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To: Clients and Friends

From: David F. Dulock

Subject: Rural Housing Service (RHS) Proposed Rule to Amend Regulations for the Direct and Guaranteed Single Family Housing Loan and Grant Programs

In the August 31, 2018, *Federal Register* (83 FR 44504, [click here](#)), the RHS issued a proposed rule (Proposed Rule) to amend its regulations for the direct and guaranteed single family housing loan and grant programs. Comments on the Proposed Rule must be received by the RHS on or before October 30, 2018, by any of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Mail:* Submit written comments via the U.S. Postal Service to the Branch Chief, Regulations and Paperwork Management Branch, U.S. Department of Agriculture, STOP 0742, 1400 Independence Avenue SW, Washington, DC 20250-0742.

The RHS is proposing to amend its regulations for the direct and guaranteed single family housing loan and grant programs in 7 CFR parts 3550 and 3555 by:

(1) Revising the definition of very low-, low-, and moderate-income in §3550.10 to allow for a two-tier income limit structure (also known as income banding) for the single family housing direct loan and grant programs. The Proposed Rule revises the very low- and low-income definitions in §3550.10 to state that the respective limit is “an adjusted income limit developed in consultation with HUD under 42 U.S.C. 1437a(b)(2)(D).” The two-tier income limits will be published annually via a Procedure Notice and posted to the RHS website at <https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>. For the proposed moderate income definition, the RHS will publish a specific limit in the program handbook.

(2) Revising §3550.54(d) to clarifying that net family assets are not considered when calculating repayment income, and that net family assets exclude amounts in voluntary retirement accounts, cash value of life insurance policies, tax advantaged college, health, or medical savings or spending accounts, and other amounts deemed by the RHS not to constitute net family assets. The RHS also proposes removing from net family assets the value, in excess of the consideration received, for any business or household assets disposed of for less than the fair market value during the 2 years preceding the income determination. Lastly, the RHS proposes to include in net family assets any equity in capital investments.

(3) Revising the methodology used to determine the area loan limits in §3550.63(a) to use a percentage(s), as determined by the RHS, of the applicable local HUD section 203(b) limit (the FHA Forward One-Family mortgage limits). The percentage(s) will be published in the program handbook. The area loan limits will be reviewed at least annually and posted to the RHA website at <https://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf>.

(4) As a result of income banding, revising §3550.68(b)(2) to convert borrowers currently receiving payment assistance method 1 to payment assistance method 2 should they receive a subsequent loan.

(5) Revising the definition of low-income in §3555.10 to allow for the two-tier income limit structure (income banding) for the single family housing guaranteed loan program. The two-tier income limits will be published annually via a Procedure Notice and posted to the Agency website at <https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf>. The single family housing guaranteed loan program provides guarantees to lenders who make loans to low- and moderate-income borrowers in rural areas who are without sufficient resources or credit to obtain a loan without the guarantee. The guaranteed loan program already uses the two-tier income limit structure for moderate income limits. The proposed change would allow the two-tier income limit structure to be used for determining the very low- and low-income limits in the guaranteed loan program.

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