Refinancing

Single Family Housing Guaranteed Loan Program (SFHGLP)

November 2020
Let's Review...

- Eligible Refinance Loan Purposes
- Refinance Types
- Resources
Construction Financing:

- “Take out/interim financing” to construct a new dwelling or improve an existing dwelling.
- Requires two separate loan closings and two separate sets of legal documents.
- No modification of original Note; a new Note will be signed by borrowers.
- First closing is for the interim construction financing; second closing is for permanent financing once construction is complete.
- Lender is responsible to ensure all costs for both transactions represent eligible loan purposes.
Site Without a Dwelling

- Debt to be refinanced was incurred for the sole purpose of purchasing the site.
- Applicant is unable to acquire adequate housing without refinance.
- Eligible dwelling will be constructed on the site prior to issuance of Loan Note Guarantee.
- Lender is responsible to ensure all costs for construction financing represent eligible loan purposes.
- One transaction will represent 2-closing transaction with 2 sets of documents.
- A modification may not be used to update the original Note.
Existing Section 502 Direct and Guaranteed Loans

- Not a loss mitigation option
- Options available:
  - Non-Streamlined
  - Streamlined
  - Streamlined-Assist

Refinance Options

HB-1-3555, Chapter 6.2(D)(2)
### Refinance Options

**HB-1-3555, Chapter 6.2(D)(2)**

<table>
<thead>
<tr>
<th></th>
<th>Non-Streamlined</th>
<th>Streamlined</th>
<th>Streamlined-Assist</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APPRAISAL</strong></td>
<td>Required</td>
<td>Only when Direct loan borrowers received subsidy</td>
<td>Only when Direct loan borrowers received subsidy</td>
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<tr>
<td><strong>MAXIMUM LOAN AMOUNT</strong></td>
<td><strong>May include:</strong> P&amp;I balance, eligible closing costs, and subsidy recapture due <em>(up to new appraised value)</em></td>
<td><strong>May include:</strong> P&amp;I balance and eligible closing costs plus the upfront guarantee fee <em>(subsidy recapture cannot be included)</em></td>
<td><strong>May include:</strong> P&amp;I balance and eligible closing costs plus the upfront guarantee fee <em>(subsidy recapture cannot be included)</em></td>
</tr>
<tr>
<td><strong>ADD/REMOVE BORROWERS</strong></td>
<td><strong>Add:</strong> Yes, <strong>Remove:</strong> Yes <em>(1 original borrower must remain)</em>.</td>
<td><strong>Add:</strong> Yes, <strong>Remove:</strong> Yes <em>(1 original borrower must remain)</em>.</td>
<td><strong>Add:</strong> Yes, <strong>Remove:</strong> Only if deceased.</td>
</tr>
<tr>
<td><strong>CREDIT</strong></td>
<td>Loan paid as agreed <strong>180 days</strong> prior to loan application. Must meet Chapter 10 Requirements.</td>
<td>Loan paid as agreed <strong>180 days</strong> prior to loan application. Must meet Chapter 10 requirements.</td>
<td>Loan paid as agreed <strong>12 months</strong> prior to loan application.</td>
</tr>
</tbody>
</table>
### Refinance Options

**HB-1-3555, Chapter 6.2(D)(2)**

<table>
<thead>
<tr>
<th>Ratios</th>
<th>Non-Streamlined</th>
<th>Streamlined</th>
<th>Streamlined-Assist</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUS Accept: no waivers</td>
<td>GUS Accept: no waivers</td>
<td>GUS Accept: no waivers</td>
<td>No ratio calculation required</td>
</tr>
<tr>
<td>GUS Refer: waiver required</td>
<td>GUS Refer: waiver required</td>
<td>GUS Refer: waiver required</td>
<td></td>
</tr>
<tr>
<td>GUS Utilization</td>
<td>Yes</td>
<td>Yes</td>
<td>No (manual submission required)</td>
</tr>
<tr>
<td>Seasoning Requirement</td>
<td>Existing loan must have closed 12 months prior to the Agency’s receipt of a Conditional Commitment request</td>
<td>Existing loan must have closed 12 months prior to the Agency’s receipt of a Conditional Commitment request</td>
<td>Existing loan must have closed 12 months prior to the Agency’s receipt of a Conditional Commitment request</td>
</tr>
<tr>
<td>Tangible Benefit</td>
<td>No</td>
<td>No</td>
<td>Yes (new PITI must be at least $50 less than current PITI)</td>
</tr>
</tbody>
</table>

New PITI must be at least $50 less than current PITI (manual submission required)
Refinance Terms and Conditions

HB-1-3555, Chapter 6.2(D)(2)

- Loan terms must be fixed for 30 years.
- Interest rate of the new loan must be fixed and not exceed the interest rate of the loan refinanced.
- Loan security must include the same property as the original loan and owned and occupied by the applicants as their principal residence.
- Properties located in areas since determined by the Agency to be non-rural (ineligible) remain eligible for a refinance.
- Property inspections as outlined in HB-1-3555, Chapter 12 are not required.
- Secondary financing such as leveraged loans, down payment assist loans or home equity lines of credit cannot be included in a new guarantee refinance loan.
Cash out is not permitted except for reimbursement of eligible closing costs paid from the borrower’s personal funds for the refinance transaction.

Unpaid fees, past-due interest, and late fees/penalties due the servicer cannot be included in the new loan amount.

The lender may establish charges and fees for the refinance loan, provided they are the same as those as charged to other applicants for similar transactions.

The entire up-front guarantee fee may be financed into the new refinance loan.

An annual fee will be charged by the Agency for refinance transactions.

Lenders should submit the complete application package in accordance with HB-1-3555, Chapter 15 and submit closing documents when requesting the LNG in accordance with HB-1-3555, Chapters 16.
LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555
A borrower wishes to refinance their existing guaranteed loan to which they will receive a lower interest rate than they are currently obligated to.

The borrower would like to also apply for an additional $5,000 to pay off existing student debt.

This is an allowable SFHGLP eligible refinance.

A. TRUE  B. FALSE
B. FALSE

Borrowers are not eligible to receive “cash-out” from the refinance transaction.
For refines that involve either Construction Financing or Site without a Dwelling, the construction period is limited to:

A. 6 months
B. 12 months
C. 18 months
ANSWER

Refinance

3555.101(d)(3)(C), HB 6.2 D (a.)(1)and(2)

B. 12 months

The construction period is limited to no greater than 12-months. The 12-month period must have occurred directly prior to permanent financing.
GUS may *not* be utilized on which of the following refinance options:

A. Non-Streamlined
B. Streamlined
C. Streamlined-Assist
HB 6.2 D (a.)(3)(iii)

C. Streamlined-Assist

GUS is unavailable for this refinance option and all loans submitted under Streamlined-Assist must be manually underwritten.
QUESTION

Refinance

Maximum monthly housing expense ratio of 29% and total debt ratio of 41% must be met for all three refinancing options.

A. TRUE     B. FALSE
3555.101(d), HB 6.2 D (a.)(3)(i, ii, and iii)

B. FALSE

Housing expense and total debt ratio requirements must be met for only the Non-Streamline and Streamlined refinance.
An existing Direct borrower would like to include subsidy payoff in the new loan. Which refinance option could be used for this purpose?

A. Non-Streamlined
B. Streamlined
C. Streamlined-Assist
Non-Streamlined is the only refinance option that allows the subsidy recapture to be included in the new loan, and then only if the appraised value supports the new loan amount needed to do so.
Way to Go!
LEARNING CHECK COMPLETED!
Lender Toolkit
PART 3555—GUARANTEED RURAL HOUSING PROGRAM

Contents

Subpart D—Underwriting the Applicant

§3555.151 Eligibility requirements.
§3555.152 Calculation of income and assets.
§3555.153-3555.199 [Reserved]
§3555.200 OMB control number.

HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK

A consolidated version of the handbook is available. HB-1-3555 is a large document and may take sometime to load.

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
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>CONTACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>File-Specific Questions</td>
<td>Production Team One: <a href="mailto:SFHGLP.FAONE@usda.gov">SFHGLP.FAONE@usda.gov</a></td>
</tr>
<tr>
<td>Information to include in email:</td>
<td>AK, AL, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, IA, KS,</td>
</tr>
<tr>
<td>• Identify the state the application is</td>
<td>MT, MS, MO, MN, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD,</td>
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<td>located, if applicable;</td>
<td>VA, VT, WA, WI, WV, WY</td>
</tr>
<tr>
<td>• Provide applicant’s name and USDA</td>
<td>Production Team Two: <a href="mailto:SFHGLP.FTW01@usda.gov">SFHGLP.FTW01@usda.gov</a></td>
</tr>
<tr>
<td>borrower ID, if applicable;</td>
<td>AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK</td>
</tr>
<tr>
<td>• GUS loan number, if applicable</td>
<td>Production Team Three: <a href="mailto:SFHGLP.FTHREE@usda.gov">SFHGLP.FTHREE@usda.gov</a></td>
</tr>
<tr>
<td>• Include contact information;</td>
<td>CT, DE, GA, IL, MA, MD, ME, MI, MN, NC, NH, NJ, NY, SC, VT, WV, WI</td>
</tr>
<tr>
<td>• Indicate if you would like a call back</td>
<td>Production Team Four: <a href="mailto:SFHGLP.FTHREE@usda.gov">SFHGLP.FTHREE@usda.gov</a></td>
</tr>
<tr>
<td>(otherwise you will receive an email reply)</td>
<td>FL, IN, OH, PA, PR, TN, VA, WI</td>
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<td>Lender Approval/Recertification</td>
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<tr>
<td>Lender Self-Report</td>
<td><a href="mailto:sfhglp.compliance@usda.gov">sfhglp.compliance@usda.gov</a></td>
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<td>Program Training</td>
<td><a href="mailto:sfhglp.lenderpartner@usda.gov">sfhglp.lenderpartner@usda.gov</a></td>
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<td>Program Marketing &amp; Outreach</td>
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<td>General Loan Scenario Questions</td>
<td><a href="mailto:sfhglp.servicing@usda.gov">sfhglp.servicing@usda.gov</a></td>
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<td>Loan Policy/Regulation/Handbook</td>
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<td>Loan Servicing</td>
<td><a href="mailto:sfhglp.service@usda.gov">sfhglp.service@usda.gov</a></td>
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<td>Technical Issues: GUS</td>
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<td>Technical Issues: e-Authentication</td>
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<td>Loss Claims</td>
<td><a href="mailto:guarantee.wo@usda.gov">guarantee.wo@usda.gov</a></td>
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<td>Monthly &amp; Quarterly Status Reporting</td>
<td><a href="mailto:sfhglp.useragreements@usda.gov">sfhglp.useragreements@usda.gov</a></td>
</tr>
<tr>
<td>GUS User Agreements</td>
<td><a href="mailto:sfhglp.de@usda.gov">sfhglp.de@usda.gov</a></td>
</tr>
</tbody>
</table>

**TOOLS & RESOURCES**
- Lender Webpage—Turn times, contact information, and helpful links: [https://www.usda.gov/loans/fh-guaranteed-loan](https://www.usda.gov/loans/fh-guaranteed-loan)
- USDA LINC—Training modules, user guides, and more useful resources: [https://www.ers.usda.gov/programs-services/loans/](https://www.ers.usda.gov/programs-services/loans/)
- GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: [https://govdelivery.com/subscribe/usda](https://govdelivery.com/subscribe/usda)