

Module 6: Property Requirements
Learning Activity
Activity #1 – Study Guide



During this module you have studied the various Property Requirements involved in administering the Section 502 loan program. This exercise provides you with a set of sample exam questions to help you in utilizing the resources outlined in Lesson One of the module. You will use the Rural Development Employee Portal to locate information and answer a series of questions.

Activity #1 Instructions: Complete the following questions using the links available in the Rural Development Employee Portal. You may find it useful to utilize the Navigating Resources Reference from this module to assist you as you locate the appropriate resources.

Study Guide Questions

1. Mary's application was determined eligible for Section 502 Direct assistance. Her Realtor sent a copy of a home purchase agreement for an existing home. Your supervisor asked you to visit the property to make a preliminary evaluation of the home. What checklists are available for you to use to evaluate this home for potential financing?

2. Jeff wants to purchase a 1200 square foot home. The home is modest and the sales price is within the State area loan limit but includes an in-ground pool. Knowing that our regulations prohibit in-ground pools, he proposes to fill in the pool at his own expense. Can Section 502 loan funds be used for this property?

3. Anita is an eligible loan applicant. She is 29 years old and has no children. Her primary source of income is from a day care business which she operates out of her home. She plans to continue this in her new RHS financed home. She wants to purchase a 3-bedroom home that is in good condition. Her business will not require any specific design features. Is this an eligible loan purpose since the property will be used to operate a business?

4. Which of the following contain the detailed environmental policies and procedures for RD decisions?
 - a. RD Instruction 1901-E
 - b. HB-1-3550, Chapter 4
 - c. RD Instruction 1940-G
 - d. EPA Guidelines 1611



Module 6: Property Requirements
Learning Activity
Activity #1 – Study Guide



5. Which method is the appropriate way to get a standard flood hazard determination?
 - a. Access Flood Zone determination web-site using Attachment 5-D guidelines
 - b. Go look at the site for standing water
 - c. Ask the Housing Program Director
 - d. Call National Office program support staff

6. True or False. You determine that an existing dwelling is located within a Special Flood Hazard Area. The first floor elevation is clearly above the 100-year flood level and flood hazard insurance is available. Since there is flood insurance available and the home meets other special flood hazard requirements, an environmental assessment is not required.

True / False

7. What do you do when the appraiser notes a hazardous substance on site?
 - a. Proceed with loan closing
 - b. Ask the appraiser to bring a sample to your office for analysis
 - c. Complete a Transaction Screen Questionnaire
 - d. Determine the property as unsuitable

8. Modest dwelling **sites** are defined by three factors. Identify and discuss.

9. The standards for planning and performing site development work are outlined in which RD Instruction?
 - a. RD 1927-B
 - b. RD 1940-G
 - c. RD 1980-D
 - d. RD 1924-C

10. Roni Brown is an eligible loan applicant. She wants to construct a home on a rural lot that she already owns. Explain the steps that must be taken before the lot is approved.



Module 6: Property Requirements
Learning Activity
Activity #1 – Study Guide



11. What type of appraisal would you order if the applicant was purchasing a property and loan funds would be used to install new carpet and replace the roof?
 - a. Cost Approach
 - b. "As Improved" value
 - c. "As Is" value
 - d. Marshall and Swift Square Foot Appraisal
 - e. "As Is"/ "As Improved" value

12. True or False. An acceptable mortgage means that the Agency will always have first lien position at the time of or immediately after loan closing.

True / False

13. Give an example of a situation that allows the agency to close a loan with a junior lien position.

14. True or False. The Loan Approval Official must review all plans and specifications and certify that the plans/specs meet one of the National Model Building Codes using Form RD 1924-25.

True / False

15. Iwanna Newhouse has been working with a local contractor who plans to build her USDA financed home. The loan has been closed and the parties are coming to your office for a pre-construction conference. One of the documents needed is a construction contract. Who are the parties to the contract?
 - a. The Contractor and the applicant (Ms. Newhouse);
 - b. Rural Development and the applicant (Ms. Newhouse);
 - c. Rural Development and the contractor; or
 - d. The Realtor

16. True or False. The construction contract must be signed at closing or within 5 business days after closing.

True / False



Module 6: Property Requirements
Learning Activity
Activity #1 – Study Guide



17. True or False. The Smiths have had a loan with Rural Development for many years. They have always paid their loan on time and the debt has been paid down to a balance of \$7,000. The house is getting very old and they have asked for a loan for essential repairs. You have determined that they meet all the necessary eligibility requirements, worked with them to develop a repair list, and obtained bids for the repairs. Since they have an excellent credit record and the amounts are small, an appraisal is not required to make a subsequent loan of \$12,000.

True / False

18. True or False. All contract appraisals require an Administrative Review, RD Form 1922-15, "Administrative Appraisal Review for Single Family Housing

True / False

19. You have inspected a home for an eligible applicant who is confined to a wheelchair. During the visit, you noted the bathroom is very small. You believe the applicant will not be able to get in and out of the bathroom easily. You rejected the property for this reason.

- a. Is this an acceptable decision? Why?
- b. Does the applicant have a Civil Rights complaint? Why or Why not?

20. Describe the basic definition of "**rural**" for RD housing programs.

21. Your office recently reviewed the rural areas for your county. Based on this review, it was determined that the boundaries must change and all of the proper steps are taken to revise the rural area lines. When the process is final, that means Rural Development can no longer provide Single Family Housing assistance in this area.

- a. Is this correct?
- b. Are there any exceptions? If yes, what exceptions apply?

22. For newly built dwellings, the Government may pay for major defects in dwelling construction that are not repaired adequately by the builder under certain conditions. To be eligible, the borrower must submit a claim to the Field Office within how many months after the date of the final inspection?

23. Form RD 1940-22, Environmental Checklist for Categorical Exclusions, has been completed for a property located in a flood plain. You answered yes to Item 2(b) of the form. This triggers the requirement to complete what document?

