Refinances

Single Family Housing Guaranteed Loan Program
Training Objectives

• Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555

• Learning Checks

• Resources
Things change!

• Every effort has been made to ensure training references are accurate at the time of publication.

• Always reference the most recent USDA publications available online.
Guaranteed Loan Program Regulation

7 CFR Part 3555

• The regulation is the rule!
• 8 Subparts: A – H
• Appendix 1
7 CFR Part 3555

7 CFR Part 3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

Table of Contents
Chapter 1 - Overview
Chapter 2 - Record Retention
Chapter 3 - Lender Approval
Chapter 4 - Lender Responsibilities
Chapter 5 - Origination and Underwriting Overview
Chapter 6 - Loan Purposes
Chapter 7 - Loan Terms and Conditions
Chapter 8 - Applicant Characteristics
Chapter 9 - Income Analysis
Chapter 10 - Credit Analysis
Chapter 11 - Ratio Analysis
Chapter 12 - Property and Appraisal Requirements
Chapter 13 - Special Property Types
Chapter 14 - Funding Priorities
Chapter 15 - Submitting the Application Package
Chapter 16 - Closing the Loan and Requesting the Guarantee
Chapter 17 - Regular Servicing-Performing Loans
Chapter 18 - Servicing Non-Performing Loans - Accounts with Repayment Problems
Chapter 19 - Custodial and Real Estate Owned Property
Chapter 20 - Loss Claims - Collecting on the Guarantee

Acronyms
Glossary

Appendix 1 - 7 CFR part 3555
Appendix 2 - Forms and Instructions
Appendix 3 - Review and Appeals
Appendix 4 - Agency and Employee Addresses
Appendix 5 - Income Limits
Appendix 6 - Interest Assistance
Appendix 7 - Caivrs Access Instructions
Appendix 8 - EDI Documentation
Appendix 9 - Penalties
Appendix 10 - Unnumbered Letter and State Supplements
7 CFR Part 3555

Subpart C: Loan Requirements

• .101: Loan Purposes
• .102: Loan restrictions
• .103: Maximum loan amount
• .104: Loan terms
• .105: Combination construction and permanent loans
• .107: Application for and issuance of loan guarantee
• .108: Full faith and credit
7 CFR Part 3555

3555.101 Loan purposes.
(a) Eligible purposes.
(b) Eligible costs.
(c) Combination construction and permanent loan.
(d) Refinancing.
7 CFR Part 3555: 3555.101(d)

Eligible Refinance Loan Purposes

- Permanent financing for an interim new construction loan
- The full amount or pay off of a lot or site with a new construction dwelling
- Section 502 Direct and Guaranteed loans
7 CFR Part 3555: 3555.101(d)

Refinance Types

• Streamlined: Guaranteed loans and Direct loans that have never received subsidy

• Non-Streamlined: Direct and Guaranteed loans

• Streamlined-assist: Direct and Guaranteed loans
7 CFR Part 3555: 3555.101(d)

Streamlined

• Direct loans (no subsidy received) and Guaranteed loans
• No new appraisal is required
• Loan amount is limited to balance of current loan (including interest) and upfront guarantee fee
7 CFR Part 3555: 3555.101(d)

Non-Streamlined

• Direct and Guaranteed loans
• New appraisal is required
• Loan amount is limited to new appraised value
• Loan may include current balance, eligible closing costs, upfront guarantee fee, etc.
• Subsidy recapture (direct loans) may be financed or subordinated
7 CFR Part 3555: 3555.101(d)

Streamlined and Non-Streamlined

- New interest rate must be at or below the current rate
- Mortgage must have closed 12 months prior to loan application
- Mortgage must be paid as agreed for 180 days prior to loan application
- Borrowers may be added or deleted from the loan
- Full income and credit documentation required
- Debt to income ratios are calculated, waivers may be requested
7 CFR Part 3555: 3555.101(d)

Streamlined-Assist

- Direct and Guaranteed loans
- No appraisal is required (unless for subsidy calculation)
- Loan amount may include current balance (including interest), closing costs, upfront guarantee fee, etc.
- Subsidy recapture due for direct borrowers may not be included in new loan
Streamlined-Assist

- Mortgage must have closed 12 months prior to loan application
- Mortgage must be paid as agreed for 12 months prior to loan application
- Interest rate must be at or below current rate
- $50 net tangible benefit must be achieved
- Borrowers may be added, but not deleted
Guaranteed Loan Program Technical Handbook

HB-1-3555

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters
HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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Appendix 6 - Interest Assistance
Appendix 7 - CalVRIS Access Instructions
Appendix 8 - EDI Documentation
Appendix 9 - Penalties
Appendix 10 - Unnumbered Letter and State Supplements
CHAPTER 6: LOAN PURPOSES

6.1 INTRODUCTION

6.2 ELIGIBLE LOAN PURPOSES
   A. Acquiring a Site and Dwelling
   B. Repairs and Rehabilitation
   C. Reasonable and Customary Expenses Associated with Purchasing a Dwelling
   D. Refinance
   E. Supplemental Loans

6.3 PROHIBITED LOAN PURPOSES

6.4 AGENCY REVIEW OF LOAN PURPOSES
HB-1-3555: 6.2 D

1. Construction Financing
2. Site without a Dwelling
3. Existing Section 502 Direct & Guaranteed Loans
   • Non-streamlined
   • Streamlined refinance
   • Streamlined assist
HB-1-3555: 6.2 D 3

Existing Section 502 Direct & Guaranteed Loans

a. Loan terms and conditions
b. Loan application documents
c. Submission process
d. Closing costs and lender fees
e. Upfront guarantee fee
f. Annual fee
g. Loan note guarantee issuance requirements
h. GLS reporting
i. Funding limitations
HB-1-3555: 6.2 D

4. Existing Section 502 Direct Loans
   a. Section 502 Leveraged Loans
   b. Recapture
TIPS

• Underwriter = USDA Approved Lender
• USDA = not an underwriter
• Research Rule & HB questions: Table of Contents
• Research Rule & HB questions: Control + F
7 CFR PART 3555 / HB-1-3555 LEARNING CHECKS
Question Slide

“Topic”

• Question will be bulleted with scenario, or
• Include a statement/question

TRUE/FALSE or other answer options will be displayed
"Topic"

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

• Additional guidance for clarification may be provided
Let’s Get Started
Refinance opportunities

- Rich has an interim construction loan with ABC Bank
- Rich owes $12,500 on his lot loan
- Rich can include his lot loan balance into the final permanent loan

A. TRUE  B. FALSE
Refinance opportunities

ANSWER: 3555.101(d)(1) and (2), HB 6.2 D 1 and D 2

A. TRUE

• The loan must include the site and home for collateral
• Remaining site debt is an eligible loan purpose under 3555.101(b)
Refinance opportunities

Which refinance(s) requires an appraisal for an existing guaranteed loan borrower?

A. Streamlined  
B. Non-Streamlined  
C. Streamlined-assist
Refinance opportunities

**ANSWER: 3555.101(d)(i)(A), HB 6.2 D 3**

B. Non-Streamlined

- Guaranteed borrowers require a new appraisal to determine the maximum loan amount
Refinance opportunities

Which refinance(s) does not allow a current borrower(s) to be removed?

A. Streamlined
B. Non-Streamlined
C. Streamlined-assist
Refinance opportunities

ANSWER: 3555.101(d)(i)(A), HB 6.2 D 3

C. Streamlined-assist

• New borrowers may be added, but original borrowers may not be deleted
Refinance opportunities
Which refinance option allows the upfront guarantee fee to be financed regardless of LTV?

A. Streamlined
B. Non-Streamlined
C. Streamlined-assist
D. All of the above
Refinance opportunities

**ANSWER: 3555.101(d)(i), HB 6.2 D 3**

D. All of the above

- The upfront guarantee fee may always be included in the new loan amount
Refinance opportunities

Which refinance option allows subsidy recapture to be financed into the new loan amount when eligible?

A. Streamlined
B. Non-Streamlined
C. Streamlined-assist
D. None of the above
Refinance opportunities
ANSWER: 3555.101(d)(i)(B), HB 6.2 D 3

B. Non-streamlined

- The new appraised value will determine if subsidy is due and if it may be included
- Payoff of subsidy qualifies for a discount on amount due
- Additional refinance options allow subsidy to be subordinated
Refinance opportunities

• Non-streamlined refinance
• Appraised value: $100,000
• Principal, interest, and subsidy payoff: $100,000
• What is the maximum loan amount for this refinance?

A. $100,000 plus upfront guarantee fee
B. $100,000 plus eligible closing costs and upfront guarantee fee
Refinance opportunities

ANSWER: 3555.101(d)(i), HB 6.2 D 3

A. $100,000 plus upfront guarantee fee

- Non-streamlined refinance option
- Maximum loan cannot exceed appraised value plus upfront guarantee fee
- Subsidy recapture due is eligible to be financed when there is sufficient equity in the property
Refinance opportunities

Which refinance option(s) cannot be processed in GUS?

A. Streamlined
B. Non-Streamlined
C. Streamlined-assist
Refinance opportunities

ANSWER: 3555.101(d)(i), HB 6.2 D 3

C. Streamlined-assist

• Loans must be manually underwritten
• Submit loan documentation electronically to USDA for review
Refinance opportunities

• Ed’s current guaranteed loan interest rate is 5.5%
• To qualify for a USDA refinance, his new interest rate must be at 4.5% or below

A. TRUE     B. FALSE
Refinance opportunities

ANSWER: 3555.101(d)(ii), HB 6.2 D 3

B. FALSE

- The new interest rate must be at or below 5.5%
- The 100 basis point reduction has been removed from the regulation and HB
Refinance opportunities

• Cindy has a direct loan in California
• She now lives in Tennessee and wishes to refinance the California home

• Which refinance option(s) is Cindy eligible?

A. Streamlined
B. Non-streamlined
C. Streamlined-assist
D. None of the above
Refinance opportunities
ANSWER: 3555.101(d)(i), HB 6.2 D 3

D. None of the above

• Applicants must be the owner occupant/primary resident to qualify for any refinance option
Refinance opportunities

- Marty wishes to apply for a refinance
- His current loan closed 8 months ago
- Marty is eligible to apply for a guarantee refinance loan

A. TRUE  B. FALSE
Refinance opportunities

ANSWER: 3555.101(d)(i), HB 6.2 D 3

B. FALSE

• All loans must have closed a minimum of 12 months prior to the date of loan application
Refinance opportunities

- Kim applies for a streamlined-assist refinance
- Her debt ratio will exceed 41%
- A debt ratio waiver request must be submitted to USDA

A. TRUE       B. FALSE
Refinance opportunities

ANSWER: 3555.101(d)(i), HB 6.2 D 3

B. FALSE

• Streamlined-assist loans do not require ratio calculations
• No debt ratio waivers are required
Refinance opportunities

• Streamlined-assist refinance loan
• Current PITI: $755
• New PITI: $659
• This refinance achieves the required net tangible benefit

A. TRUE    B. FALSE
Refinance opportunities

ANSWER: 3555.101(d)(i), HB 6.2 D 3

A. TRUE

• Current PITI: $755 – New PITI $659 = $96
• New PITI must be a minimum of $50 less than the current PITI
• The applicable annual fee must be included in the PITI calculation
Refinance Option Overview
<table>
<thead>
<tr>
<th>Requirement</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined-assist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Loan Amount</td>
<td>Cannot exceed new appraised value plus upfront guarantee fee.</td>
<td>Cannot exceed original loan amount.</td>
<td>• Principal &amp; Interest</td>
</tr>
<tr>
<td></td>
<td>• Principal &amp; Interest</td>
<td>• Principal &amp; Interest</td>
<td>• Closing costs</td>
</tr>
<tr>
<td></td>
<td>• Closing costs</td>
<td>• Re-conveyance fee</td>
<td>• Funds to establish tax and insurance escrow</td>
</tr>
<tr>
<td></td>
<td>• Funds to establish tax and insurance escrow</td>
<td>• Upfront guarantee fee</td>
<td>• Upfront guarantee fee</td>
</tr>
<tr>
<td></td>
<td>• Subsidy recapture due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraisal</td>
<td>Yes</td>
<td>Only direct borrowers that received subsidy</td>
<td>Only direct borrowers that received subsidy</td>
</tr>
<tr>
<td>30 year loan term</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fixed interest rate at or below interest rate of current loan</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Add/Remove Borrowers (one original borrower must remain)</td>
<td>Yes</td>
<td>Yes</td>
<td>Add borrowers only</td>
</tr>
<tr>
<td>Seasoning: Loan must have closed 12 months prior to loan request to USDA</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Credit</td>
<td>• Loan paid as agreed 180 days prior to loan request to USDA</td>
<td>• Loan paid as agreed 180 days prior to loan request to USDA</td>
<td>• Loan paid as agreed 12 months prior to loan request to USDA</td>
</tr>
<tr>
<td></td>
<td>• Requirements of Chapter 10</td>
<td>• Requirements of Chapter 10</td>
<td></td>
</tr>
<tr>
<td>Ratios</td>
<td>• GUS Accept</td>
<td>• GUS Accept</td>
<td>• No ratio calculation required</td>
</tr>
<tr>
<td></td>
<td>• GUS Refer with debt ratio waiver to meet HB Chapter 11</td>
<td>• GUS Refer with debt ratio waiver to meet HB Chapter 11</td>
<td></td>
</tr>
<tr>
<td>Requirement</td>
<td>Non-streamlined</td>
<td>Streamlined</td>
<td>Streamlined-assist</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>-----------------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Can GUS be utilized?</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Include subsidy recapture?</td>
<td>Yes, if appraised value supports</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Net tangible benefit required?</td>
<td>No</td>
<td>No</td>
<td>Yes $50 or greater reduction in new PITI (including annual fee) as compared to current PITI payment</td>
</tr>
<tr>
<td>Owner occupied status required</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Meet adjusted annual income limitation</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Subordinate “silent” seconds or subsidy recapture due?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Late mortgage fees eligible to be refinanced</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Properties now in ineligible rural areas continue to be eligible?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Eligible to refinance a Direct Leveraged loan?</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
Section 502 Direct and Guaranteed Loan Refinance
Complete Loan Application Submission

Attachment 15-A must be utilized to submit complete loan applications to USDA for review. The following is provided as a guide to assist lenders in assembling refinance applications.

<table>
<thead>
<tr>
<th>Loan Documentation</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined-assist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form RD 3555-21</td>
<td>X</td>
<td>X</td>
<td>Ineligible to be processed in GUS.</td>
</tr>
<tr>
<td>Final GUS UW Findings Report</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Evidence of qualified alien, if applicable</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Appraisal</td>
<td>X</td>
<td>Only for direct loans that have received subsidy</td>
<td></td>
</tr>
<tr>
<td>Credit report</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Credit report for Non-purchasing spouse, if applicable</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Loan Documentation</td>
<td>Non-streamlined</td>
<td>Streamlined</td>
<td>Streamlined-assist</td>
</tr>
<tr>
<td>-----------------------------</td>
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<td>-------------------</td>
</tr>
<tr>
<td>Form RD 3555-21</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Final GUS UW Findings Report</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
</tr>
<tr>
<td>Underwriting analysis</td>
<td>X</td>
<td>X</td>
<td>$50 net tangible benefit may be documented on this form (optional).</td>
</tr>
<tr>
<td>Evidence of qualified alien, if applicable</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Appraisal</td>
<td>X</td>
<td>Only for a direct loan that have received subsidy.</td>
<td>Only for a direct loan that have received subsidy.</td>
</tr>
<tr>
<td>Credit report</td>
<td>X</td>
<td>X</td>
<td>Not required, but credit report may be used to document previous 12 month payment history of mortgage. No additional credit review is required.</td>
</tr>
<tr>
<td>Credit report for Non-purchasing spouse, if applicable</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Credit waiver</strong></td>
<td>X</td>
<td>If applicable</td>
<td>X</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---</td>
<td>---------------</td>
<td>---</td>
</tr>
<tr>
<td><strong>Debt ratio waiver</strong></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Uniform Residential Loan Application</strong></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Full Income Documentation for all adult household members (includes 4506-T)</strong></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Asset documentation</strong></td>
<td>X</td>
<td>If applicable</td>
<td>X</td>
</tr>
</tbody>
</table>
WAY TO GO!
Regulations


Regulations & Guidelines

All Federal regulations can be found at Regulations.gov and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

As a service to our customers, we post Rural Development’s Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development

• Administrative Notices
• Instructions
• Forms
• Spanish Forms, Form Letters and Guide Letters
• Handbooks
• Procedures Notices
• Significant Guidance Documents
• Unnumbered Letters
• Federal Register Publications
GovDelivery Sign up


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*Email Address

Submit  Cancel
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