APPENDIX 12

SINGLE FAMILY HOUSING DIRECT PROGRAMS
AMERICAN RESCUE PLAN ACT (ARPA) GUIDELINES

These guidelines, which have been granted in the past through an Unnumbered Letter dated May 12, 2021, provide updated processing guidance for applications from existing Section 502 and Section 504 direct loan borrowers, to refinance outstanding loans which are, or have been, in an approved COVID-19 moratorium. These guidelines are also expanded to accept applications from Section 502 self-help borrowers to refinance outstanding self-help loans which were closed in Fiscal Year (FY) 2020 or later; and to make the Deferred Mortgage Payments (DMP) program (7 CFR 3550.69) available to Section 502 very low-income self-help borrowers who closed in FYs 2020 or later.

These guidelines are needed in response to the American Rescue Plan Act (ARPA) of 2021 to ensure mortgage payments are more affordable for eligible Section 502 and Section 504 borrowers. Updates include a fast-track processing option, guidance on determining market value, guidance on Deferred Mortgage Payments and other self-help guidance, and other clarifications throughout.

The American Rescue Plan Act (ARPA) of 2021 (H.R. 1319, Section 3207) appropriated an additional $39 million of Budget Authority (BA) for section 502 and 504 direct loans, to remain available until September 30, 2023.

IMPLEMENTATION RESPONSIBILITIES:

Unless the guidance in this Appendix is supplemented or revoked, the Agency will temporarily accept applications from existing Section 502 and Section 504 direct loan borrowers, to refinance outstanding loans, which have been in an approved COVID-19 moratorium or have built a home utilizing the Self-Help Housing Program and closed in FYs 2020 or later, as follows:

- **COVID-19 Moratorium Status, Net Tangible Benefit, and Borrower Outreach**. To be eligible for refinance, borrowers must be (or have been) on a COVID-19 moratorium (CUST/USER in LoanServ Field 56 will reflect: “C”). Any borrower meeting this criterion may apply at any time.

  The Agency must determine that there is a net tangible benefit (NTB) to the borrower as the result of the refinance. A NTB includes, but is not limited to, a reduced note rate or a change in term that results in a more affordable payment for the borrower. This must be documented in the ARPA Worksheet.

However, in an effort to reach borrowers who may have the most immediate need for assistance and to provide them every opportunity for success post-moratorium, the Agency will continue to provide outreach under which borrowers who have been on a COVID-19 moratorium, will be sent an outreach letter from the Servicing and Asset Management Office (Servicing Office) about the availability of this option and how to apply. This is an informational letter only, and not a requirement for eligibility. The Servicing Office will upload a copy of the letter in the borrower's existing case record in Electronic Customer File (ECF) under the Forbearance (Special Assistance) classification > ARPA Notifications document type. In addition, the Servicing Office will continue to provide additional outreach through the 30, 60, and 90-day delinquency notices. The Customer Engagement Division has and will continue to promote the ARPA refinance program with borrowers when discussing their servicing options.

Borrowers may also visit https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-arpa for more information.

- **Self-Help Borrowers.** Regardless of moratorium status, very low- and low-income self-help borrowers with permanent loans that closed in FYs 2020 or later are eligible to apply for refinancing under this guidance. In general, these refinance requests will follow the same process for General ARPA or Fast Track options, unless noted otherwise in the guidance. The Agency must determine that there is a NTB to the borrower as the result of the refinance. A NTB includes, but is not limited to, a reduced note rate or a change in term that results in a more affordable payment for the borrower.

  Additionally, very low-income self-help borrowers with loans closed in FYs 2020 or later, may be eligible for the Deferred Mortgage Payment program available through ARPA refinance funding. For qualified borrowers, this program allows for up to 25% of a borrower's monthly principal and interest payment at 1 percent to be deferred for up to 15 years.

- **ARPA Processing Resources.**
  All internal processing tools and letters referenced throughout this Appendix are posted in the Direct SharePoint > General Info > American Rescue Plan Act folder ("SharePoint").

- **ARPA Application Package.**
  1. Impacted borrowers must use the "ARPA Checklist of Items to Accompany the Uniform Residential Loan Application" when submitting a complete application, instead of HB-1-3550, Chapter 3, Attachment 3-J or Chapter 12, Attachement 12-E.
  2. A standardized, ARPA specific application packet, which includes the above mentioned ARPA Checklist of Items, is available to borrowers at https://pubmai.sc.egov.usda.gov/ and https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-arpa, and is also posted on SharePoint.

3. Loan application packagers must use the “Phase I Application Submittal Cover Letter for ARPA” and the “Packaging Required Disclosure Letter for ARPA” on the Direct Loan Application Packagers page, in lieu of the Phase 1 and required disclosure letter in HB-1-3550, Attachment 3-A.

➢ **Processing Options.**

- Fast-Track processing is available for borrowers who meet all of the following criteria:
  - There are no capital improvements to be considered in a market value determination, as indicated by the borrower’s selection on the ‘Calculating Recapture – Capital Improvements Credit’ form submitted as part of a complete application.
  - There are no repairs for major health and safety hazards included in the refinance loan.
  - The most current property tax valuation available from the applicable tax assessment authority (see Exhibit 1) shows adequate security to support an outstanding eligible junior lien(s) which will be included in the refinance loan or subordinated.

- General ARPA processing will be followed when Fast Track does not apply.

- Deferred Mortgage Payments (7 CFR 3550.69) is a temporarily authorized use of ARPA refinance funding for self-help borrowers with loans closed in FYs 2020 or later. In order to qualify for deferred mortgage payments (for up to 15 years), the self-help household’s adjusted income at the time of initial approval for the refinance loan, must not exceed very-low income. The loan term is 38 years. Deferred payment agreements are effective for twelve months, and once a borrower becomes ineligible for deferred mortgage assistance, it cannot be received again. Deferred mortgage payments are subject to recapture when the borrower transfers title or ceases to occupy the property.

  A Deferred Mortgage tab has been added to the Worksheet for Computing Income & Max Loan Calculator (Attachment 4-A), which includes specific calculations for the eligibility requirements in §3550.69.

Exhibits 1 and 2 provide an overview of the Fast Track and General processing options:

Exhibit 1 - ARPA Fast Track Process Overview

Fast Track is to be followed when all the following apply:

- ❑ No Capital Improvements
- ❑ No Repairs
- ❑ Eligible junior liens for affordable housing products to be included in the refinance are supported by **PTV

Application

Letter 3 – Loan Estimate (LE) and max recapture

Letter 4 - Eligibility

Order Title Work

*Market Value Determination

Payoff (Task 504 & 505) to calculate final recapture

Letter 6 (Borrower decides whether to include recapture)

Subsidy included

Closing Disclosure (CD)

Amended Final Payoff (Task 506 & 507) to calculate final recapture

Update file, reissue CD if needed

Subsidy not included

Closing Disclosure

Obligation/Approval

Closing

Market Value Determination (Fast Track)

Capital Improvements and/or health & safety repairs included?

Yes

Go to General Processing

No

Eligible junior liens for affordable housing products to be included in the refinance are supported by **PTV?

No

Yes

Fast Track – use **PTV information for market value determination, no appraisal required

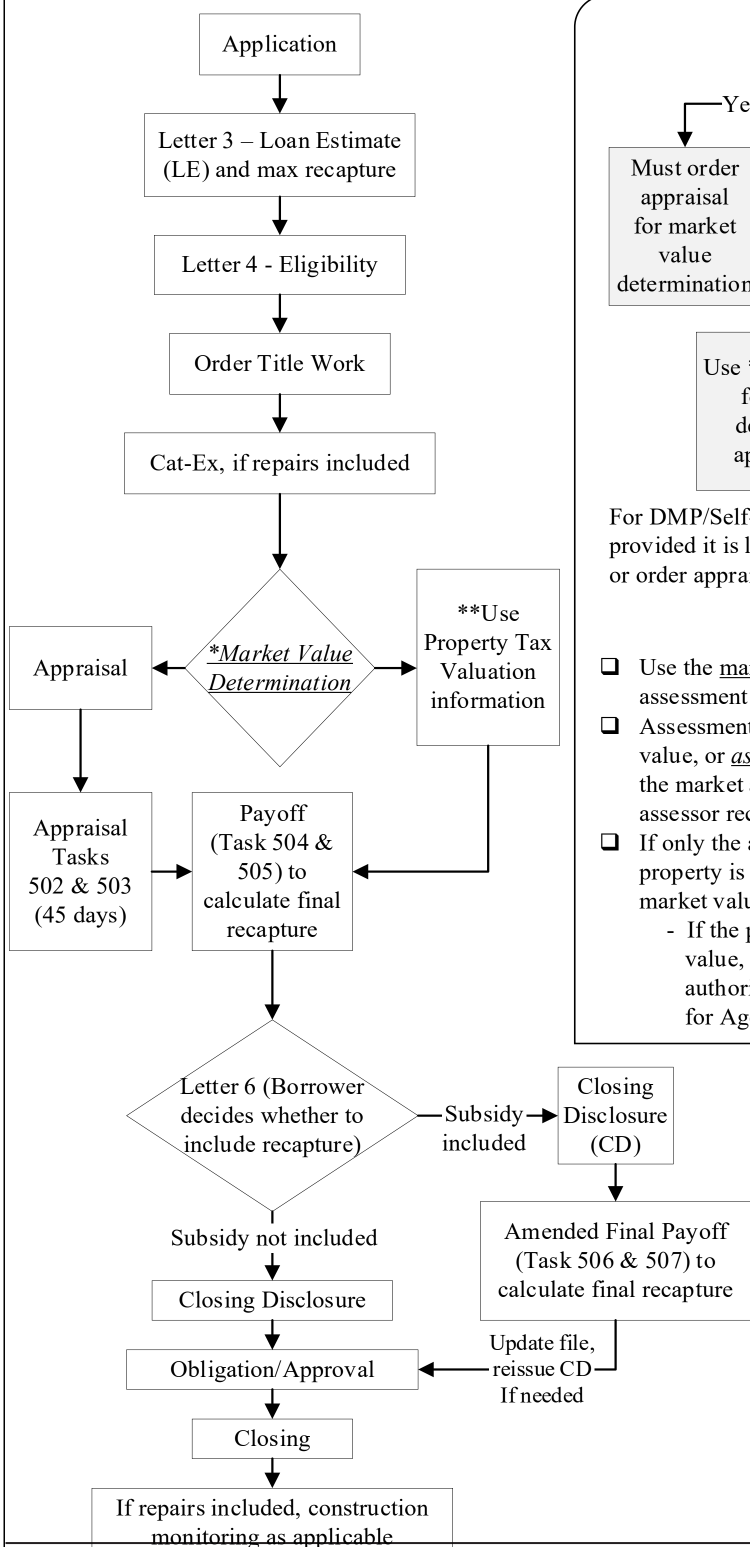
For DMP/Self-Help borrowers - use appraisal in the original file, provided it is less than 2 years old. If over 2 years old, use **PTV if supported, or go to General Processing and order appraisal for market value determination.

*****Property Tax Valuation (PTV)***

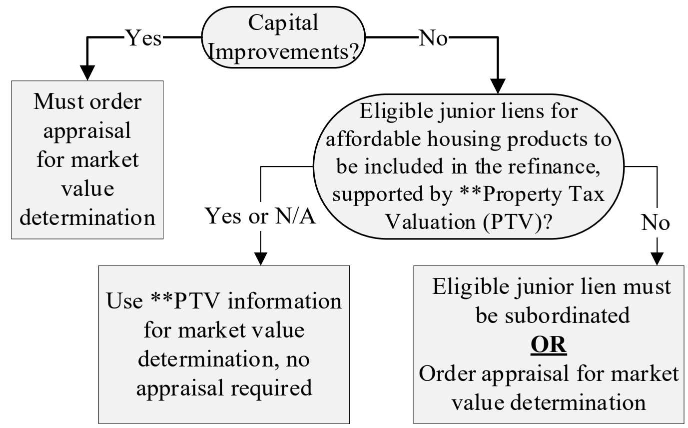
- ❑ Use the <u>market</u> value obtained from local, county, or state tax assessment authority, as applicable.
- ❑ Assessment authorities will generally assess properties *<u>at</u>* market value, or *<u>as a percentage</u>* of the property's market value. Often, the market and assessed values will both be displayed on the tax/assessor record; staff must use the market value.
- ❑ If only the assessed value is displayed, staff must confirm if the property is assessed *<u>at</u>* market value, or *<u>as a percentage</u>* of the market value.
  - If the property is assessed *<u>as a percentage</u>* of the market value, staff must include documentation of taxing authority's percentage when calculating the market value for Agency purposes.

Exhibit 2 - ARPA General Process Overview

General ARPA Processing is to be followed when Fast Track does not apply (e.g., capital improvements and/or repairs included)



Market Value Determination



For DMP/Self-Help borrowers - use appraisal in the original file, provided it is less than 2 years old. If over 2 years old, use **PTV or order appraisal or market value determination.

Property Tax Valuation (PTV)

- ❑ Use the market value obtained from local, county, or state tax assessment authority, as applicable.
- ❑ Assessment authorities will generally assess properties *at* market value, or *as a percentage* of the property's market value. Often, the market and assessed values will both be displayed on the tax/ assessor record; staff must use the market value.
- ❑ If only the assessed value is displayed, staff must confirm if the property is assessed *at* market value, or *as a percentage* of the market value.
  - If the property is assessed *as a percentage* of the market value, staff must include documentation of taxing authority's percentage when calculating the market value for Agency purposes.

- **<u>ARPA Application Review</u>.** All applications (including those which are incomplete) must be entered into UniFi as soon as possible after receipt; and all application material <u>must</u> be stored in ECF as soon as the new account number is available; ECF must be utilized as the official case record beginning with application receipt. It is very important staff use the correct ECF classification instructions found in the ARPA Processing Checklist to avoid processing delays. (NOTE: While the majority of ARPA application material must be stored under the new account number, market value and payoff documents must be loaded to the existing primary account number's ECF.)

  - The Agency will process applications in accordance with 7 CFR 3550 and HB-1-3550, **except for the following**:

1. <u>Application Processing Stage:</u>

a) <u>Processing Checklist</u> – staff must use the "ARPA Application Processing Checklist" in lieu of HB-1-3550, Attachment 3-G or 12-C. A fillable version is available on SharePoint. **<u>Note</u>**: the ARPA Processing Checklist includes Attachment 1 to be used for Fast Track, and Attachment 2 for General ARPA Processing.

<u>ARPA Worksheet</u> - for General ARPA and Fast Track, staff and loan application packagers must use the ARPA Worksheet in lieu of Attachment 4-A, Worksheet for Computing Income.

- For Deferred Mortgage Payments, a Deferred Mortgage tab has been added to Attachment 4-A (do not use the ARPA Worksheet for Deferred Mortgage applications as the ARPA Worksheet does not include repayment calculations which are needed for Deferred Mortgage purposes.)

The applicable worksheets include a section for the Loan Narrative. These are posted on SharePoint, and on the Direct Loan Application Packagers page.

b) <u>Processing priority</u> (HB-1-3550, 3.13 B.). ARPA refinance applications and Deferred Mortgage loans will receive third priority for processing (due to hardship).

c) <u>Eligible use of funds.</u> The loan may exceed the market value of the property and/or the area loan limit (unless otherwise noted), only as necessary to cover the following:

i. Refinance of borrower's outstanding Agency direct loan indebtedness.

ii. Subsidy Recapture (502 only). Subsidy recapture may be included in the amount to be refinanced if requested by the borrower but should be considered carefully. The analysis must include what the borrower's total outlay will be on the recapture amount being refinanced (by amortizing the amount as applicable) and comparing to the potential discount the borrower may be eligible for by refinancing the recapture amount (see HB-2-3550, Par. 2.25). The ARPA Worksheet includes additional information to assist with this analysis. For example, if a borrower owes $20,000 in recapture, they may receive a 25% discount for paying that off by borrowing new loan funds as part of the refinance; in which case they would need to borrow $15,000 to pay off the discounted recapture amount. Because the $15,000 then becomes principal which will be amortized under the new loan, it must be determined whether the amount of interest paid is likely to exceed the amount the borrower saved through the discount. The analysis should be documented carefully in the ARPA Worksheet and discussed with the borrower, who will decide if they want to include the recapture in the refinance.

iii. Closing costs associated with the new loan, and allowable excess costs over the market value and area loan limit (including the tax service fee and initial deposit to fund the escrow account).

iv. Permissible packaging fees:
- 502 - not to exceed $1,300 for certified packaging bodies with an intermediary (split per agreement with intermediary), $1,100 for certified packaging body without an intermediary (packaged by an intermediary, opt-out, or when a state isn't served by an intermediary), or $575 for an approved non-certified packager.
- 504 - $575 for eligible 504 loan packaging types.

v. 502 only - outstanding debt to prior lien holders (as identified on Form RD 1927-8, Agreement with Prior Lienholder), if rates and/or terms are less favorable than the Agency's new loan. However, even if the Agency offers a more favorable rate or term, lower payment, etc., the borrower may still choose to remain with the prior lienholder if they determine it is in their best interest to do so (e.g. – if the Agency rate is lower, but borrower only has a few years remaining on the term, they may prefer to continue as-is to pay off the debt in fewer years.)

vi. In limited circumstances, amounts needed to correct major deficiencies, such as structural or issues impacting the health and safety of the occupants or members of the community, or to protect the Government's interest in the property. There must be a net tangible benefit (NTB) to the borrower when including funds to correct major deficiencies. If the borrower has indicated major deficiencies requiring repair on the ARPA Checklist of Items to Accompany the URLA, field staff must determine the requested repairs are a major deficiency before advising borrower to obtain bids. It is recommended the borrower obtain two bids for each repair; however, one bid can be accepted when determined reasonable and borrower has stated that only one bid can be obtained.

vii. 502 only (if there is adequate security value) - junior liens for eligible affordable housing products (e.g., secondary financing for down payment assistance loans, forgivable loans, deferred payment loans, etc.) or Uniform Commercial Code (UCC) liens for permanent fixtures to the home (e.g., solar panels, HVAC systems, etc.) may be included in the Agency refinance if there is a NTB to the borrower (i.e., the borrower has a lower total payment when refinanced). If there isn't adequate security value, the junior lien must be subordinated to the new loan. If security value is not adequate to include the amount(s) in the refinance, or a subordination cannot be obtained, the loan cannot be closed.

viii. Involuntary liens (e.g., child support liens, judgment liens from unsecured creditors, state tax liens, etc.) are ***not*** eligible to be included in the Agency refinance loan. An involuntary lien must be paid or subordinated, otherwise the loan cannot be closed.

d) ARPA Program Type Codes:

502 Loan – ARP Multi-Year	1079
502 Loan – ARP Packaged with Intermediary *	1080
502 Loan – ARP Non-Certified Packaged	1081
502 Loan – ARP Certified Packaging Body with Approved Opt-Out	1082
502 Loan – ARP Self-Help	1083
502 Loan - ARP Deferred Mortgage Payments Very-Low Self-Help ONLY	1084
504 Loan – ARP Multi-Year	2079
504 Loan – ARP Packaged	2080
504 Loan – ARP Self-Help	2083

* The intermediary code will not be entered into UniFi for ARPA loans due to system constraints.

e) TRID: The Loan Estimate (LE) and Closing Disclosure (CD) 'Non-Purchase' forms will be used for all refinanced loans secured by a deed of trust or mortgage.

An unsecured (Note only) loan will utilize the Truth in Lending Statement. The Loan Estimate must be issued within 3 business days of receiving the refinance application package; when issuing the LE, staff must use the "Tailored ARPA Cover Letter to TRID" posted on SharePoint.

i. When issuing the LE within 3 business days of receiving the application, the 'Payoff Quote' screen in LoanServ will be utilized to obtain the estimated maximum payoff (excluding subsidy recapture).

- Direction for accessing the payoff quote screen can be found in Chapter 14 of the Direct Loan Origination System (DLOS) manual, and in the ARPA Processing Checklist on SharePoint. Field staff who are unable to pull the PAY/QUOTE screen should contact the Field Assistance Branch (FAB) at 314-457-5200, Ext 4, to request the PAY/QUOTE screen. FAB will load the PAY/QUOTE screen to ECF and enter a global note.

- Note: regarding the exclusion of subsidy recapture from the LE form: Upon receipt of an application, the LE will not include the maximum subsidy figure shown on the PAY/QUOTE screen. *However, the ARPA Letter 3 - Tailored ARPA Cover Letter to TRID will inform the applicant of the maximum subsidy*.

ii. The loan amount on the LE should include principal, interest, fees, etc. (excluding subsidy), closing costs, escrow deposit, and any other eligible use of funds known at the time of application.
iii. A new tax service fee and initial escrow deposit to reestablish the escrow will be the only required Agency fees listed on page two of the LE.
iv. The appraisal (regardless of if an appraisal is ordered or not), credit report, and whole house inspection should *not* be listed as fees on page two of the LE.
v. States should modify Chapter 3, Attachment 3-I of HB-1-3550, 'List of Settlement Service Providers and Mortgage Loan Application Related Disclosures' to remove any information or service providers that are not necessary for an ARPA refinance (i.e., inspectors).
vii. Once the details of the refinance transaction are approved, field staff will complete the 'Non-Purchase' Closing Disclosure at least 3 business days prior to consummation however, there is a 7-business day waiting period before closing can occur if the CD was not provided in person (i.e., mailbox rule).

f) Terms:
i. 502:
- If the estimated loan amount is less than $24,000 with a remaining term of less than ten years, the LE will be issued using a new 10-year term. However, if a longer term is necessary to demonstrate a NTB, or if the

applicant prefers, a 25-year or 33-year term may be used (30-year for manufactured homes).

- If the estimated loan amount is over $24,000, the LE will be issued using a 33-year term (30-year for manufactured homes). However, if the applicant prefers a shorter term (and a NTB is still demonstrated) they may select a 25-, or a 10-year term (10-year terms are not eligible to receive payment assistance and this must be acknowledged by the borrower on the TRID cover letter). If the applicant does not demonstrate a NTB on a 33-year term, and adjusted income does not exceed 60 percent of the applicable area median income, a 38-year term may be used (unless it is a manufactured home).
- If the Deferred Mortgage Payments application, a 38-year term must be used.

ii. 504 – 20 years.

g) Income:

i. Adjusted household income must be calculated to determine if the applicant is income-eligible to receive a new program loan. Evaluation of borrower repayment income is not required for General ARPA or Fast Track options.

ii. 502 –

- General ARPA and Fast Track - the adjusted income must not exceed the applicable moderate-income limit at the time of loan approval and closing. As a reminder, the ARPA Worksheet must be used in lieu of Chapter 4, Attachment 4-A of HB-1-3550, Worksheet for Computing Income.
- For Deferred Mortgage applications - the self-help household's adjusted income must not exceed very-low income at the time of initial loan approval for the refinance loan. As a reminder, use the Deferred Mortgage tab in the Worksheet for Computing Income & Max Loan Calculator (Chapter 4, Attachment 4-A of HB-1-3550) – not the ARPA Worksheet.

iii. 504 – The adjusted income must not exceed the very low-income limit at the time of loan approval and closing. If the household exceeds the very low-income limit, 502 loan funds may be used to refinance the 504 debt.

Note - Borrowers with Multiple Loans:

a. An initial and subsequent 502 loans will be combined into one ARPA 502 refinanced loan.
b. An initial and subsequent 504 loans may be combined into one ARPA 504 refinanced loan, provided the borrower still meets the very-low adjusted household income requirements. If adjusted household income is low or moderate, loans can be combined into a 502 loan, however, the field should explain this will result a higher note rate

interest and the borrower could have recapture of subsidy.

c. Initial 502 and subsequent 504 loan(s) may be refinanced separately, or all loans could be refinanced into one 502 ARPA loan. If the borrower is very-low income, staff must first review the 502 and 504 loans as separate refinances. If there is no NTB or the borrower exceeds the very-low income category, the 504 debt may be refinanced into the 502 ARPA refinance loan. The field should explain this will result in a higher note rate interest and the borrower could have recapture of subsidy. The ARPA worksheet must be used when considering a NTB and determining which is the best option for the applicant.

h) Assets:
The borrower and/or net family assets will not be evaluated for down payment requirements or repayment income calculations, as applicable. However, net family assets must still be evaluated for annual and adjusted income calculations.

i) Credit:

i. The borrower's credit history will not be evaluated using a tri-merge credit report (TMCR) or infile; therefore, no credit report fee is to be collected and these reports must not be ordered. Attachment 3-H is not required.

ii. Nontraditional/alternative credit sources are not required.

iii. The Agency must check the Department of Treasury's Do Not Pay (DNP) portal.

NOTE: All Agency accounts in moratorium or whose moratoriums have expired and have become delinquent are reported to the Credit Alert System and the Department of Treasury (DBCK), which is checked through the DNP portal, regardless of the reason the moratorium was granted. Therefore, it is important that field staff clearly document that the DNP hit is related to an approved COVID-19 moratorium. If the account number reflected on the DNP matches the account that has received a COVID-19 moratorium (CUST/USER in LoanServ Field 56 will reflect: "C"), processing may continue. All other DNP hits are subject to the guidance in HB-1-3550, Chapter 4.

iv. Bankruptcy - if a borrower is in Chapter 7 or 13 bankruptcy at the time of application to refinance, the borrower's attorney must be notified of the proposed terms of the refinance. The Agency must receive written concurrence from the attorney or court (e.g., order granting the motion) before approving the loan; however, additional items such as letters of explanation regarding circumstances of the bankruptcy are not required from the applicant. If a borrower had a previous bankruptcy and the debt is not reaffirmed, it does not prohibit the applicant from applying or being eligible for ARPA refinance; however, since the refinance loan is new debt, the borrower would personally be liable for the new debt and should be informed that the bankruptcy protection would not apply to the new loan.

j) Adding/Removing Borrowers:
   i. Adding borrowers – it is acceptable to add a new borrower; provided the household continues to meet applicable income limit (502 - moderate; DMP – very low; 504 - very low). The added borrower's credit history will not be evaluated, except for DNP check as noted above. Systematic Alien Verification for Entitlements (SAVE) must be checked for new borrowers. Homeownership Education and Form 3550-23, Applicant Orientation Guide will not be required from new borrowers.
   ii. All borrowers on the existing RHS debt must remain on the refinance (except for deceased individuals). If a borrower who does not live in the home has executed a quit claim deed conveying their interest in the security property to the remaining borrower, staff may proceed without including the departing borrower on the refinance loan. The 'ARPA Letter 7 - ARPA Notification to Departing Borrower' must be sent to the departing borrower, after ARPA Letter 3 is issued to inform them of the remaining borrower's intent to refinance the loan. As a reminder, conveying the security interest does not release the departing borrower from liability for the initial loan or any recapture owed on that loan; the Agency must issue 'ARPA Letter 8 – Notification of Release of Liability' to the departing borrower upon loan closing and expiration of recission rights. A copy of this letter must be stored in ECF for the original loan, and the ARPA loan; and add a note to both accounts (existing and ARPA refinance accounts) in LoanServ to read "See [insert date of ARPA Letter 8] notification to departing borrower regarding liability following ARPA refinance."

k) Applicants who exceed the applicable income limit, or are determined ineligible for other reasons (e.g., there is no net tangible benefit to the proposed transaction, or an applicant is not eligible due to an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court. This requirement is statutory and cannot be waived), must be sent the ARPA specific Standardized Adverse Decision Letter posted in SharePoint, in lieu of HB Letter 15. In addition, the letter should include HB-1-3550 Attachment 1-B or 1-C, as appropriate (see HB-1-3550, Par. 1.10 for guidance on which Attachment to use).

2. Other (502) eligibility processing items:

a) Social Security Number CROSS REFERENCE check is not required (except for new borrowers being added).
b) SAVE check is not required (except for new borrowers being added).
c) Form RD 3550-23, Applicant Orientation Guide is not required.
d) The Eligibility Summary from UniFi is required to document the Annual and Adjusted Income only; these figures should match those in the ARPA Worksheet.

The Eligibility Summary must be signed by the Loan Originator with a note on Page 2 to see ARPA Worksheet for correct refinanced loan amount.

e) Notify the borrower of eligibility using the "ARPA Letter 4 - Eligibility Letter" posted on SharePoint, instead of Form RD 1944-59, Certificate of Eligibility.
f) Once "ARPA Letter 4 – Eligibility Letter" issued, staff should request title using Form RD 1927-4, Transmittal of Title Information (HB-1-3550, Chapter 8, paragraph 8.4) for loans $7,500 or greater. Request for title should reflect estimated maximum payoff amount minus subsidy recapture.

3. **Property Eligibility Stage:**
   a) Whole house inspections are not required.
   b) Determining Market Value. See the Exhibits 1 and 2 (as applicable) of this Appendix for guidance on determining market value. If an appraisal should be ordered, it is very important ARPA appraisals are ordered through the Servicing Office, as described in Attachment 2 of the ARPA Processing Checklist. The Servicing Office will be responsible for all communication with the appraisal vendor. ARPA appraisals must not be ordered through the nationwide appraisal contract used for originations.
   c) A new Flood Hazard Determination will be required.
   d) If repairs are included, a new Lead Based Paint (LBP) risk assessment is required for houses built prior to 1978.
   e) If repairs are included, RD Instruction 1970-B, Exhibit D "Categorical Exclusion" is required.
   f) Eligibility of the subject property does NOT need to be re-verified. (Note: loans may be approved even if an area's designation has changed from rural to non-rural, HB-1-3550, Chapter 5, paragraph 5.3 C. 6.).

4. **Underwriting/Approval Stage:**
   a) Loan Narrative updated in the ARPA Worksheet (or Deferred Mortgage tab in the Worksheet for Computing Income & Max Loan Calculator (HB-1-3550, Chapter 4, Attachment 4-A), if applicable) to include underwriting details by Loan Approval Official.
   b) Follow applicable guidance for submitting payoff request(s) carefully, as found in the ARPA Processing Checklist (Att.1 – Fast Track, or Att. 2 - General ARPA) once the property's market value has been determined.
   c) Once the payoff quote is received from the Servicing Office, field staff will issue ARPA Letter 6 – Subsidy Recapture Borrower Notification within the prescribed timeframes in the ARPA Processing Checklist. This letter is to provide the applicant an opportunity to review the recapture amount and determine if they will include the amount in the refinance or defer repayment of the subsidy recapture (see HB-2-3550, Chapter 2 for more information on deferral of subsidy recapture). Borrower must return ARPA Letter 6 within 10 business days of issuance.

d) Once ARPA Letter 6 is returned by the borrower, see applicable ARPA Processing Checklist Attachment for next steps to obligate and issue Form RD 3550-7, Funding Commitment and Notification of Loan Closing.
e) Staff should carefully issue a 'Non-Purchase' Closing Disclosure.
f) Once the Servicing Office sends the payoff in ECF, field staff will follow the guidance in the ARPA Processing Checklist for updating ARPA Worksheet & UniFi, obligating in LoanServ and issuance of Form 3550-7, Funding Commitment and Notification of Loan Closing.
   - An Amended payoff request is only needed if the borrower chooses to include the subsidy or the payoff calculation is more than 30-day old, staff should follow the applicable ARPA Processing Checklist (Att.1 – Fast Track, or Att. 2 - General ARPA).

5. **Closing Stage:**

a) If debt to a prior lien holder (as identified on Form RD 1927-8, Agreement with Prior Lienholder) will not be refinanced and the lien stays in place, a new Form RD 1927-8 must be obtained to correspond to the Agency's new loan.
b) Field staff will establish an escrow account in the origination of the new ARPA refinance loan. Field staff will use the current tax and insurance information available in ECF, LoanServ and current tax records. The Servicing Office will complete an escrow analysis on the escrow account on the existing account when completing the payoff. If there is an escrow surplus on the existing escrow account, the Servicing Office will issue the borrower a refund approximately 20 days after the account is paid in full. If there is an escrow shortage on the existing escrow account, the shortage will be included in the payoff provided by the Servicing Office. NOTE: there are specific instructions in the Registration Section of the UniFi Quick References Guide if there are taxes or insurance payments due after the payoff is completed.
c) 502 borrowers (with a term 25-years or greater) must sign a new Form RD 3550-12, Subsidy Repayment Agreement, for the new loan; the original Form RD 3550-12 remains valid for the deferred subsidy recapture. NOTE: the market value listed on the form should be the lesser of the refinance loan amount (P&I, closing costs, repairs, prior liens, etc.), or the property's market value (see Exhibit 1 or 2).
d) Form RD 1940-43, Notice of Right to Cancel must be given at loan closing to any applicant who already holds title to the dwelling being mortgaged.
   - If a loan is made for less than $7,500 and no mortgage will be taken, this form does not need to be sent out.
   - The payoff calculation will be effective the date of closing; however, funds cannot be disbursed due to rescission rights until 3 business days have passed because these applicants have a legal right to cancel (rescind) the loan within 3 business days from whichever of the following activities occurs last (HB-1-3550, Chapter 8, paragraph 8.6 F. 2):
     - execution of the mortgage or deed of trust,

        - receipt of Loan Estimate,
        - receipt of Form RD 1940-43, Notice of Right to Cancel.
    - If the loan has rescission rights, it must be activated within 4 business days. Do NOT activate until after the rescission period has expired.
    - Send closing documents to Servicing Office within 6 business days. In the top right corner of Form RD 3550-19, Transmittal - Closing Documents mark "RESCISSION LOAN".
    - Note: See Chapters 5 & 10 of the DLOS Manual for additional guidance on rescission rights.

e) While the original Promissory Note will be paid in full, the Agency will leave the original real estate mortgage or deed of trust in place to secure the deferred recapture receivable account. A new 502 loan of less than $7,500 that is scheduled for repayment within 10 years from the date of the loan may be secured by a Promissory Note only; otherwise, the new Promissory Note must be secured by a new real estate mortgage or deed of trust, which the closing agent/attorney must record upon loan closing. This means the Agency may have multiple mortgages/deeds of trust, one to secure any deferred recapture owed, and another to secure the new debt. It is not necessary to subordinate the Agency's original mortgage/deed of trust, to the Agency's new mortgage/deed of trust.

Summary of Key ARPA Processing Tasks (submit under existing, primary account)	
Task 502	Field Staff sends to Servicing Office to request appraisal
Task 503	Servicing Office sends to notify Field Office appraisal is completed
Task 504	Field Office sends request to Servicing Office to complete payoff
Task 505	Servicing Office sends to notify Field Office payoff completed
Task 506	Field Office sends to Servicing Office to complete an amended payoff (if borrower includes subsidy or greater than 30-days old)
Task 507	Servicing Office sends to notify Field Office amended payoff completed

6. **Applications in process at time of Appendix 12 issuance** - for applications already in process prior to the date of this Appendix, please note the following guidance**:**

- Determining Market Value –

    - If an appraisal has not been ordered (Task 502), refer to Exhibit 1 or 2 of this Appendix, as applicable for determining the market value.
        - Note: Under the guidance in this Appendix, Form RD 1927-4, Transmittal of Title Information now occurs immediately after determining eligibility. ARPA Letter 4 (Eligibility) has been revised to include a disclosure that title

work will be ordered. If ARPA Letter 4 has previously been issued, Field Staff should re-issue ARPA Letter 4 using the revised version dated February 14, 2023.

  - If an appraisal has been ordered (Task 502), the application must continue to be processed using the existing ARPA Processing Checklist (dated prior to this Appendix), including the appraisal process.

- Use of revised checklist and letters – unless noted above (e.g., an appraisal has been ordered (Task 502)) any applications in process prior to or after the date of this Appendix must follow the guidance in this Appendix.