

## PROCEDURE NOTICE

### RD MANUAL CHANGES

INSERT RD INS 440.1  
(WSAL)

INTEREST RATES, AMORTIZATION,  
GUARANTEE FEE, ANNUAL CHARGE, AND  
FIXED PERIOD. This Instruction is  
partially revised as follows:

Exhibit B is partially revised to update the Treasury Judgement rate and the effective date of January 1, 2023.

REMOVE  
Exhibit B: Pages 1 & 2 (Rev 37).

INSERT  
Exhibit B: [Pages 1 & 2 \(Rev 38\)](#).

INSERT RD INS 1951-O  
(WSAL)

SERVICING CASES WHERE UNAUTHORIZED LOAN(S)  
OR OTHER FINANCIAL ASSISTANCE WAS  
RECEIVED  COMMUNITY AND INSURED BUSINESS

PROGRAMS. Exhibit B is partially revised to update program interest rates, effective January 1, 2023.

REMOVE  
Exhibit B: Page 4.

INSERT  
[Exhibit B: Page 4](#).

### RD HANDBOOK CHANGES

INSERT RD HB-1-3555  
(WSAL)

SFH GUARANTEED LOAN PROGRAM TECHNICAL  
HANDBOOK. This Handbook is partially revised.  
Specific revisions include:

#### Chapter 9:

The following updates were made to HB-1-3555, Chapter 9 to incorporate program updates which allow greater flexibility for reviewing non-recurring asset deposits, provide additional guidance on calculating income, and update links, guidance for entering data into GUS, and making minor grammatical and formatting edits.

#### **Paragraph 9.3 - Annual Income**

- Clarified that lenders must verify the income of each adult household member for the previous 2 years, which is consistent with 7 CFR 3555.
- Clarified under "full income documentation", the lender must obtain W-2s or IRS Wage and Income transcripts, in addition to paystubs.
- Changed the term "streamlined documentation" to "alternative income documentation" to remove confusion with the streamlined refinance product.

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**RD HANDBOOK CHANGES**

**INSERT RD HB-1-3555**

- Under "self-employed income documentation", clarified that if ownership interest is less than 25%, neither the "Business Owner" or "Self-Employed" options should be selected in GUS.
- Clarified the Verbal Verification of Employment must be obtained within 10 business days of loan closing and confirmation a self-employment business remains operational must be obtained within 30 days of loan closing.
- Restructured guidance on tax transcripts to emphasize a failure to timely file tax returns is not an eligible explanation to forgo obtaining tax transcripts.

**Paragraph 9.6 - Agency Review of Household Income**

- Clarified the definition of manually underwritten loans for consistency throughout the chapter.
- Clarified that the Agency's review worksheet will be uploaded to the Electronic Customer File (ECF).

**Paragraph 9.8 - Stable and Dependable Income**

- Included additional guidance on gaps in employment and clarified it is the lender's responsibility to determine if the income is stable and dependable.
- Clarified a business loss from a closed business may be removed from consideration under the same circumstances that self-employment income from a closed business can be removed from consideration.

**Paragraph 9.9 - Agency Review of Repayment Income**

- Clarified the definition of manually underwritten loans for consistency throughout the chapter.
- Clarified that the Agency's review worksheet will be uploaded to the Electronic Customer File (ECF).

**Attachment 9-A - Income and Documentation Matrix**

- Updated GUS data entry guidance throughout the matrix.
- Added additional considerations to the "Considerations for All Income Calculations" section of the matrix to provide important reminders regarding reviewing/calculating income.
- Revised "Automobile Allowance" guidance to allow the full expense allowance to be included as income and the full debt counted in DTI.
- Clarified that "Boarder Income" refers to rental income received from an individual renting space inside the dwelling.

**RD HANDBOOK CHANGES**  
**INSERT RD HB-1-3555**

- Revised "Bonus" income to reflect the one-year history must be in the same or similar line of work.
- Revised the "Child Support" guidelines to simplify the guidance and remove inconsistencies within the current guidance.
- Clarified that employer-provided fringe benefits that are reported as taxable income may be included in repayment income.
- Revised the "Expense Allowance" guidance to allow the full expense allowance to be included as income and the full debt counted in DTI.
- Added a category providing guidance on "Guardianship/Conservatorship Income."
- Added a category providing guidance on "Individual Retirement Account (IRA) Distributions."
- Simplified the guidance on considering mileage deductions.
- Removed requirement to obtain a copy of the IRS W-4 document when using a Mortgage Credit Certificate as income.
- Removed "Non-Occupant Borrower" category as non-occupant borrowers are not permitted.
- Revised "Overtime" income to reflect the one-year history must be in the same or similar line of work.
- Updated "Rental Income" guidelines regarding corresponding mortgage liabilities to be consistent with the guidance in Chapter 11.
- Revised "Secondary Employment" guidance to clarify that the applicant must have a one-year history of working both jobs concurrently to be considered for repayment income.
- Revised the guidelines for "Section 8 Housing Vouchers."
- Revised the "Separate Maintenance/Alimony" guidelines to simplify the guidance and remove inconsistencies within the current guidance.
- Revised the "Unreimbursed Employee or Business Expenses" guidance to reflect instances where the IRS continues to allow these deductions.
- Added a category providing guidance on "Variable Income."
- In the "Assets and Reserves" portion of the matrix, reiterated that lenders have the option to underwrite to the most conservative approach, with no consideration of assets entered into GUS.

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**INSERT RD HB-1-3555**

- Revised guidance for sourcing deposits in depository accounts.
- Clarified that gift funds need to be sourced, via the donor's bank statement, when the funds are sent directly to the settlement agent.
- Clarified that gift funds applied as Earnest Money should not be entered on the "Loan and Property Information" GUS application page.
- Added a category providing guidance on "Lump Sum Additions."
- Clarified in the "Retirement" section that funds borrowed against retirement accounts (e.g. 401(k), IRA, etc.) are eligible for funds to close, but are not considered in reserves.

**Attachment 9-E - Information for Analyzing Tax Returns for Self-Employed Applicants**

- Revised guidance on "Capital Gain or Loss" to reflect a two year history to be consistent with the guidance in Attachment 9-A.

**Chapter 15:**

**The following updates were made to HB-1-3555, Chapter 15 to make minor grammatical and formatting changes, correct discrepancies, and provide clarification for easier understanding of guidance.**

**Paragraph 15.1 - Introduction**

- Updated to state that the agency requires lenders to use GUS.

**Paragraph 15.3 B - Guaranteed Underwriting System GUS Accept Loans**

- Revised paragraph to refer to the mandatory use of GUS.

**Paragraph 15.7 C - Requesting Changes in Conditions**

- Clarified that requests should be made via email.

**Attachment 15-A**

- In Lender Instructions, updated electronic delivery to Rural Development is the preferred method for submission.
- On page one, removed evidence of qualified alien requirements, as it is not required for submission on accept files.

**RD HANDBOOK CHANGES**

**INSERT RD HB-1-3555**

- On page two, under Income verification Documentation, replaced the term Streamlined with Alternative Documentation.
- Under Verification of Rent, clarified it is applicable for manually underwritten loans with credit scores less than 680.
- On page 3, under Underwriting Analysis, clarified the documentation of income calculations.

**REMOVE**

Chapter 9 dated 03-09-16:  
Pages 9-1 thru 9-11,  
Attachments 9-A thru 9-C and,  
9-E & 9-F;  
Chapter 15 dated 03-09-16:  
Pages 15-1 thru 15-6,  
Attachment 15-A.

**INSERT**

Chapter 9 dated 03-09-16:  
[Pages 9-1 thru 9-12 revised,](#)  
[Attachments 9-A thru 9-C and](#)  
[9-E & 9-F revised;](#)  
Chapter 15 dated 03-09-16:  
[Pages 15-1 thru 15-6 revised,](#)  
[Attachment 15-A revised 01-09-23.](#)

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