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
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

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

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
7 CFR Part 3555: 3555.101(d)
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
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
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

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

• 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

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

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

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

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 addl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraised</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>30-year loan term</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Interest rate 8% or below and interest rate of assented loan</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Additional borrowers (with original borrower must be primary)</td>
<td>Yes</td>
<td>Yes</td>
<td>Additional only</td>
</tr>
<tr>
<td>Secongry; Loan must be approved &amp; closed, prior to loan request to USDA</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>USDA</td>
<td>Loan paid no earlier than 180 days prior to loan request to USDA Requirements of Chapter 10</td>
<td>Loan paid no earlier than 180 days prior to loan request to USDA Requirements of Chapter 10</td>
<td>Loan paid no earlier than 180 days prior to loan request to USDA Requirements of Chapter 10</td>
</tr>
<tr>
<td>Rates</td>
<td>OIG-200</td>
<td>OIG-200 with debt ratio waiver to meet 4B chapter 11</td>
<td>OIG-200</td>
</tr>
</tbody>
</table>
### Requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined assist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can GIS be utilized?</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Include subsidy - inapplicable?</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 PI (including annual fees as compared to current PI) payment</td>
</tr>
<tr>
<td>Owner occupied status required</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Most adjusted annual income limitation</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Subordinate &quot;Direct&quot; income or subsidy inapplicable due?</td>
<td>Yes</td>
<td>No</td>
<td>No</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 loan?</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

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### 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>GUS ACCEPT UW RECOMMENDATION</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined assist</th>
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<tbody>
<tr>
<td>Form RD 1005-21</td>
<td>X</td>
<td>X</td>
<td>Ineligible to be processed in GUS.</td>
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<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>X</td>
<td>Only for direct loans that have received subsidy</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>
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</table>
### GUS REFER, REFER WITH CAUTION UW RECOMMENDATION AND MANUALLY UW LOAN

<table>
<thead>
<tr>
<th>Loan Documentation</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined-asset</th>
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<tr>
<td>Form RD 3555-31</td>
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<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Final GUS UW Findings Report</td>
<td></td>
<td>X</td>
<td>N/A</td>
</tr>
<tr>
<td>Underwriting analysis</td>
<td>X</td>
<td>X</td>
<td>SSG net tangible benefit may be documented on this form (optional).</td>
</tr>
<tr>
<td>Evidence of qualified alien, if applicable</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Appraisal</td>
<td></td>
<td>X</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>Only for a direct loan that have received subsidy.</td>
</tr>
<tr>
<td>Credit report for Non-purchasing spouse, if applicable</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Credit waiver

<table>
<thead>
<tr>
<th>Credit waiver</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined-asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td>X</td>
<td>N/A</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt ratio waiver</th>
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<tbody>
<tr>
<td>X</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Uniform Residential Loan Application</th>
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<tbody>
<tr>
<td>X</td>
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</table>

<table>
<thead>
<tr>
<th>Full income Documentation for all adult household members (includes 4506-T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
</tr>
<tr>
<td>If applicable</td>
</tr>
</tbody>
</table>
WAY TO GO!

Regulations
GovDelivery Sign up

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