Welcome to Refinance training, presented by USDA's Single Family Housing Guaranteed Loan Program!
Training Objectives

- Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

The objectives of the training include:
1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.
Every effort has been made to ensure this training and all references are accurate, however, new program revisions and clarifications may occur. Therefore, please ensure you always reference the most recent USDA publications available online.

This training module is not intended to replace the need to reference the regulation, technical handbook, and additional USDA published documents regarding the Guaranteed Loan Program.
Guaranteed Loan Program Regulation

7 CFR Part 3555

- The regulation is the rule!
- 8 Subparts: A – H
- Appendix 1

7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions.

The regulation is the rule and it cannot be overridden by the technical handbook. The 7 CFR Part 3555 is comprised of 8 subparts, A through H.

You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.
The Regulations and Guidelines website is located from the link shown on the slide. Under “Rural Development” there are many items available from this home page. To access the regulation, select “Handbooks.”
A list of all USDA Rural Development handbooks will display. Be sure to select the correct technical handbook: HB-1-3555. Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection. Appendix 1 is the full regulation, 7 CFR Part 3555.
Refinances are located in Subpart C, Section 3555.101.
The regulation Table of Contents provides a quick view of the individual topics included under this Section.

<table>
<thead>
<tr>
<th>3555.101</th>
<th>Loan purposes.</th>
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</thead>
<tbody>
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<td>(a)</td>
<td>Eligible purposes.</td>
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<td>(b)</td>
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<td>(c)</td>
<td>Combination construction and permanent loan.</td>
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<td>(d)</td>
<td>Refinancing.</td>
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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

Eligible refinance loan purposes include:
• Permanent financing for an interim new construction loan utilized when a dwelling was constructed or improved
• The full amount or the balance remaining on a lot or site loan obtained when constructing a new dwelling
• Refinancing a current Section 502 Direct or Guaranteed loan in order to obtain a lower interest rate and mortgage payment.
Three types of refinance loans are available:

• **Streamlined**: Available for Guaranteed loans and Direct loans that have never received subsidy (also known as payment assistance)

• **Non-Streamlined**: Available for both Direct and Guaranteed loans

• **Streamlined-assist**: Available for both Direct and Guaranteed loans
Streamlined refinance highlights (not all inclusive requirements):

• Eligible for guaranteed loans and direct loans that have never received any subsidy payments
• No new appraisal is required
• The loan amount is limited to balance of current loan (including interest) and upfront guarantee fee
Non-Streamlined refinance highlights (not all inclusive requirements):

• Direct and Guaranteed loans are eligible
• New appraisal is required to determine new maximum loan amount
• The new loan amount may include the current loan balance including accrued interest, eligible loan closing costs, the upfront guarantee fee, etc.
• Subsidy recapture (direct loans) may be financed or subordinated
Streamlined and Non-Streamlined refinance highlights: SHARED REQUIREMENTS

- The new interest rate must be at or below the current loan interest rate
- The mortgage must have closed 12 months prior to the loan application request for the refinance
- The mortgage must be paid as agreed for 180 days prior to loan application
- Borrowers may be added or deleted from the current loan
- Full income and credit documentation required
- Debt to income ratios are calculated, waivers may be requested
- Debt to income ratios are also calculated, therefore debt ratio waivers may be requested from USDA.
Streamlined-Assist refinance highlights (not all inclusive requirements):

- Direct and Guaranteed loans are eligible
- No new appraisal is required
- The loan amount may include the current balance of the existing loan (including accrued interest), eligible loan closing costs, upfront guarantee fee, etc.
- Subsidy recapture due for a direct loan borrower may not be included in the new loan
Streamlined-Assist refinance highlights (not all inclusive requirements):
• The mortgage must have closed 12 months prior to the request for a refinance loan application
• The mortgage must be paid as agreed for the 12 months prior to loan application
• The interest rate must be at or below the current interest rate
• A $50 new tangible benefit must be achieved between the current PITI and the new proposed PITI
• New borrowers may be added to the loan, but existing borrowers may not be deleted
The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.
The handbook may be accessed from the Regulations and Guidelines website. Refinances are located in Chapter 6.
This screen displays the Table of Contents of Chapter 6. This helps the user to locate specific topics more quickly.
Under HB 6.2 D all of the following topics have additional clarification provided:
1. Construction financing
2. Including the balance of a site/lot utilized to construct a new dwelling
3. All three refinance options: streamlined, non-streamlined, and 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 6.2 D 3 includes additional guidance for each piece of the refinance transaction.
HB 6.2 D also includes guidance for existing Section 502 Direct loans. Leveraged loans are ineligible to be refinanced under the current programs. Subsidy recapture is also highlighted.
A few helpful tips:

1. The underwriter of the loan is the approved lender’s underwriter.
2. USDA is NOT the underwriter of the loan.
3. When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
4. A great best practice when searching for information is to open the regulation or a handbook chapter, select the “Control” button on the keyboard, hold it down, and then also select the “F” key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.
The best way to learn information is to test your knowledge!
Each question slide will list:
• the topic
• a question or scenario, and
• potential responses.
**ANSWER SLIDE**

“**Topic**”

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

X. Correct Response

- Additional guidance for clarification may be provided

The answer slide will list:
- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.
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

Read the question on the slide and select a response.
Response A
The lot and site must be included as part of the total collateral.
The cost of the lot or the remaining balance of a debt for the purchase of a lot 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

Read the question on the slide and select a response.
Response B

Guaranteed loan borrowers require a new appraisal for a non-streamlined refinance. The new appraisal will determine the new maximum loan amount that may be considered for the refinance loan.
Refinance opportunities
Which refinance(s) does not allow a current borrower(s) to be removed?

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

Read the question on the slide and select a response.
Response C
The streamlined-assist refinance will allow for new borrowers to be added but existing borrowers may not be deleted. Because debt ratio waiver calculations are not required for this type of refinance, removing borrowers that were considered at the time of loan origination may render the debt ratios dangerously high. In short, what it took two (or more) people to qualify for, one or fewer may be unable to reasonably afford.
Read the question on the slide and select a response.

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
Response D

Every refinance option allows the upfront guarantee fee to be financed above the appraised value or new loan amount threshold.
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

Read the question on the slide and select a response.
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

Response B
A non-streamlined refinance requires a new appraisal, therefore the collateral value may be high enough to finance the subsidy recapture owed if applicable. If an applicant decides to pay off the subsidy owned, a discount is applied. Applicant’s that choose alternate refinance programs may still pay the subsidy balance in full or subordinate it as a second lien, which may then become payable at a later time when the time the home is sold or refinanced.
Read the question on the slide and select a response.
Response A
The non-streamlined option will provide a new appraised value to determine the current value of the collateral as compared to the loan balance and additional fees that may be due.
The maximum loan amount is the appraised value plus the upfront guarantee fee. If the appraised value allows for the inclusion of the subsidy recapture due, it may be financed.
Refinance opportunities
Which refinance option(s) cannot be processed in GUS?

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

Read the question on the slide and select a response.
Response C
At this time streamlined-assist refinance loans may not be processed in GUS. They must be submitted to USDA as manually underwritten loan packages. The loan package and all documentation may be electronically submitted to USDA for review (no need to pay for special shipping).
Read the question on the slide and select a response.

**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
False
All new refinance interest rates must be at or below the interest rate of the current direct or guaranteed loan.
There was a former requirement to ensure the rate was at least 100 basis points below the current interest rate, but this was removed.
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

Read the question on the slide and select a response.
Response D
Cindy is no longer living in the home as her primary residence. This will render her ineligible for any refinance options.
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

Read the question on the slide and select a response.
Before a loan may be considered for a refinance program, it must have closed a minimum of 12 months prior to the date of loan application to request a refinance.
Read the question on the slide and select a response.
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

False
Streamlined-assist loans do not require debt ratio calculations. Therefore no waiver will ever be required by USDA from the lender.
Read the question on the slide and select a response.

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

A. TRUE  
B. FALSE
True
The current total PITI payment is $755, with a new proposed total PITI payment of $659. $755 − $659 = $96
The new total PITI payment must be a minimum of $50 less than the current PITI. In this example the net tangible benefit will exceed the required $50 at $96.
The PITI must include the annual fee, applicable HOA fees, etc.
To assist in outlining the specific requirements for each of the three refinance options has been detailed in a comparison document that was delivered to all GovDelivery subscribers. USDA offices are also authorized to distribute this document as well.
The requirement for each refinance is listed on the left. The columns are organized in the order of non-streamlined, streamlined, and streamlined-assist. This is a snap shot of page 1.
<table>
<thead>
<tr>
<th>Requirement</th>
<th>Non-streamlined</th>
<th>Streamlined</th>
<th>Streamlined Toolkit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can FHA be utilized?</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Include subsidy receipts?</td>
<td>Yes, if approved</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
| Net tangible benefit required?                  | No             | No          | $50 or greater reduction in 
INPTI (excluding annual fee on guaranteed note) / INPTI payment |
| Owner occupied status required?                 | Yes            | Yes         | Yes                 |
| Meet adjusted annual income limitation          | Yes            | Yes         | Yes                 |
| Subordinate “senior” or subsidy receipt?        | Yes            | Yes         | Yes                 |
| Late mortgage fees eligible to be refinanced    | No             | No          | No                  |
| Prepayment must be ineligible rural areas continue to be eligible? | Yes | Yes | Yes |
| Eligible to reinsure a Direct Leveraged Loan?   | No             | No          | No                  |
To help assist lenders in submitting a complete refinance loan application, each refinance type is listed. Loan documentation is listed on the left. If this documentation is required for the refinance type, it will be indicated with an “X.”

This is a look at part of page 1 for GUS Accept Underwriting Recommendations.
These requirements are for GUS Refer, Refer with Caution, and Manually underwritten loans.

<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 8366 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 alter, 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>Review credit and verify mortgage payment history.</td>
<td>Review credit and verify mortgage payment history.</td>
</tr>
<tr>
<td>Credit report for Non-purchasing spouse, if applicable</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
</tr>
</tbody>
</table>
This is slide concludes the requirements for the Refer and manually underwritten loan files.

<table>
<thead>
<tr>
<th>Credit waiver</th>
<th>X</th>
<th>X</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>if applicable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt ratio waiver</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No debt ratio calculations</td>
</tr>
<tr>
<td>Uniform Residential Loan Application</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Full Income Documentation for all adult household members (includes 4506-T)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Asset documentation</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>if applicable</td>
<td></td>
<td></td>
<td>if applicable</td>
</tr>
</tbody>
</table>
Way to go! You have completed the learning checks!
Don’t forget the Regulations and Guidelines website is a treasure trove of USDA guideline knowledge.
Please sign up for GovDelivery messages. USDA sends out origination (including GUS) and servicing messages to alert lenders of new publications, clarifications, and additional program updates.
Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program! We appreciate the opportunity to help you serve more rural homebuyers!
This will conclude the training module. Thank you and have a great day!