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(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.

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