



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

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August 20, 2019

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!

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