answer: eHome America and Framework are nationally approved online homeownership education providers with first preference and third preference formats, respectively. In addition to these nationally approved providers, each state issues a list of approved providers within their state. Please contact your Rural Development (RD) State Office for the list.

4. **Question:** What is the fee charged by eHome America?

Answer: The fee charged by the two nationally approved online homeownership education providers is \$75. To ensure that the applicant is charged the proper amount, they need to access the course using the link provided in the handbook (which was shared with the RD State Offices some time back).

Section 3: Applications

5. **Question:** May we accept applications by fax or email?

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Answer: Yes. Applications may be submitted to the Agency in a variety of formats. While the application and the accompanying items (e.g. Form RD 3550-1, Authorization to Release Information) should be signed, an original or “wet” signature is not required. A faxed or scanned signature on application documents is permitted. When using email to accept applications, National Headquarters recommends that Field Offices set up group email boxes so that multiple staff can access the applications. However, field staff should consult with their RD State Office on if and how to use group email boxes.

6. **Question:** Are applications available on the USDA website?

Answer: Form RD 410-4, Uniform Residential Loan Application, is available on the eForms website located at:

<http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>

7. **Question** How would one submit an online application?

Answer: To submit an application online, an applicant, loan application packager, or intermediary needs to register for a USDA Level 2 Customer Account using the following link:

<https://identitymanager.eems.usda.gov/registration/selfRegistrationForm.aspx?level=2>

8. **Question:** Can a digital signature be accepted from the applicant?

Answer: Other than submitting through eForms, there is no option for a digital signature at this time. The applicant may submit the application electronically since an original signature is not necessary.

9. **Question:** Is the 15 day response timeframe in calendar days or business days?

Answer: The 15 day response time is calendar days. Per Paragraph 1.2, all references to days in the handbook are in terms of calendar days unless the text specifies business days.

10. **Question:** Will we be required to call the applicant prior to withdrawing their application in the event they do not respond within 15 days?

Answer: No.

11. **Question:** When should Handbook Letter 11 be used?

Answer: Handbook Letter 11, Selected for Processing/Request Information, should be used if an incomplete application is received or when updated information is needed. Steps will be taken to further revise this letter and to clarify when it should be used.

12. **Question:** When will infile credit reports be ordered?

Answer: Infile credit reports are now strictly limited to 502 pre-qualification reviews, and 504 loan applications less than \$7,500. Once a 502 application is received, an infile credit report should not be ordered (even if the application will be placed on a waiting list).

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13. **Question:** What is the timeframe for determining eligibility?
Answer: The Agency staff has 30 days to review a complete application for eligibility.
14. **Question:** Will the application packet include the Tri-Merge Credit Report (TMCR) fee?
Answer: Yes. In order to be considered a complete application the fee must be included. If the application and the applicable items in Attachment 3-J are submitted electronically, the TMCR fee will need to be mailed and the application will not be considered complete until the fee is received.
15. **Question:** Will UNIFI be revised to account for the new definition of complete application? This affects national monthly reports (i.e. what we currently consider complete applications on hand will now be incomplete).
Answer: The DLOS Manual (which provides instruction for completing applications in UniFi) will be revised to account for the new definition. The revised process and new definition will apply to applications received on or after the effective date. You should not go back and mark applications incomplete which are already on hand and were considered complete at the time they were received. As a result, there may be a brief period of inconsistency in what UniFi reports as a 'complete' application.

The likelihood of this having a negative impact the Agency's reporting capabilities can be lessened by ensuring that Agency staff frequently review **all** unfunded, applications on-hand and take appropriate action. For example, many applications listed as 'complete' in UniFi are no longer viable and should be withdrawn. Other applications may require additional documentation before an eligibility determination can be made. As long as the current application backlog is actively being reviewed and processed per handbook instruction, applications received under the 'old' definition will eventually be cycled out.

Section 4: Selection for Processing

16. **Question:** Is a full eligibility determination required if there is no funding available?
Answer: Yes. Applicants will only be placed on a waiting list if they have been determined eligible and there is no funding in the state or national allocations.
17. **Question:** Should the applicant receive a copy of the appraisal even if they are denied and the fee is not collected because the loan doesn't go to closing?
Answer: Yes.

Attachment 3-A "Loan Application Packagers"

18. **Question:** Do mutual self-help grantees have to submit the Attachment 3-A?

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Answer: While much of the guidance in Attachment 3-A applies to any packaged loan, some of the information is specific to the certified loan application packaging process or other packaging types. Self-help grantees should also refer to Chapter 9 of the handbook as well as requirements in RD Instruction 1944-I and Grant agreements.

Attachment 3-D “Applicant Information Sheet”

19. **Question:** Is there going to be a standard checklist to send out with the application for the required documents?

Answer: Yes, the Field Office will provide Attachment 3-D and Attachment 3-J to a potential applicant when sending application information.

Attachment 3-J “Checklist of items to accompany the Uniform Residential Loan Application”

20. **Question:** When sending our applications out, our state checklist has always contained what is in Attachment 3-J. Can we continue to use our own checklist?

Answer: No, Attachment 3-J should be used nationwide; state checklists should not be used.

UNIFI

21. **Question:** When will UNIFI be updated to autofill the closing disclosure and loan estimate forms?

Answer: While this system enhancement has been identified and placed on a priority list, a possible implementation date is not known at this time.

22. **Question:** When will the impacted attachments and letters be updated in UniFi?

Answer: The revised attachments and letters are now in UniFi.

Chapter 4 – Borrower Eligibility

Describes the process of evaluating borrower income, assets, credit history, and other eligibility requirements; as well as processing the certificate of eligibility.

Section 1: Evaluating Borrower Income

23. A series of questions was asked regarding the requirements pertaining to the income tax returns, particularly as related to IRS Form 4506-T. In lieu of listing out the questions, additional guidance is provided below.

Paragraph 4.3 (E) requires a complete copy of the last two filed and signed federal income tax returns; state income tax returns are not required. To be considered complete, the applicant must provide the relevant tax returns (IRS Form 1040) along with all the applicable schedules and attachments (e.g. W-2, IRS Form 1099-MISC, etc.).

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Since filing electronically has been commonplace for quite some time, Agency staff typically asks the applicant to print a copy of the return and then sign and date (with the current date) the copy as a means to have the applicant certify the truthfulness of the return and to meet the handbook requirement for a “signed” copy.

For electronically filed returns, an “after the fact” “wet” signature is no longer required. Steps will be taken to update the handbook accordingly.

As it relates to IRS Form 4506-T, ALL loan applicants (regardless of income source, income level, or program seeking assistance through) are required to send the signed form directly to the Agency. If the applicant is working with a loan application packager, the packager (or intermediary if present) would send the signed form to the Agency. The packager should not request the transcript. 504 grant only applicants are not required to provide the form.

The Agency will use the form to request the transcript from the IRS only if additional income validation is needed. If there are inconsistencies between the income verifications (e.g. pay stubs, tax returns, etc.) or if the applicant was unable to furnish complete copies of their last two filed returns (e.g. a W-2 was missing), the transcript should be requested. The transcript should also be requested if the income verifications appear suspicious (e.g. there is evidence of alteration).

When requesting a transcript, be sure to use IRS Form 4506-T. Form 4506-T-EZ (or any other form) is not acceptable.

In addition, be sure the form is completed accurately by the applicant so that the IRS can honor the request. Below are some helpful hints provided by a Guaranteed Rural Housing (GRH) lender who is accustomed to requesting transcripts:

- Line 1a: Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. The applicant needs to sign the form exactly as their name appeared on the original return. If they changed their name, they should also sign using their current name.
- Line 4: The address on line 4 must match exactly the address recorded on the filed tax return.
- Line 6: Generally enter “1040” for the tax form number and mark the box a “Return Transcript”.
- Line 9: Do NOT type in the tax years. This should be hand written by the taxpayer, as IRS wants to verify that it is the person signing the form that has entered the information for the requested years.
- Signatory attestation box: Make sure the taxpayer “manually” marks the box, and that it is not a “pre-filled” check mark. If this box is not checked, it will be returned unprocessed.

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- Signature and Date: Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required.
- Be sure the form is dated by the taxpayer.

Since reports vary on how long it takes to get a transcript, loans can be approved subject to the receipt of a transcript from the IRS that validates the income verifications provided. This condition should be listed on Form RD 3550-7, Funding Commitment and Notification of Loan Closing.

24. **Question:** How should the Agency staff handle oral verifications when an applicant's employer will only verify through The Work Number?
Answer: If employers will not provide the field staff with an oral verification of employment, the field staff should document in the casefile their attempt to obtain the oral verification and the reason why they were unable to obtain it (e.g. the employer refused since they refer all verifications requests to The Work Number). For reverifications prior to closing, copies of current pay stubs should be obtained if an oral reverification cannot be obtained.
25. **Question:** Can you define mortgage credit certificates and earned income tax credits?
Answer: Mortgage Credit Certificates (MCC) are issued by a state or local governmental unit or agency under a qualified mortgage credit certificate program. According to Wikipedia, "**Mortgage Credit Certificate** (more commonly referred to as MCC) is a certificate issued by certain state or local governments that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year. The MCC program is designed to help first-time homebuyers offset a portion of their mortgage interest on a new mortgage as a way to help homebuyers qualify for a loan. Because it is a tax credit and not a tax deduction, mortgage lenders will often use the estimated amount of the credit on a monthly basis as additional income to help the potential borrower qualify for the loan." See also IRS Form 8396, Mortgage Interest Credit, at <https://www.irs.gov/pub/irs-pdf/f8396.pdf>.

Please see <https://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit> for the most complete information on earned income tax credits.

Section 2: Evaluating Borrower Assets

26. **Question:** We don't count asset interest below limits for repayment so do we still have to count it for annual income?
Answer: Yes. Actual interest and dividend earnings from nonretirement assets up to \$15,000 (and \$20,000 for elderly households), do not need to be included in repayment income unless they would significantly and adversely impact the loan qualification per Paragraph 4.8. However, annual income does include all interest, dividends and other net income for the household. See

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Paragraph 4.3 (A)(3).

27. **Question:** If an elderly applicant saved their social security and now has \$26,000 in a savings account, how do I approach the amount they need to use for their loan?

Answer: See Paragraph 4.6 (A) Limitation on Nonretirement Assets which states that “If the cash value of nonretirement assets is greater than \$15,000 for nonelderly households or \$20,000 for elderly households, the cash value in excess of these amounts must be used toward the purchase of the property”. In this situation, since she is elderly and has over \$20,000 in nonretirement assets, she would need to apply \$6,000 towards the purchase of the property.

28. **Question:** Paragraph 4.6 (B) no longer limits retirement assets. Is the cash value of life insurance also a retirement asset?

Answer: No. The cash value of life insurance remains a net family asset which can easily be converted to cash and is subject to the \$15,000 asset limitation (\$20,000 for elderly households). Note: Conforming changes to 7 CFR part 3550 are in clearance to exclude retirement assets such as IRA’s and 401(k) or similar retirement plans from the regulatory definition of net family assets.

Section 3: Credit History

29. **Question:** Is a charge-off considered a write-off or an outstanding collection?

Answer: A charge-off is basically a debt that has been written off the creditor’s books for tax purposes. However, the creditor may continue to attempt to collect this debt. The creditor may sell or refer the debt to a collection agency, so a charge-off can become a collection account.

30. **Question:** Who is required to fill out the Credit History Worksheet?

Answer: While the Loan Originator may use Form RD 1944-61 to conduct the credit analysis, the Loan Approval Official must confirm the completeness and accuracy of the form before making a credit decision. While the loan application packager is not required to complete this form, the packager must determine that the applicant appears to meet credit requirements. This form is a good tool to assist with that process. Therefore, packagers should be familiar with the form and ask potential applicants applicable questions from the form to help them determine if the credit meets Agency requirements.

31. **Question:** If we have 2 borrowers on a loan, do both need 2 trade lines (i.e. 4 trade lines total?)

Answer: Yes, both applicants must have 2 trade lines to validate the reliability of their respective credit scores.

32. **Question:** For applicants who do not use traditional credit, how many sources have to be used to develop a credit history?

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Answer: Paragraph 4.12 (C)(3) requires three sources for non-traditional credit which can be a combination of active trade lines on a TMCR, rent verification, and other non-traditional sources. However, a conforming change will be made to only require two sources if one of those sources is verification of rent or mortgage payments.

33. **Question:** If the TMCR has the landlord information are we still sending out a landlord's verification?

Answer: Verifications such as rental history and employment history are not performed by the TMCR vendor (see the Unnumbered Letter on Credit Reports dated 10/6/15). Unless the rental management company reports rental payments to the credit bureau(s), a landlord's verification should be handled in accordance with Paragraph 4.12 (C).

34. **Question:** What if the landlord does not reply to the verification request?

Answer: See Chapter 3, Paragraph 3.15: "An applicant should not be penalized if a respondent refuses to provide the requested information. If the respondent does not respond to the verification form after 14 days and does not respond to a follow up call, the Loan Originator should move to the use of alternative methods of verifying the information. All conversations and follow up actions for obtaining verifications should be documented carefully. Detailed procedures for assessing the results of these verifications are provided in Paragraph 4.3 (E)."

35. **Question:** What is the lowest credit score that can be considered under the 640?

Answer: There is no minimum credit score. However, if the applicant's credit score is unreliable and/or is less than 640, the Loan Originator should send Form RD 1944-60, Landlord's Verification, and Form RD 410-8, Applicant Reference Letter, to the parties indicated in the application. In addition, Form RD 1944-61, Credit History Worksheet, must be used to summarize the applicant's credit history and to determine whether there are any indicators of unacceptable credit as outlined in Exhibit 4-4. See Paragraphs 4.12 and 4.13.

36. **Question:** In community property states, why do we need to look at the non-purchasing spouse's credit history?

Answer: The non-purchasing spouse's obligations must be considered in the total-debt ratio to determine the applicant's purchasing capacity, unless excluded by state law. To assist the Agency in verifying the non-purchasing spouse's obligations, and since UniFi will only allow the applicant's credit report to be ordered, the applicant's non-purchasing spouse must provide a copy of their free credit report. However, the non-purchasing spouse's credit history is never considered a reason to deny a loan application. As laws vary from state to state, RD State Offices should contact the appropriate Office of General Counsel with questions regarding the consideration of a non-purchasing spouse's credit history.

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37. **Question:** In community property states, please clarify how the credit report from the non-purchasing spouse should be obtained since it cannot be ordered through UniFi.
Answer: Federal law allows individuals to get a free copy of their credit report every 12 months from each credit reporting agency (www.annualcreditreport.com). Ideally, the non-purchasing spouse will furnish a copy of this free report from TransUnion, Equifax, and Experian. However, a copy from one of these bureaus is acceptable. The copy should be no more than six months old.
38. **Question:** If a non-purchasing spouse is willing to pay \$25 for a TMCR, can we order the report through UniFi?
Answer: No. UniFi will allow the ordering of credit reports on applicants only; non-purchasing spouses should not be entered into UniFi as an applicant to 'work around' this requirement.
39. **Question:** If the state is not a community property state does the non-purchasing spouse have to provide their credit report?
Answer: No.
40. **Question:** In community property states, what happens if the non-purchasing spouse's credit history is not provided?
Answer: If the non-purchasing spouse's credit report is not provided, the application is incomplete. If the requested information is not provided within the 15-day response time, the application will be withdrawn. See Paragraph 3.6 for further information on withdrawal procedures for missing required documents.
41. **Question:** In community property states, do we use the non-purchasing spouse's debt obligations if the spouse does not work and is not a borrower?
Answer: Regardless of their employment status, the non-purchasing spouse's obligations must be considered in the total-debt ratio to determine the applicant's purchasing capacity, unless excluded by State law. The non-purchasing spouse's obligations will be evaluated in the same way the applicant's debts are evaluated and in accordance with the guidance in Paragraph 4.22 (B). Unless excluded by state law, collection accounts of non-purchasing spouse in a community property state are included in the cumulative balance of all collections, and judgements of a non-purchasing spouse in a community property state will be paid in full unless an exception is obtained from the Loan Approval Official. To assist the Agency in verifying the non-purchasing spouse's obligations, and since UniFi will only allow the applicant's credit report to be ordered, the applicant's non-purchasing spouse must provide a copy of their free credit report.

Section 5: Processing the Certificate of Eligibility

42. **Question:** With a Certificate of Eligibility (COE), a property hasn't been

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identified. Given this, how could a Homeowner Association (HOA) fee be considered?

Answer: The COE is a determination of eligibility, but is not loan approval. Since the loan cannot be approved until it is underwritten, and cannot be fully underwritten until a property is identified, the HOA fee cannot be included in the TD ratio at the time the COE is issued. This will require staff and/or packagers to educate applicants on the potential impact of HOA's on their eligibility amount.

43. **Question:** Will a letter from the student loan servicer be acceptable for the actual monthly payment for student loans?

Answer: Yes.

Chapter 5: Property Requirements

Describes processes for ensuring that the quality and the value of the property meet certain minimum thresholds; to protect the borrower's interest and, in the event of liquidation, the Agency's interest.

44. **Question:** What is the role of a Loan Originator in terms of the 90-day public notice?

Answer: Methods may vary by state how the 90 day notice is accomplished. Please check with your applicable RD State Office to address this question.

Section 2: Dwelling Requirements

45. **Question:** Are deficiencies anything that is not decent, safe, and sanitary (DSS)?

46. **Answer:** Anything that is not DSS would certainly apply as a deficiency. There may be items found in your review of the inspection report that may also qualify as a deficiency. The dwelling must meet agency development standards of 7 CFR part 1924, subpart A, and all existing health or safety hazards be removed.

47. **Question:** Is there ever a minimum square footage amount?

Answer: There is not a minimum square footage requirement with the exception of manufactured housing (which must be a minimum 400 square feet). For new or existing properties, however, the size of the house must be functionally adequate and meet the needs of the household.

48. **Question:** Are there lot limits?

Answer: The handbook does not specify an acreage limitation. Modest sites are defined by their size, value, and the presence of any outbuildings; refer to Paragraph 5.4.

49. **Question:** What if the state doesn't license home inspectors?

Answer: When a state does not license inspectors, a qualified, independent, third-party inspector may perform the inspection and provide the necessary certifications. The inspectors are hired by the applicant. The RD State Office should provide guidance for the basic requirements and specialized experience

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required by third party inspectors.

50. **Question:** Is a 4-point inspection acceptable to determine the property eligible?
Answer: A “Four Point Inspection” focuses only on four main areas of interest in a home:

- HVAC (Heating, Ventilation and Air Conditioning)
- Electrical wiring and panels
- Plumbing connections and fixtures
- Roof

The inspection and report describes the condition and age of these elements, and are done primarily for home insurance companies. This type of inspection would NOT be acceptable.

51. **Question:** What if part of the state has termite problems but another part does not?

Answer: With prior approval from National Headquarters, a State Director may issue a state supplement that waives the termite inspection requirement for part or all of the state provided the defined areas’ probability of termite infestation is slight to none and state law does not require one.

52. **Question:** If a HVAC is needing repairs, will the seller be asked to replace it if the unit is older.

Answer: The property must have a functioning heat source, so it is likely that the HVAC would need to be repaired or replaced. Those repairs may be accomplished in a variety of ways: seller/buyer negotiations, loan funds, or buyer paid. The Loan Approval Official would work with the applicant to identify necessary repairs as well as how those repairs will be made.

Section 5: Appraisals

53. **Question:** If the seller will pay for the appraisal, should the seller be charged the appraisal fee of \$475 as listed in the handbook or the actual amount charged by the appraiser to the Agency (which may be more or less)?

Answer: The Agency is responsible for appraisal procurement per Paragraph 1.11 (C)(1). The appraisal fee collected at closing is \$475 nationwide which may be financed, and is paid by seller/buyer negotiation or a third party.

54. **Question:** Is market value based on appraised value or sale price?

Answer: Prior to ordering an appraisal, Agency staff needs to determine if a property is modest. For this determination, staff should follow the guidance in the helpful hint box found alongside Paragraph 6.6. When completing form RD 3550-12, Subsidy Repayment Agreement, the market value is generally the LESSER of the sales price plus any rehab or construction or appraised value.

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The security is determined by the appraisal. See Paragraph 6.6 (B) for special situations such as refinancing, applicant owned sites, and self-help housing.

Chapter 6 – Underwriting the Loan

The underwriting process brings together the applicant, property, loan and subsidy eligibility requirements; so staff can determine the applicant's repayment ability, whether the loan can be approved, and the amount of the loan.

Section 2: Loan Terms and Requirements

55. **Question:** When refinancing a GRH loan with a Direct loan, does it matter if there will be a loss claim on the GRH loan?
Answer: No. While a Direct loan may be used to refinance a GRH loan provided the conditions in Paragraph 6.5 (B) are met, the entire GRH loan would be refinanced resulting in no GRH loss claim. GRH lenders are not permitted to let borrowers retain their property with a partial refinance and subsequently file a loss claim.
56. **Question:** When refinancing a guarantee loan to direct, that does NOT include a manufactured home, correct?
Answer: No. If an existing direct or guaranteed section 502 borrower meets the requirements of Paragraphs 5.7 (A) and 6.5, refinance or refinance/repair is an eligible loan purpose.
57. **Question:** Does the GRH borrower have to be in full foreclosure, what if they are one or two months late and want the refinance?
Answer: There is no requirement that the borrower be delinquent or in foreclosure. They must be at RISK of foreclosure due to circumstances beyond their control, OR be in need of health/safety/major deficiency repairs in excess of \$5,000 and be unable to afford their existing debt and the additional debt payments.

Section 4: Underwriting a Loan for a Specific Property

58. **Question:** Why is the state's new loan delinquency rate used as the standard for determining who needs to use the tool?
Answer: New loan delinquency reviews are focused on 3 areas: underwriting, circumstances after closing (i.e. job loss, emergency situation, etc.), and servicing. Attachment 6-B standardizes the questions asked about underwriting. However, varying circumstances such as major types of industry, state or regional economic policies, unemployment rates, public assistance available, etc.; can impact delinquency very differently from state to state. Comparing a Loan Approval Official's delinquent new loans against the state average helps ensure consideration is given to circumstances which may be unique to the state.

Chapter 9: Special Situations

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Describes the requirements for processing loans in several special situations, including conditional commitments, condominium ownership, and community land trusts.

59. **Question:** Will the Office of General Counsel (OGC) be required to review and approve the Community Land Trust (CLT) for each purchase or is the approval of the CLT good for a period of time?

Answer: Typically, OGC will review the document and issue an approval. Provided that the CLT continues to use the same document, there should not be a need to have it reviewed each time. However, make sure to work with your RD State Office and OGC in your state to determine the process in your specific state as it may vary.

Chapter 12: Section 504 Loans and Grants

Describes the requirements for processing Section 504 Loans and Grants.

60. **Question:** Do we need to pull an infile for 504 loan and for 504 grants?
Answer: The Loan Originator should always order an infile for loan and loan/grant combo applicants. The full TMCR should not be ordered for grant applicants. The Loan Originator need not evaluate the credit history of grant applicants. For loans \$7,500 or greater, a full TMCR should be ordered.
61. **Question:** For 504 loans, do we use the infile credit report or the TMCR?
Answer: Both the infile credit report and CAIVRS should be checked regardless of the size of the loan being requested. The TMCR will be ordered for all loans of \$7,500 or greater at no cost to the applicant.
62. **Question:** Can the 504 applicant receive a copy of the TMCR since they don't pay for it?
Answer: Yes, if the applicant asks for a copy of their credit reports, they are allowed to have it, free of charge.
63. **Question:** Are bed bugs considered a safety hazard, and can grant funds be used for a certified exterminator?
Answer: No, 504 funds cannot be used to exterminate bed bugs, spiders, or roaches, or for wood destroying insect testing. However, dwelling repairs caused by wood destroying insects are an eligible 504 loan purpose.
64. **Question:** With the new requirement of being able to do washers, dryers, stove, do they still have to own the property?
Answer: Applicants must own and occupy the property to be eligible for 504 funds, and must be able to document ownership per Paragraph 12.4 (F).
65. **Question:** From what I heard in this presentation on 504, is the USDA employee expected to obtain bids from contractors for needed improvements?
Answer: No. Agency employees may assist applicants when preparing repair specifications, but the applicant is responsible for obtaining their own repair bids

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(3 bids when it is feasible to do so). With limited contractors in the area, the Local Office may accept fewer bids when the cost of the work is reasonable.

66. **Question:** Will max grant loan be increased at any time?
Answer: The loan and grant maximums are not expected to increase in the near future.
67. **Question:** Do the changes include timing for submission of bids. E.g., the applicant is eligible for the program, the applicant is provided specs and instructed to obtain bids. Will a "provide within so many days" be in the guidelines. In our state, it takes months, and months for applicants to provide bids. I would like to see a number of days to follow and if not met, we withdraw the application.
Answer: There is no set time limit for the submission of bids. However, if an applicant is unresponsive to repeated requests for repair bids, a 15-day deadline letter withdrawing the application is appropriate per Attachment 12-C and Paragraph 3.6 (C).
68. **Question:** Should Attachment 3-J be used for 504 applications?
Answer: No. However, steps will be taken to create a checklist of items to accompany a 504 loan and/or grant application.
69. **Question:** Is 504 applicant credit history analysis validated in the same manner as 502 applicants?
Answer: Section 504 loan and grant applications should be accepted, evaluated, and closed following the same procedures described for Section 502 loans. However, general credit requirements may be less stringent than those for Section 502 loans.