



8584 Katy Freeway, Suite 420

Houston, TX 77024

Phone: 713-871-0005

Fax: 713-871-1358

Partners

Thomas E. Black, Jr.¹

Gregory S. Graham²

Shawn P. Black³

Regina M. Uhl⁴ ‡

Senior Lawyers

David F. Dulock

Diane M. Gleason

Associates

Peter B. Idziak³

Daniel S. Engle³

Nick Stevens

Syndy Davis

Margaret Noles

Ryan Black⁵

Of Counsel

David M. Tritter

Calvin C. Mann, Jr.

Retired Partner(s)

Calvin C. Mann, Jr.

¹ Also Licensed in Iowa, New York, and Washington

² Also Licensed in Georgia

³ Also Licensed in New York

⁴ Also Licensed in Kentucky and Illinois

‡ Board Certified- Residential Real Estate Law- Texas Board of Legal Specialization

⁵ Also Licensed in Washington D.C.

August 13, 2019

(Rev. August 19, 2019 to correct effective date, [click here](#))

To: Clients and Friends

From: David F. Dulock

Subject: Rural Housing Service Amends Combination Construction to Permanent Loan Program (“Single Close Loans”)

By a final rule published in the *Federal Register* (84 FR 35003, [click here](#)), the Rural Housing Service (RHS) amends its Single Family Housing Guaranteed Loan Program (SFHGLP) for Combination Construction to Permanent Loans (single close loans) effective **October 1, 2019**. The final rule is not retroactive – *i.e.*, it will not affect agreements entered into prior to the final rule’s effective date of **October 1, 2019**.

The final rule amends the RHS regulations in 7 CFR Part 3555 to ease the financial costs of interim construction financing for non-depository lenders (defined as warehouse lenders in the final rule) by:

- adding a definition for warehouse lender;
- eliminating maximum interest rate cap requirements for all SFHGLP loans;
- allowing a warehouse lender to charge a temporary interest rate higher than the permanent note rate for interim construction financing;
- allowing single close loans for the rehabilitation of existing dwellings upon their purchase;
- allowing all lenders to create a reserve account for up to 12 months of regularly scheduled (amortized) principal, interest, taxes and insurance (PITI) payments during the construction period;
- removing the requirement for loan modification or re-amortization once construction is complete when a PITI reserve is established;
- clarifying that the PITI reserve is an eligible use of single close loan funds; and
- updating lender mortgage record retention requirements to include single close loan construction documentation.

To accomplish the above, the final rule amends §3555.10 by removing the definition of “maximum allowable interest rate” and adding the definition of “warehouse lender”; amends §3555.104 by revising paragraphs (a)(2) through (a)(4); and amends §3555.105 by revising paragraph (c)(1), adding paragraph (c)(2)(iv), revising paragraph (d)(2), adding paragraph (d)(7), revising paragraphs (e)(1) and (e)(7), adding paragraph (e)(8), and revising paragraph (g).

As this memorandum is only a brief summary of the final rule, we advise recipients to read the final rule and its explanatory preamble by clicking on the above hyperlink.

This Memorandum is provided as general information in regard to the subject matter covered, but no representations or warranty of the accuracy or reliability of the content of this information are made or implied. Opinions expressed in this memorandum are those of the author alone. In publishing this information, neither the author nor the law firm of Black, Mann & Graham L.L.P. is engaged in rendering legal services. While this information concerns legal and regulatory matters, it is not legal advice and its use creates no attorney-client relationship or any other basis for reliance on the information. Readers should not place reliance on this information alone, but should seek independent legal advice regarding the law applicable to matters of interest or concern to them. The law firm of Black, Mann & Graham L.L.P. expressly disclaims any obligation to keep the content of this information current or free of errors.