REMINDER - USDA Final Rule – Single Close Construction, Elimination of Interest Rate Cap

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REMINDER: Final Rule - Single Close Construction, Elimination of Interest Rate Cap

On June 20, 2018, the Single-Family Housing Guaranteed Loan Program (SFHGLP) published a proposed rule with changes to the Single-Close Construction program. After considering public comments on the proposed rule, a final rule was published in the Federal Register on July 22, 2019, that will adopt the proposed changes. The effective date has been extended until October 1, 2019. The regulation and changes to Hand Book-1-3555 will be revised with the following:

- **Single-Close Construction**
  - The pilot program which has been in effect in 27 states will now be permanent on a nationwide basis. The final rule allows lenders who use warehouse line of credit to charge a temporarily higher interest rate during construction to recoup financing costs. It also provides lenders the option to establish a reserve account for principal, interest, taxes and insurance (PITI) payments during the construction period. In addition, it expands the single-close process to include rehabilitation loans with the purchase of an existing dwelling. The revisions to the new rule will be published under 7 CFR 3555 §3555.104, §3555.105, and §3555.202.

- **Elimination of Maximum Interest Rate Cap**
  - The final rule eliminates the maximum interest rate cap for all SFHGLP loans effective October 1, 2019.

- **Form RD 3555-21, Request for Single Family Housing Loan Guarantee**
  - Form RD 3555-21, with revision date of October 2019, eliminates the fields for the interest rate, lock and floating dates. An advance copy of the form has been posted to the USDA LINC Training and Resource Library under Loan Origination – Document and Resources. USDA will discontinue use of the Form RD 3555-21 (revision date October 2018) 30 days after the effective date.

- **HB-1-3555 Chapter Revisions**
  - The SFHGLP will publish a revised HB-1-3555, Chapter 6 “Loan Purposes”, and Chapter 12 “Property and Appraisal Requirements”. The proposed changes will coincide with revisions to the regulation that will include guidance for the single-close construction feature for the repair and rehabilitation with the purchase of existing dwelling. A recorded webinar provides an overview of the specific revision highlights for the new feature. Chapter 5, “Origination and Underwriting Overview”, and Chapter 7, “Loan Terms and Conditions” have also been revised to remove language regarding the maximum interest and interest rate lock dates.
  - Advance copies of these chapters are posted to the USDA LINC Training and Resource Library under “7 CFR 3555”.
Sample Worksheet for Calculating Maximum Loan – Rehabilitation Single Close Loans

A Sample Worksheet for Calculating Maximum Loan Amount for the rehabilitation and repair single-close construction loans will be available as an optional resource tool. The form will be posted to USDA LINC Training and Resource Library under “Documentation and Resources”.

USDA will issue a Procedure Notice (PN) when Chapters 5, 6, 7 and 12 are published prior to the date of publication.

Questions regarding this announcement may be directed to the National Office Division at (202) 720-1452.

Thank you for your support of the Single Family Housing Guaranteed Loan Program!

Help Resources

USDA ITS Service Desk Support Center
For e-Authentication assistance
Email: eAuthHelpDesk@ftc.usda.gov
Phone: 800-457-3642, option 1 (USDA e-Authentication Issues)

Rural Development Help Desk
For GUS system, outage or functionality assistance
Email: RD.HD@STL.USDA.GOV
Phone: 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)