



Veterans Housing Programs

The Veterans Housing program was created to assist the military community. Through corporate, foundation, and individual contributions, Rebuilding Together's Veterans Housing program works to provide safe and accessible housing for active duty service members and military families in need. The initiative serves to fill gaps in housing modifications and repair services for retired and active service members to ensure that their housing needs are met.

The goal of Rebuilding Together's Veterans Housing Initiative is to support, honor and help veterans and military families in need through home modifications and repairs to provide safety, accessibility and comfort. Veterans Housing currently supports the **Heroes at Home** program to help us attain this goal. We are actively seeking sponsors who share our passion for serving the military and veteran community.

Heroes at Home, sponsored by Sears Holdings, complements the Rebuilding Together mission of providing home modifications and repairs to low-income homeowners, by focusing our services on veterans, military widows and widowers, and active duty military personnel and their families.



If you have questions about the Veterans Housing programs, please [contact us](#).

Veterans Housing Sponsors:

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United States
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Agriculture

Rural
Development



Revolving Fund Program

2010 Grant Application Guide

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Rural Utilities Service
U.S. Department of Agriculture
1400 Independence Ave., SW.
Stop 1522, Room 5168 South Building
Washington, DC 20250-1522

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Section 1: The Revolving Fund Grant Program

1.1 Introduction

Drinking water systems are basic and vital to both health and economic development. With dependable water facilities, rural communities can attract families and businesses that will invest in the community and improve the quality of life for all residents. Without dependable water facilities, the communities cannot sustain economic development.

The Rural Utilities Service (RUS) supports the sound development of rural communities and the growth of our economy without endangering the environment. RUS provides financial and technical assistance to help communities bring safe drinking water and sanitary, environmentally sound waste disposal facilities to rural Americans in greatest need.

The Revolving Fund (RFP) Grant Program has been established to assist communities with water or wastewater systems. Qualified private non-profit organizations will receive RFP grant funds to establish a lending program for eligible entities. Eligible entities for the revolving loan fund will be the same entities eligible to obtain a loan, loan guarantee, or grant from the Rural Utilities Service Water and Waste Disposal and Wastewater loan and grant programs. As grant recipients, the non-profit organizations will set up a revolving loan fund to provide loans to finance predevelopment costs of water or wastewater projects, or short-term small capital projects not part of the regular operation and maintenance of current water and wastewater systems. The amount of financing to an eligible entity shall not exceed \$100,000.00 and shall be repaid in a term not to exceed 10 years. The rate shall be determined in the approved grant work plan.

In this guide, you will find information to help you:

- Assess your eligibility for RUS grant assistance
- Understand how and when to apply
- Create a successful application

1.2 Authorization

The 2002 Farm Bill (the Farm Security and Rural Investment Act of 2002) established the RFP Grant Program. The authorizing statute may be found in the United States Code (7 U.S.C. 1926(a)). The Code of Federal Regulations sets forth the RFP regulation at 7 CFR Part 1783. Please read the regulation in conjunction with these guidelines.

Should any differences result in the interpretation of these guidelines and 7 CFR Part 1783, the regulation will take precedence over information contained in this guide.

1.3 Available funding for FY 2010

The RFP Program has \$497,000 available for grant funding in Fiscal Year 2010.

1.4 RFP Program Contacts

The Water and Environmental Programs (WEP) staff will administer the RFP Program. We encourage you to contact the WEP staff early in the application process with any questions or ideas concerning your proposal. The staff will provide advice on draft proposals before the application deadline or answer your questions about the application process and program requirements.

Telephone: 202-690-3789

Fax: 202-690-0649.

E-mail: anita.obrien@wdc.usda.gov

1.5 RFP Resources on the Web

Visit our Web site at <http://www.usda.gov/rus/water/>.

Section 2: General Considerations for a RFP Grant

2.1 Eligible Organizations

An organization is eligible to receive a RFP grant if it:

- a. Is a private, non-profit organization that has tax-exempt status from the United States Internal Revenue Service (IRS);
- b. Is legally established and located within one of the following:
 - a state within the United States
 - the District of Columbia
 - the Commonwealth of Puerto Rico
 - a United States territory
- c. Has the legal capacity and authority to carry out the grant purpose;
- d. Has a proven record of successfully operating a revolving loan fund to rural areas;
- e. Has capitalization acceptable to the Agency, and is composed of at least 51 percent of the outstanding interest or membership being citizens of the United States or individuals who reside in the United States after being legally admitted for permanent residence;
- f. Has no delinquent debt to the Federal Government or no outstanding judgments to repay a Federal debt;
- g. Demonstrates that it possesses the financial, technical, and managerial capability to comply with Federal and State laws and requirements.

2.2 Eligible Grant Purposes

The following activities are authorized under the RFP statute:

- a. Grant funds must be used to capitalize a revolving fund program for the purpose of providing direct loan financing to Ultimate Recipients for pre-development costs associated with proposed or with existing water and wastewater systems; or
- b. Short-term costs incurred for equipment replacement, small-scale extension of services, or other small capital projects that are not part of the regular operations and maintenance activities of existing water and wastewater systems.

2.3 Ineligible Grant Purposes

Grant funds may not be used to pay any of the following:

- a. Payment of the Intermediary's administrative costs or expenses.
- b. Delinquent debt owed to the Federal Government.

2.4 Security Requirements

A grant agreement will be executed between the Intermediary and the Agency.

Section 3: Application Submission Process

3.1 Two Ways of Filing Applications

You may file an application in either paper or electronic format. Send or deliver paper applications by the U.S. Postal Service (USPS) or courier delivery services to the RUS receipt point. File an application electronically through Grants.gov, the official Federal Government website at <http://www.grants.gov>. RUS will not accept applications by fax or e-mail.

3.2 DUNS Number Requirement

Whether you file a paper or an electronic application, you will need a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number. You must provide your DUNS number on the SF-424, "Application for Federal Assistance."

To verify that your organization has a DUNS number or to receive one at no cost, call the dedicated toll-free request line at 1-866-705-5711 or access the Web site <http://www.dunandbradstreet.com>. You will need the following pieces of information when requesting a DUNS number:

- Legal Name
- Headquarters name and address of the organization
- Doing business as (dba) or other name by which the organization is commonly recognized.
- Physical address
- Mailing address (if separate from headquarters and/or physical address)

- Telephone number
- Contact name and title
- Number of employees at the physical location

3.4 Paper Applications

Mail or ensure delivery of an original paper application (no stamped, photocopied, or initialed signatures) and two copies by the deadline date to the following address:

Assistant Administrator
Water and Environmental Programs
Rural Utilities Service
1400 Independence Avenue, S.W.
STOP 1548, Room 5145 South
Washington, DC 20250-1548

The application and any materials sent with it become Federal records by law and cannot be returned to you.

3.5 Electronic Applications

You must file an electronic application at the web site: www.grants.gov.

You must be registered with Grants.gov before you can submit a grant application. If you have not used Grants.gov before, you will need to register with the Central Contractor Registry (CCR) and the Credential Provider. You will need a DUNS number to access or register at any of the services. The registration processes may take several business days to complete. Follow the instructions at Grants.gov for registering and submitting an electronic application. RUS may request original signatures on electronically submitted documents later.

The CCR registers your organization, housing your organizational information and allowing Grants.gov to use it to verify your identity. You may register for the CCR by calling the CCR Assistance Center at 1-888-227-2423 or you may register online at: <http://www.ccr.gov>.

The Credential Provider gives you or your representative a username and password, as part of the Federal Government's e-Authentication to ensure a secure transaction. You will need the username and password when you register with Grants.gov or use Grants.gov to submit your application. You must register with the Central Provider through Grants.gov: <https://apply.grants.gov/OrcRegister>.

3.6 Deadlines for Grant Applications

The deadline for the RFP is May 25, 2010.

All applications must be postmarked or time-stamped electronically by the filing deadline to be considered for the grant period.

An application will be considered on time if it is received by the deadline date or mailed on or before the deadline date. If the application is filed electronically, an electronic date and time stamp on or before the receipt date will be considered on time. Paper applications must show proof of mailing or shipping consisting of one of the following:

- A legibly dated U.S. Postal Service (USPS) postmark;
- A legible mail receipt with the date of mailing stamped by the USPS; or
- A dated shipping label, invoice, or receipt from a commercial carrier

Note: Packages arriving at USDA via the USPS are irradiated, which can damage the contents. RUS encourages you to consider the impact of this procedure in selecting your application delivery method. Also, if there is a disruption in mail delivery service, we strongly encourage you to submit applications via express mail or commercial delivery to our office.

If a receipt date falls on a weekend, it will be extended to the following Monday. If the date falls on a Federal holiday, it will be extended to the next business day.

Section 4: Requirements for a Completed Grant

4.1 Preparing the Application

To be considered for support, you must be an eligible entity and must submit a complete application by the deadline date. You should consult the cost principles and general administrative requirements for grants pertaining to their organizational type in order to prepare the budget and complete other parts of the application. You also must demonstrate compliance (or intent to comply), through certification or other means, with a number of public policy requirements.

Completed Application

1. Standard application forms
2. A proposal
3. A work plan
4. A budget and budget justification
5. Evidence of legal existence and legal authority
6. A list of directors and officers
7. Other specified information

4.2 Required Forms

Applicants must complete and submit the following forms to apply for a RFP grant:

- Standard Form 424, “Application for Federal Assistance”
- Standard Form 424A, “Budget Information—Non-Construction Programs”
- Standard Form 424B, “Assurances—Non-Construction Programs”
- Standard Form LLL, “Disclosure of Lobbying Activity”
- Form RD 400-1, “Equal Opportunity Agreement”
- Form RD 400-4, “Assurance Agreement (Under Title VI, Civil Rights Act of 1964”

4.3 Project Proposal

The project proposal should outline the project in sufficient detail to provide a reader with a complete understanding of how the loan program will work. Explain what you will accomplish by lending funds to eligible entities. Demonstrate the feasibility of the proposed loan program in meeting the objectives of this grant program. The proposal should cover the following elements:

4.3.1 Project Summary

Present a brief project overview. Explain the purpose of the project, how it relates to RUS’s purposes, how you will carry out the project, what the project will produce, and who will direct it.

4.3.2 Needs Assessment

Describe why the project is necessary. Demonstrate that eligible entities need loan funds. Quantify the number of prospective borrowers or provide statistical or narrative evidence that a sufficient number of borrowers will exist to justify the grant award. Describe the service area. Address community needs.

4.3.3 Project Goals and Objectives

Clearly state your project goals. Your objectives should clearly describe the goals and be concrete and specific enough to be quantitative or observable. They should also be feasible and relate to the purpose of the loan program.

4.3.4 Project Narrative

The narrative should cover in more detail the items briefly described in the Project Summary. It should establish the basis for any claims that you have substantial expertise in promoting the safe and productive use of Revolving Funds. In describing what the project will achieve, you should tell the reader if it also will have broader influence. The narrative should address the following points:

- Document your ability to administer and service a revolving fund in accordance with the provisions of 7 CFR Part 1783.
- Document that, to establish the revolving fund, you can commit financial resources your organization controls. This documentation should describe the sources of funds other than the RFP grant that will be used to pay your operational costs and provide financial assistance for projects.
- Demonstrate that you have secured commitments of significant financial support from other funding sources, if appropriate.
- List the fees and charges that borrowers will be assessed.

4.4 Work Plan

The work plan must describe the tasks and activities that will be accomplished with available resources during the grant period. It must show the work you plan to do to achieve the anticipated outcomes, goals, and objectives set out for the RFP Program. The plan must:

- Describe the work to be performed by each person.
- Give a schedule or timetable of work to be done.
- Show evidence of previous experience with the techniques to be used or their successful use by others.
- Outline the loan program to include the following: specific loan purposes, a loan application process; priorities, borrower eligibility criteria, limitations, fees, interest rates, terms, and collateral requirements.
- Provide a marketing plan.
- Explain the mechanics of how you will transfer loan funds to the borrowers.
- Describe follow-up or continuing activities that should occur after project completion such as monitoring and reporting borrowers' accomplishments.
- Project Evaluation. It should describe how the results will be evaluated, in line with the project objectives.
- Personnel. The applicant should list all personnel responsible for administering this program along with a statement of their qualifications and experience.

4.5 Budget and Budget Justification

The written justification for projected costs should explain how budget figures were determined for each category. It should indicate which costs are to be covered by grant funds and which costs will be met by your organization or other organizations. The justification should account for all expenditures discussed in the narrative. It should reflect appropriate

cost-sharing contributions. The budget justification should explain the budget and accounting system proposed or in place. The administrative costs for operating the budget should be expressed as a percentage of the overall budget. The budget justification should provide specific budget figures, rounding off figures to the nearest dollar. Applicants should consult OMB Circular A-122: "Cost Principles for Non-Profit Organizations" for information about appropriate costs for each budget category.

4.6 Required Information Not Found on Standard Application Forms

In addition to completing the standard application forms, you must submit supplementary materials:

4.6.1 Evidence of Legal Existence

Demonstrate that your organization is legally recognized under state and Federal law. Satisfactory documentation includes, but is not limited to, certificates from the Secretary of State, or copies of state statutes or laws establishing your organization. Letters from the IRS awarding tax-exempt status are not considered adequate evidence.

4.6.2 List of Directors and Officers

Submit a certified list of directors and officers with their respective terms.

4.6.3 IRS Tax exempt Status

Submit evidence of tax exempt status from the Internal Revenue Service.

4.6.4 Debarment and Suspension Rules

You must disclose debarment and suspension information required in accordance with 7 CFR, Part 3017, subpart 3017.335, if it applies. The section heading is "What information must I provide before entering into a covered transaction with the Department of Agriculture?" It is part of the Department of Agriculture's rules on Government-wide Debarment and Suspension.

4.6.5 Drug-free Workplace Requirements

You must identify all of your organization's known workplaces by including the actual address of buildings (or parts of buildings) or other sites where work under the award takes place. Workplace identification is required under the drug-free workplace requirements in accordance with 7 CFR, Part 3021, subpart 3021.230. The section heading is "How and when must I identify workplaces?" It is part of the Department of Agriculture's rules on Government-wide Requirements for Drug-Free Workplace (Financial Assistance).

4.6.6 Audit

Submit the most recent audit of your organization.

4.6.7 Financial statements

Submit the following financial statements:

- A pro forma balance sheet at start-up and for at least three additional years;
- Balance sheets, income statements, and cash flow statements for the last three years. If your organization has been formed less than three years, the financial statements should be submitted for the periods from inception to the present.
- Projected income and cash flow statements for at least three years supported by a list of assumptions showing the basis for the projections.

The projected income statement and balance sheet must include one set of projections that shows the revolving loan fund only and a separate set of projections that shows your organization's total operations.

4.7 Optional Information Not Found on Standard Application Forms

You may present additional information to support and describe your plan for achieving the grant objectives. The information may be regarded as essential for understanding and evaluating the project such as letters of support, resolutions, policies, etc. The supplements may be presented in appendices to the proposal.

Section 5: Application Review Process

5.1 Receipt Acknowledgment

By letter sent within 30 days of receiving your application, RUS will acknowledge the application's receipt. Your application will be reviewed for completeness to determine if you included all of the items required. If your application is incomplete or ineligible, RUS will return it to you with an explanation.

5.2 Evaluating the Application

A review team, composed of at least two members, will evaluate all applications and proposals. They will make overall recommendations based on factors such as eligibility, application completeness, and conformity to application requirements. They will score the applications based on criteria in the next section.

5.3 Scoring Criteria

All applications that are complete and eligible will be ranked competitively based on the following scoring criteria:

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	Scoring Criteria	Points
1	Degree of expertise and successful experience in making and servicing commercial loans, with a successful record.	Up to 30 points
2	Percentage of applicant contributions. Points allowed under this paragraph will be based on written evidence of the availability of funds from sources other than the proceeds of a RFP grant to pay part of the cost of a loan recipient's project. In-kind contributions will not be considered. Funds from other sources as a percentage of the RFP grant and points corresponding to such percentages are as follows: (a) Less than 20 percent –; (b) At least 20 percent but not more than 49 percent of the total project costs (c) At least 50 percent of the total project costs	ineligible 10 points 20 points
3	Extent to which the work plan demonstrates a well thought out comprehensive approach to accomplishing objectives; clearly defines who will be served by the project or program; clearly articulates the problem/issues to be addressed, identifies the service area to be covered by the RFP loans, and appears likely to be sustainable.	Up to 40 points
4	Extent to which the goals and objectives are clearly defined, tied to the work plan and are measurable.	Up to 15 points
5	Lowest ratio of projected administrative expenses to loans advanced.	Up to 10 points
6	Evaluation methods for considering loan applications and making RFP loans are specific to the program, clearly defined, measurable, and are consistent with program outcomes.	Up to 20 points
7	Administrator's discretion, taking into consideration such factors as: (a) Creative outreach ideas for marketing RFP loans; (b) Amount of funds requested in relation to the amount of needs demonstrated in the proposal; (c) Excellent utilization of a previous revolving loan fund; and (d) Optimizing the use of agency resources.	Up to 10 points

5.4 Application Selection

RUS will rank all qualifying applications by their final score. Applications will be selected for funding, based on the highest scores and the availability of funding for RFP grants. Each applicant will be notified in writing of the score its application receives.

5.5 Possible RUS Actions on the Application

In making its decision about your application, RUS may determine that your application is:

- Eligible and selected for funding,
- Eligible but offered fewer funds than requested,
- Eligible but not selected for funding, or
- Ineligible for the grant.

5.5 Appeals Process

In accordance with 7 CFR part 1900, subpart B, you generally have the right to appeal adverse decisions. Some adverse decisions cannot be appealed. For example, if you are denied RUS funding due to a lack of funds available for the grant program, this decision cannot be appealed.

However, you may make a request to the National Appeals Division (NAD) to review the accuracy of our finding that the decision cannot be appealed. The appeal must be in writing and filed at the appropriate Regional Office, which can be found at <http://www.nad.usda.gov/offices.htm> or by calling (703) 305-1166.

Appendix—Rules and Regulations

These rules and regulations have been mentioned throughout the text of the guidelines, but are listed in one place for easy reference. The Code of Federal Regulations is located at <http://www.gpoaccess.gov/cfr/index.html>; the OMB circulars are located at <http://www.whitehouse.gov/omb/circulars/index.html>.

- Code of Federal Regulations (CFR), Title 7, Part 1783: “Revolving Fund Grant Program”
- CFR, Title 7, Part 3017, “Governmentwide Debarment and Suspension (Nonprocurement)”
- CFR, Title 7, Part 3021, “Governmentwide Requirements for Drug-free Workplace (Financial Assistance)”
- CFR, Title 7, Part 1900, subpart B, “Adverse Decisions and Administrative Appeals”
- CFR, Title 7, Part 3015: “Uniform Federal Assistance Regulations”
- CFR, Title 7, Part 3019: “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
- OMB Circular A-122: “Cost Principles for Non-Profit Organizations”
- OMB Circular A-133: “Audits of States, Local Governments, and Non-Profit Organizations”

CHAPTER 12: SECTION 504 LOANS AND GRANTS

12.1 INTRODUCTION

The objective of the Section 504 loan/grant program is to help very low-income owner occupants of modest single family homes in rural areas repair those homes. Loan funds are available for repairs to improve or modernize a home, make it safer or more sanitary, or remove health and safety hazards. For homeowners 62 and over who cannot repay a loan, grant funds are available to remove health or safety hazards, or remodel dwellings to make them accessible to household members with disabilities. Attachment 12-A provides a summary of the differences between Section 504 loans and Section 504 grants, and Attachment 12-B provides the differences between Section 502 and Section 504 loans.



Only those procedures that differ from Section 502 loans are described in this chapter.

Unless otherwise specified in this chapter, Section 504 loan/grant applications should be accepted, evaluated, and closed following the same procedures described for Section 502 loans in Chapters 2 through 10. However, Section 504 loans *cannot* be assumed except on Same Rates and Terms as in Paragraph 2.4 B. In addition, a property survey is not required for a Section 504 loan or grant unless a mortgage or deed of trust is being filed and there is a compelling reason to question the placement of the dwelling on the property; or, in farm acreage cases, where the house site is subdivided from a larger parcel. The cost of a survey can be included in the loan if there is sufficient equity.

12.2 ELIGIBLE PURPOSES FOR 504 FUNDS [7 CFR 3550.102]

Section 504 loan funds may be used to make general repairs to improve or modernize the property, as long as the dwelling remains modest. Loan Originators may approve any of the eligible costs listed in Paragraph 6.4, unless specifically prohibited in this chapter. Section 504 grant funds may be used only for repairs and improvements that will remove health and safety hazards, or to repair or remodel dwellings to make them accessible and useable for household members with disabilities.



Hazards and Major Hazards

A *hazard* is a property condition that jeopardizes the health or safety of the occupants or members of the community, but that does not make it unfit for habitation. A *major hazard* is a condition so severe that it makes the property unfit for habitation.

A. Restrictions on the Use of 504 Funds

Section 504 loan or grant funds cannot be used to:

- Assist in the construction of a new dwelling;
- Make repairs to a dwelling in such poor condition that when the repairs are completed, the dwelling will continue to have major hazards;
- Move a mobile home or manufactured home from one site to another;
- Pay for any off-site improvements **except for necessary installation and assessment costs for utilities;**
- Refinance any debt or obligation that the applicant incurred before the date of application (except for payment of the installation and assessment costs of utilities);
- Purchase or install equipment in the property (e.g., ranges, refrigerators, washers or dryers);
- Pay packaging fees to for-profit entities;
- Provide site preparation (e.g., grading, foundation plantings, seeding or sodding, trees, walks, yard fences, or driveways to a building site);
- Construction of new decks (existing decks may be repaired if a safety hazard exists);
- Installation of concrete or asphalt driveways; or
- Landscaping.

B. Repairs to Mobile or Manufactured Homes

Section 504 loan and grant funds can be used to repair mobile or manufactured homes if:

- The applicant owns the home and the site and occupied the home prior to filing an application;
- The repairs are needed to remove health or safety hazards; and

Paragraph 12.2 Eligible Purposes for 504 Funds [7 CFR 3550.102]

- The home is on a permanent foundation, or will be put on a permanent foundation with Section 504 funds.

**Permanent Foundation**

A permanent foundation is either: (1) a full below-grade foundation; or (2) blocks, piers, or some other type foundation with skirting, and anchoring with tie-downs.

12.3 APPLICATIONS [7 CFR 3550.104]

Applications for Section 504 loan or grant funds are made on the same form as applications for Section 502 loan funds. Applications are generally processed in the same way; however the processing priorities for Section 502 loans do not apply to Section 504 applicants. Section 504 applications for assistance to remove health or safety hazards should receive priority processing, and the veteran's preference described in Paragraph 3.14 C. should be used in cases where multiple applications to remove health or safety hazards are received on the same day. For any Section 504 loan or grant, the Loan Originator must visit the property within 30 days of determination of eligibility to identify which repairs are essential. Photographs of the property and the items needing repairs should be taken during this visit and at final inspection. The applicant will be provided a detailed set of specifications, which will be utilized to solicit at least 3 bids when feasible. If there are not a sufficient number of contractors in the area, the local office must be sure to review the bids that are obtained to ensure they meet the established specifications.

By submitting applications for a grant, applicants certify that they will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity with the grant.

12.4 APPLICANT ELIGIBILITY [7 CFR 3550.103]**A. Income**

In order to be eligible for a Section 504 loan or grant, the adjusted household income at the time of loan/grant approval and at loan closing must not exceed the applicable very low-income limit. Low-income applicants cannot receive assistance under Section 504.

B. Credit Requirements

The Loan Originator need not evaluate the credit history of grant applicants, except that an applicant who is subject to an outstanding judgment obtained by the United States in a Federal court, other than in the United States Tax Court, is not eligible for a Section 504 grant. Credit reports will not be ordered for 504 grant applicants.

For loans, applicants must have a credit history that indicates a reasonable ability and willingness to meet debt obligations. The indicators of unacceptable credit described in Paragraph 4.11 for Section 502 loans can be used to evaluate the applicant's credit history, however, general credit requirement may be less stringent than those for section 502 loans. Late payments for housing costs should not be considered as an indicator of unacceptable credit.

Regardless of the size of the loan being requested, the Loan Originator should check both the Infile Credit Report and HUD's Credit Alert Interactive Voice Response System (CAIVRS), as described in Paragraph 4.11. Credit reports are required with all applications for loans of \$7,500 or greater, but the cost of the report is not charged to the applicant.

C. Asset Requirements

Asset requirements are identical to those imposed by Section 502, except that only assets that can be converted to cash in 90 days or less are included in the calculation of nonretirement assets. The limitation on nonretirement assets for nonelderly households is \$15,000 and \$20,000 for elderly.

D. Repayment Ability

To qualify for a Section 504 loan, the applicant must have a reliable income source sufficient to allow repayment of the loan. If the applicant lacks the ability to repay the entire amount through a loan, he or she may be eligible for a grant to cover the portion that cannot be funded through a loan.

In order to determine the amount an applicant is able to repay, the Loan Originator must work with the applicant to complete *Form RD 1944-3, Budget and/or Financial Statement*. This form must also be prepared for grant applicants in order to document the fact that they do not have the ability to repay a loan. This form should be prepared with the applicant at the same time the application is completed.

E. Age for Section 504 Grants

At least one applicant must be 62 or older for a household to qualify for a grant.

F. Ownership of Property [7 CFR 3550.107]

The applicant must own and occupy the property to be eligible for Section 504 funds, and must be able to document ownership, as described in Paragraph 5.11, with 3 exceptions.

Paragraph 12.4 Applicant Eligibility [7 CFR 3550.103]

First, the time restrictions for leasehold interests are different. In general, Section 502 loans must have a leasehold interest with an unexpired term that is at least 150 percent of the term of the mortgage. For Section 504 loans, the property must be covered by a lease with an unexpired portion of not less than 2 years beyond the term of the promissory note, and for grants, the remaining lease period must be at least 5 years.

Second, a land purchase contract is acceptable if the applicant is current on all payments and has the ability to remain current.

Third, if standard evidence of ownership, as described in Paragraph 5.11, is not available, Section 504 loan/grant applicants may demonstrate ownership by presenting any of the following:

- Records of the local taxing authority that show the applicant as owner and that demonstrate that real estate taxes for the property are paid by the applicant;
- Affidavits by others in the community stating that the applicant has occupied the property as the apparent owner for a period of at least 10 years, and is generally believed to be the owner; or
- Any instrument, whether or not recorded, that is commonly considered evidence of ownership, such as a deed or mortgage.

12.5 PROPERTY ELIGIBILITY

A. Property Requirements [7 CFR 3550.106(a)]

To be eligible for Section 504 funds, the property must be considered modest for the area, must not have an in-ground pool, and must not have a value in excess of the area loan limit. Individual exceptions may be granted by the Deputy Administrator, Single Family Housing. Requests for exceptions must be accompanied by documentation to support the request.

A Section 504 loan or grant may be made for a property that has income-producing land or structures, as long as the loan or grant is to be used to improve the residential portion of the property.

B. Determining Property Value [7 CFR 3550.111]

Appraisals for Section 504 loans are to be performed only by Agency employees whenever feasible. Contract appraisals may be used when it is not feasible to have Agency employees complete the appraisals. Section 504 applicants are required to pay an appraisal fee. The cost of the appraisal may be included in the 504 loan amount.



An appraisal is always needed for a Section 504 loan when the RHS loan is \$7,500 or more and the Agency debt plus any prior liens exceeds \$15,000. In all other situations, the Loan Approval Official will determine whether an appraisal is needed to assure adequate security exists for the proposed loan. Appraisals are only needed if a security interest will be taken.

When an appraisal is not required, the person who inspects the property for required repairs should estimate its value. The estimated value and the method used to develop the estimate should be documented carefully in the running case record. For additional guidance on appraisals see Section 5 of Chapter 5.



C. Construction Standards [7 CFR 3550.106(c)]

Dwellings repaired with Section 504 loan or grant funds must remain modest and all work must be completed in accordance with local codes and standards. They need not be brought to Agency development standards, nor must all of the existing hazards be removed, provided the property does not continue to have major health or safety hazards after the planned repairs are made. Please refer to Section 6, Chapter 5 for all construction management information.

D. Environmental Requirements

Section 504 loans and grants are subject to the same environmental requirements as Section 502 loans, as described in Section 3 of Chapter 5.

12.6 INTEREST RATE AND LOAN TERM [7 CFR 3550.113]

Section 504 loans have an interest rate of 1 percent and a maximum term of 20 years. The term should be as short as possible based on the applicant's repayment ability. However, any loan made in conjunction with a grant must be made for the full 20-year term to minimize the amount of grant funds required.



Loan/Grant Combinations

Loans made in combination with grants must be amortized over the full 20 years. This will maximize the loan amount while minimizing the grant amount.

Paragraph 12.6 Interest Rate and Loan Term [7 CFR 3550.113]

If the loan amount is less than the maximum that the applicant could repay, the loan term should be shortened so that the applicant will pay the maximum amount he or she can afford each month during the term of the loan. For example, if an applicant's repayment ability calculations indicate the ability to repay a loan in 10 years, the loan should be written for a 10-year term rather than for the maximum term.

Annual payment terms are not permitted under Section 504.

12.7 MAXIMUM LOAN AND GRANT AMOUNTS [7 CFR 3550.112]

A. Maximum Loan Amount

The maximum loan that an individual applicant may receive is limited by the 3 factors discussed below.

- **Outstanding loan amount.** The sum of the outstanding balance on all Section 504 loans can never be more than \$20,000.
- **Repayment ability.** The applicant must demonstrate repayment ability based on an analysis of *Form RD 1944-3, Budget and/or Financial Statement*.
- **Eligible costs.** The applicant can only receive loan funds to cover eligible costs. (For example, if the applicant has only \$5,000 of eligible repairs to make, the maximum loan allowed is \$5,000.)

B. Grant Limits

Grant funds are limited by 2 factors:

- **Ability to repay a loan.** An applicant is only eligible for a grant if a budget analysis based on *Form RD 1944-3* indicates that the household would be unable to repay a loan for the amount needed over 20 years. If a budget analysis indicates that a grant applicant has partial repayment ability, as much of the amount as possible must be issued as a loan, with only the remainder issued as a grant.
- **Lifetime maximum.** The lifetime grant assistance to any applicant cannot exceed a cumulative total of \$7,500.

12.8 LOAN APPROVAL AND CLOSING [7 CFR 3550.108]

A. Loan Approval

Notifications of loan approval or denial of credit should be handled with use of *Handbook Letter 12 (3550)*, *Notification of Approval*, and *Handbook Letter 15 (3550)*, *Standardized Adverse Decision Letter*, respectively. Preparation of all forms needed to close the loan should be handled in accordance with Chapter 8.

B. Security Requirements

If the total Section 504 indebtedness is \$7,500 or more, it must be secured by a mortgage on the property. The Agency does not require first lien position, but the total of all debts secured by the property must not exceed the property's market value, except by the amount of any required contributions to an escrow account for taxes and insurance and the tax service fee.

C. Loan Closing

Loans less than \$7,500 may be closed by the Loan Originator or designee. Loans of \$7,500 and greater must be closed by a closing agent. The process for selecting a closing agent is the same as for a Section 502 loan, and is detailed in Paragraph 8.4.

12.9 GRANT APPROVAL AND DISBURSEMENT

A. Grant Approval

Grant recipients should be notified by sending *Handbook Letter 12(3550)*, *Notification of Approval (504 Grant)*, that the grant has been approved.

B. Grant Repayment Agreements [7 CFR 3550.114]

Before any grant funds are disbursed, the recipient must sign *Form 3550-24*, *Grant Agreement*. The agreement states that if a home repaired with a Section 504 grant is sold within 3 years of grant approval, the full amount of the grant must be repaid. In the case of a life estate interest or an undivided ownership interest, as described in Paragraph 5.11, all co-owners living or planning to live in the household must sign *Form 3550-24*. The original *Form 3550-24* should be filed with the promissory notes in a locked file cabinet with a copy to the case file and a copy provided to the recipient.

C. Documentation of Grants

In order to ensure that applicants do not receive more than the maximum allowable grant assistance of \$7,500, the Loan Originator must document the amount of any grant provided to each grantee. This information should be maintained on a single list which is retained in an operational file. The list should include: (1) the grantee's name, address, and case number; (2) the amount of the grant; and (3) the date the grant was approved.

12.10 ESCROW, TAXES, AND INSURANCE [7 CFR 3550.109, 7 CFR 3550.110]

If the total outstanding indebtedness is more than \$15,000, Section 504 borrowers are responsible for furnishing and maintaining hazard insurance, as described in Section 3 of Chapter 7. If funds are not escrowed through another lender to pay for taxes and insurance, the borrower must contribute the appropriate amount to an escrow account managed by the Agency. Escrow is also not required where the security property includes a farm and the property is not subdivided between the farm and non-farm tract unless the housing represents the majority of the value of the security property or it is in the Agency's best interest.

Flood insurance is required in Special Flood Hazard Areas (SFHA) throughout the term of a loan, except for loans with an original principal balance of \$5,000 or less. For grants of more than \$5,000, flood insurance is required when the grant is approved, unless grant funds will be used to obtain the insurance.

ATTACHMENT 12-A
SUMMARY OF DIFFERENCES BETWEEN
SECTION 504 LOANS AND GRANTS

Note: *This attachment summarizes key requirements to assist the reader in comparing Section 504 loans and grants. It is not a comprehensive description of all requirements.*

Topic	Section 504 Loan	Section 504 Grant
Use of Funds	May be used to: (1) improve or modernize; (2) make dwelling decent, safe, and sanitary; (3) remove hazards. Cannot be used for acquisition or new construction. Specific prohibitions are listed in Paragraph 12.2 A.	May be used only to remove health and safety hazards or to make dwelling accessible to household member with disabilities.
Drug-Free Workplace	N/A	Applicants must certify that they will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity with the grant.
Credit Reports	Needed if loan > \$7,500, but no fee charged.	N/A
Age of Applicant	N/A	62 or older
Leaseholds	The property must be covered by a lease with an unexpired portion of not less than 2 years beyond the term of the promissory note.	The remaining lease period must be at least 5 years.
Appraisals	Fee charged if appraisal completed. Appraisal performed by Agency employee or contractors if loan over \$15,000.	N/A
Maximum Assistance	\$20,000 outstanding at one time.	\$7,500 lifetime limit.
Security	If Section 504 loan is >or equal to \$7,500, a mortgage is required.	No security required.
Insurance	If indebtedness >\$15,000, property insurance is required. Flood insurance is required in Special Flood Hazard Areas (SFHA)> \$5,000.	Flood insurance is required in SFHA at grant approval for grants of >\$5,000.

ATTACHMENT 12-B

DIFFERENCES BETWEEN SECTION 502 AND SECTION 504 LOANS

Note: *This attachment summarizes key requirements to assist the reader in comparing Section 502 and 504 loans. It is not a comprehensive description of all requirements.*

Topic	Section 502 Loan	Section 504 Loan
PROGRAM PURPOSES AND PRIORITIES		
Program Purpose	Assist applicants who are not homeowners to become homeowners.	Assist current homeowners with necessary improvements and repairs.
Processing Priorities	Multiple priorities may apply. Applications that meet special criteria are processed immediately upon funding availability.	Applications for assistance to remove health and safety hazards receive priority processing.
LOAN PURPOSES		
Eligible Purposes	In general, funds may be used to buy, build, rehabilitate, improve, or relocate an eligible dwelling and provide related facilities for the borrower to personally occupy. No initial loans for repair of manufactured homes.	Remove health and safety hazards. Repair or remodel dwelling to make more accessible and useable for household members with a disability. General repairs to improve or modernize a home. Repair mobile or manufactured homes.
APPLICANT ELIGIBILITY		
Income	Applicant income must not exceed low-income limit at loan approval and must not exceed moderate-income limit at loan closing.	Applicant income must not exceed the very low-income limit at loan approval and closing.

Topic	Section 502 Loan	Section 504 Loan
APPLICANT ELIGIBILITY		
Credit Requirements	Credit history must demonstrate ability and willingness to pay. Costs for credit reports are charged to applicant.	The same criteria are used for evaluating a loan applicant's credit history. However, general credit requirements maybe less stringent than those for section 502 loans. Costs for credit reports are not charged to the applicant.
Asset Requirements	Applicants are required to contribute nonretirement assets above \$7,500 (\$10,000 for elderly), and available retirement funds in excess of applicable median income limit toward the purchase of the property. Exceptions can be made for households with high medical expenses.	Same as Section 502, except nonretirement assets include only assets that can be converted to cash within <u>90 days</u> .
Repayment Ability	Applicants must show repayment ability based on ratios.	Applicants must show repayment ability based on a budget. Applicants 62 and over who lack the ability to repay the entire amount of the loan may be eligible for grant funds.
Ownership	The applicant need not own the property. A leasehold must have an unexpired term of at least 150% of the term of the mortgage, unless the loan is guaranteed by a public authority, Indian tribe, or Indian Housing Authority. No exceptions on ownership evidence.	The applicant must own the property. A leasehold must have an unexpired term of at least 2 years beyond the term of the mortgage. If standard evidence of ownership is unavailable, exceptions may be made.

Topic	Section 502 Loan	Section 504 Loan
PROPERTY REQUIREMENTS		
Area Loan Limit	Individual exceptions are allowed.	No individual exceptions.
Property Standards	The property must meet the Agency's site and dwelling standards.	The property: (1) need not be brought to Agency development standards; (2) need not have all hazards removed; <i>but</i> (3) must have all major health or safety hazards removed.
Appraisals	Appraisals may be conducted by an Agency employee or an outside contractor satisfactory to the Agency. Applicants are required to pay an appraisal fee.	Applicants are required to pay an appraisal fee if loan is greater than \$15,000.
LOAN TERMS		
Interest Rate and Loan Terms	The applicable Rural Housing (RH) Section 502 low or moderate interest rate in effect at loan approval or closing, whichever is lower. Standard term is 33 years; some applicants may qualify for a 38 year term. Borrowers may be eligible for payment subsidies that reduce the effective interest rate.	1 percent interest rate and a maximum loan term of 20 years.
Loan Amount	Total secured indebtedness must not exceed the area loan limit or the market value.	Total secured indebtedness must not exceed the area loan limit or the market value limitation. The outstanding balance on the sum of all Section 504 loans cannot exceed \$20,000.

Topic	Section 502 Loan	Section 504 Loan
LOAN APPROVAL AND CLOSING		
Loan Closing	Loans must be closed by a closing agent.	Loans of \$7,500 or less may be closed by the Loan Originator or a designee.
Security	First liens are generally required, but Agency interests may be subordinated in some circumstances.	First lien position is <i>not</i> required.
INSURANCE		
Insurance Requirements	If indebtedness is greater than \$15,000, property insurance is required.	If indebtedness is greater than \$15,000, property insurance is required.

504 SINGLE FAMILY HOUSING LOAN AND GRANT CHECKLIST

"THIS CHECKLIST DOES NOT REPLACE THE RUNNING RECORD!"
(This document should be filed in position 1)

Applicant: _____ Co-Applicant: _____

<u>POS</u>	<u>DATE</u>	<u>PRE-QUALIFICATION/PRELIMINARY ELIGIBILITY</u>
3	_____	Enter pre-qualification information from potential applicant into UniFi & Registration Screen (Use Requested Product Code 999 if no actual application).
3	_____	Use Pre-Qual Worksheets/Maximum Loan Amount to evaluate potential applicant
3	_____	RD 3550-1, Authorization to Release Information – signed by each adult member of household. Attach copy to any verification that does not have applicant's signature. (HB-1, 3.3) (Although not required at pre-qual, the preliminary credit check described in HB-1, 4.11 may be completed when a signed RD 3550-1 is received)
3	_____	Infile Credit Report (HB-1, 3.3, 4.11)
4	_____	HB Letter 19 (3550) as applicable to counsel the customer (should only be used for pre-qualifications without an application). Document pre-qual discussion in running record (HB-1, 3.3)
3	_____	Print out Eligibility Summary from pre-qual – sign and date - must be in file prior to rejection, withdrawal or approval (Enter actual loan/grant amounts, if known)

Review application for completeness within 3 business days of receipt. Call or write the applicant to request any missing information. Follow up with a letter advising applicant of a 30-day deadline for submission or the application will be withdrawn. Mark files as inactive until complete. (HB-1, 3.6)

<u>POS</u>	<u>DATE</u>	<u>APPLICATION PROCESSING</u>
3	_____	RD 410-4, Uniform Residential Loan Application, include information sheet similar to Attachment 3-D and RD 3550-1, Authorization to Release Information (if not completed at Pre-qual) (HB-1, 3.5)
3	_____	Infile Credit Report (if not completed at pre-qual) (HB-1, 3.3, 4.11)
3	_____	Check on-line HUD CAIVRS, print pages and file in applicant file (if not completed at pre-qual) (HB-1, 3.3, 4.11)
3	_____	Check MortgageServ CUS/XRE/SOC screens (if not completed at pre-qual) (HB-1, 3.3, 4.11)
3	_____	Check list of 504 Grant recipients for prior assistance (\$7,500 lifetime limit) and 504 loan balances for subsequent loans (\$20,000 maximum outstanding balance) document in running record
3	_____	Photographic Identification and Verification of age (grants only) (HB-1, 4.21)
5	_____	Evidence of homeownership and occupancy: (copy of Deed, RE Tax Statement, etc.) (HB12-4)
6	_____	Verify eligibility of subject property. (HB-1, 5.1) http://eligibility.sc.gov.usda.gov/eligibility/welcomeAction.do
3	_____	Enter application complete date in stage updating of UniFi and on Form RD 410-4
3	_____	Forward Attachment 3-H, Credit Score Disclosure, to applicant– (date Attachment 3-H, page 2 returned _____) (HB-1, 3.6)
4	_____	Funds Available; send HB Letter 11, Selected for Processing/Request Information (HB-1, 3.14)
4	_____	Funds Not Available; send HB Letter 2, Pre-eligible (HB-1, 3.13)

POS DATE

PROPERTY ELIGIBILITY

- 3 _____ Visit property within 30 days of eligibility determination (document in running record) (HB-1, 12.3) Date of visit: _____
- 6 _____ HB-1-3550, Attachment 5-A (HB-1, 5.1)
- 6 _____ Photographs of property and essential repairs (during initial visit and final inspection). Prepare a list of all repairs (HB-1, 12.3)
- 8 _____ Appraisal Report, or document Statement of Value (appraisal if loan is greater than \$7,500 needed and Agency debt plus prior lien is greater than \$15,000 (HB-1, 12.5)
- 8 _____ RD 1922-15, Administrative Appraisal Review for Single Family Housing - within 7 days of appraisal (HB-1, 5.21); Reviewed and Accepted _____ (initial and date)
- 6 _____ Lead Based Paint (LBP) Compliance Key and Print Out (houses built prior to 1978) http://teamrd.usda.gov/rd/rhs/PSS/Lead_Paint/lead_based_paint_key.htm
- 3 _____ RD 1940-22, Environmental Checklist for Categorical Exclusions or RD 1940-21, Environmental Assessment for Class I Action (loans only) - as applicable (1940-G & HB-1, 5.8)
- 6 _____ FEMA 81-93, Standard Flood Hazard Determination (HB-1, 5.1) (<http://www.LATFnet.com>)
- 3 _____ RD 3550-6, Notice of Special Flood Hazards, Flood Insurance Purchase Requirements, and Availability of Federal Disaster Relief Assistance, as applicable (mail 10 days prior to closing) (HB-1, 5.1)

POS DATE

CONSTRUCTION

- 6 _____ Provide applicant with detailed cost estimates/specifications from bidders. (Attempt to obtain 3 bids) (HB-1, 5.25 and 12.3)
- 6 _____ Review detailed bids from contractor(s) with cost breakdown or labor and materials (HB-1, 5.25)
- 6 _____ RD 1924-2, Description of Materials, if applicable (HB-1, 5.24)
- 6 _____ RD 1924-1, Development Plan
- 6 _____ RD 1924-6, Construction Contract (Send Exhibit C, RD Instruction 1901-E within 10 days) (HB-1, 5.25) DOL web site (<http://www.dol.gov/esa/contacts/ofccp/ofccpkeyp.htm>)
- 6 _____ RD 1924-16. Record of Pre-Construction Conference or other documentation (HB-1, 5.25)
- 6 _____ "400 Series" (400-1, 400-3, 400-6, posters and Exhibit C of 1901-E.), as applicable (<http://www.dol.gov/esa/contacts/ofccp/ofccpkeyp.htm>) (HB-1, 5.25)
- 2 _____ RD 402-1, Deposit Agreement and RD 402-2, Statement of Deposits and Withdrawals, if applicable
- 6 _____ RD 1924-7, Contract Change Order, if applicable
- 6 _____ RD 1924-12, Inspection Report, frequency as appropriate for type of rehab. Final Inspection Report dated and signed by borrower, contractor, and RD Inspector (HB-1, 5.26)
- 6 _____ RD 1924-9, Certificate of Contractor's Release & RD 1924-10, Release by Claimants, as applicable
- 6 _____ RD 1924-19, Builder's Warranty if construction contract used (HB-1, 5.27)

POS DATE

UNDERWRITING/APPROVAL

- 3 _____ Reverify income - if over 120 days old (HB-1, 8.6)
- 3 _____ Update Eligibility Summary with correct information, sign and date – must be in file at rejection/approval (HB-1, 6.17)
- 2 _____ Verify UniFi Program Type Code (must match income type) Program Type Code: _____

<u>POS</u>	<u>DATE</u>	<u>UNDERWRITING/APPROVAL (CONTINUED)</u>
2	_____	Update all screens in MortgageServ before uploading file; check Display History Screen for correct loan amount.
4	_____	If rejected, use HB Letter 15 (3550), Standardized Adverse Decision Letter, and attach review & appeal rights (HB-1, 1.9 & 8.2)
2	_____	RD 3550-7, Funding Commitment and Notification of Loan Closing (loans only) – issued day of approval/obligation in MortgageServ (if not signed and returned in 15 days, must de-obligate) (HB-1, 8.2)
2	_____	RD 3550-23, Applicant Orientation Guide (HB-1, 8.6)
4	_____	Handbook Letter 12 (3550), Notification of Approval – send once loan and/or grant funds are obligated
2	_____	RD 1940-41, Truth in Lending Statement – printed from UniFi Date returned: _____
2	_____	Obligate through MortgageServ (HB-1, 8.7)

<u>POS</u>	<u>DATE</u>	<u>CLOSING</u>
5	_____	RD 1927-4, Transmittal of Title Information (HB-1, 8.4)
5	_____	Title Insurance required for loans \$7,500 or greater (HB-1, 8.4)
5	_____	RD 1927-9, Preliminary Title Opinion (loans \$7,500 or greater), as applicable (HB-1, 8.4)
7	_____	Hazard Insurance Binder & Receipt for 1 st year premium for loans \$15,000 or greater (HB-1, 7.12)
7	_____	Flood Insurance Binder & Receipt for 1 st year premium required for properties located in Special Flood Hazard Area (Loans and grants \$5,000 or greater)
5	_____	Review Title Insurance Binder/Preliminary Title Opinion and verify legal description is correct If exceptions noted affect the security value, loan cannot close (HB-1, 8.5)
3	_____	Update and print Eligibility Summary with correct information – sign, date, and file in case file
7	_____	RD 3550-15, Tax Information – loans \$15,000 or greater (HB-1, 7.10)
5	_____	RD 3550-9, Initial Escrow Account Disclosure Statement, loans \$15,000 or greater (HB-1, 7.5 & 12.10)
5	_____	RD 3550-25, Loan Closing Instructions and Loan Closing Statement – for loans \$7,500 or greater (should include documents to be signed at closing) (HB-1, 8.11)
5	_____	Re-verify Closing Agent’s account numbers, if necessary
5	_____	IN-1 Closing Select/Add Agent Screen
2	_____	RD 3550-17, Funds Transmittal Report for tax service & appraisal fees, escrow funds, etc. (copy in Collections Operational File) (1951-B, if applicable)
5	_____	RD 3550-19, Transmittal-Closing Documents & Attachments, as applicable (Grant documents are not sent to CSC) (HB-1, 8.11)
3	_____	RD 410-4, Uniform Residential Loan Application - PRINTED FROM UniFi
3	_____	Check EPLS for all parties (http://epls.arnet.gov) – print hard copies for file (1940-M)
5	_____	RD 1927-5 “Affidavit Regarding Work of Improvement” (if required by State Supplement) send blank to closing (1927-B, 1927.58)
2	_____	RD 1940-16, Promissory Note (original in safe) - all loans (HB-1, 8.9)
5	_____	RD 1940-59, Settlement Statement or HUD 1 (loans \$7,500 or greater using closing agent – sent blank) (HB-1, 8.5)
2	_____	RD 1940-43, Notice of Right to Cancel - for junior liens if mortgage taken (HB-1, 8.6)
5	_____	RD 3550-14, Real Estate Mortgage or Deed of Trust for (State) – (\$7,500 or greater – sent blank) (HB-1, 8.11)
