USDA LINC Training & Resource Library | USDA Income & Property Eligibility | HB-1-3555 "SFH Guaranteed Technical Handbook" | SFH Guaranteed Lender Webpage

Handbook Changes Highlights

USDA has been hard at work making changes to the Handbook. Here is an overview of some of the biggest changes that have been made!

- **Seller Concessions** *(Chapter 6)*
    - Seller contributions (or other interested parties) are limited to 6% of the sales price and must represent an eligible loan purpose. Funds provided by the seller to pay the buyer's real estate commission fees are not included in the interested party contribution limitation.
- **Gift Funds** *(Chapter 9)*
    - Gift funds do not have to be placed directly into the applicant's account, instead, they can be provided directly to the title company. To gift the funds in this manner, the gift letter, closing disclosure showing receipt of the donor's funds, or a copy of the check/electronic transfer are required. Documents are required to be maintained in the lender's permanent file.
- **Non-traditional tradelines** *(Chapter 10)*
    - Monthly subscription services, gym memberships, etc. can be used as a non-traditional credit tradeline. You will want to check Attachment 10-A for more details to see if the subscription service qualifies.
    - Borrower's may now use verifications from two different addresses to combine 12-months rental history for non-traditional credit. The combined 12-month rental history may not have any gaps to be used for non-traditional credit. This guidance is specific to rental history only.
- **Insurance Policy Requirements** *(Chapter 16)*
    - *Hazard Insurance*- Properties should have replacement cost coverage in an amount that is at least equal to the guaranteed value of the improvements or the unpaid principal balance. Deductible(s) should not exceed 5% of the total coverage amount.
    - *Flood Insurance*- Updated the maximum insurance deductible permitted to 5% of the total coverage amount for hazard insurance and $10,000 for flood insurance. *****It is important to note that if the lender is permitting a high deductible, they must be mindful of the applicant's repayment ability to ensure the deductible selected is reasonable and will not cause undue hardship on the applicant.

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Handbook Changes links

Updates to HB-1-3555, Chapters 9, 10, and 16 (govdelivery.com)

GUS Changes and Updates to HB-1-3555, Chapters 8, 12, and 15 (govdelivery.com)

To keep up with the most recent changes, make sure you are signed up for our GovDelivery's. You can also check out our FAQ document for changes and updates!

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