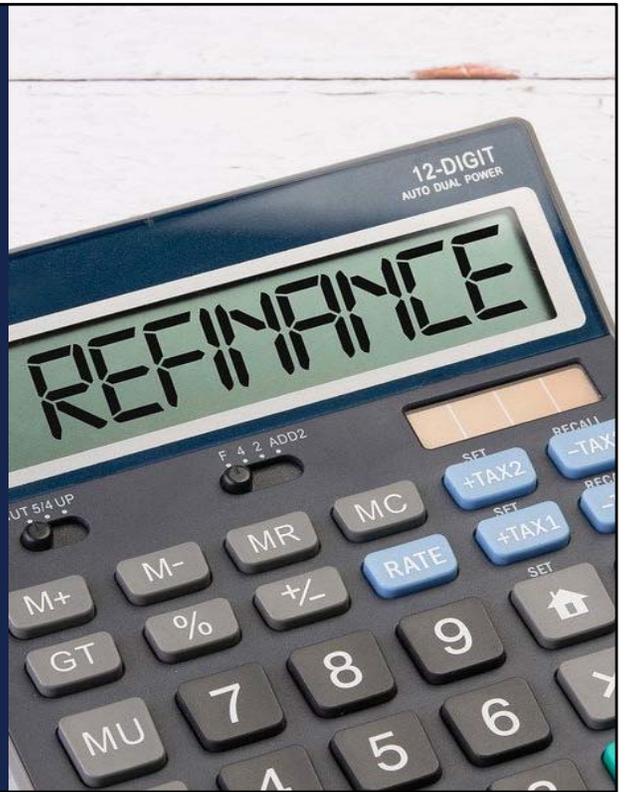


Refinancing

Single Family Housing Guaranteed Loan Program
(SFHGLP)

November 2020



Welcome to the Refinancing training module presented by USDA's Single Family Housing Guaranteed Loan Program.



Let's Review...



Eligible
Refinance Loan
Purposes



Refinance Types



Resources

Understanding the USDA refinance products and options provides for another avenue of potential business for your organization, while assisting rural homeowners obtain a valued and helpful budgeting option.

Refinance Options

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



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.

3

- The Single Family Housing Guaranteed Loan Program provides three opportunities to refinance a loan.
- The first option is for the take out or interim financing to construct a new dwelling or improve an existing dwelling.
- This involves two separate closings: the initial for the construction financing and then for the final permanent loan.
- The lender is responsible for ensuring all costs for both transactions represent eligible loan purposes.

Refinance Options

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



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.

4

- The next option is to refinance a site without a dwelling.
- In this case, a refinance is permitted if certain conditions are met.
- A primary key is to confirm that the debt being refinanced was established to purchase the site, and that an eligible dwelling will be constructed on that site prior to the issuance of a Loan Note Guarantee.

Refinance Options

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



Existing Section 502 Direct and Guaranteed Loans

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

5

- The last option is available to existing Rural Development Direct and Guaranteed Loan borrowers.
- The SFHGLP offers three specific refinance products to afford existing guaranteed and direct borrowers the opportunity to benefit from a lower interest rate and increase their ability to maintain successful homeownership.
- A refinance loan is not an option for non-performing loans. In these cases, loss mitigation options should be explored.
- We will discuss the differences between the Non-Streamlined, Streamlined, and Streamlined-Assist options in the next slides.

Refinance Options

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

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

- The most popular and most streamlined refinance option is the streamlined-assist option.
- As you can see, with this option, a new appraisal is not required unless the borrower is a direct loan borrower that received payment subsidy.
- However, only deceased borrowers can be removed with this option.
- So in cases where a non-deceased borrower is being removed, the remaining borrower may opt for the non-streamlined or streamlined option.
- Another key difference that may help determine which option is best is credit history.
- The streamlined-assist option only requires that the loan be paid as agreed for 12 months prior to loan application whereas the other two options require a full credit review and qualification per HB-1-3555, Chapter 10 guidelines.
- All options allow the borrower to refinance the principal and interest balance, reasonable and customary closing costs, and the upfront guarantee fee.
- If subsidy recapture is due and the borrower wants to include it in the new loan, they would choose the non-streamlined option.
- Subsidy recapture with the other two must be paid with other funds or subordinated to the new guaranteed loan.

Refinance Options

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

		Non-Streamlined	Streamlined	Streamlined-Assist
RATIOS		GUS Accept: no waivers GUS Refer: waiver required	GUS Accept: no waivers GUS Refer: waiver required	No ratio calculation required
GUS UTILIZATION		Yes	Yes	No (manual submission required)
SEASONING REQUIREMENT		Existing loan must have closed <u>12 months</u> prior to the Agency's receipt of a Conditional Commitment request	Existing loan must have closed <u>12 months</u> prior to the Agency's receipt of a Conditional Commitment request	Existing loan must have closed <u>12 months</u> prior to the Agency's receipt of a Conditional Commitment request
TANGIBLE BENEFIT		No	No	Yes (new PITI must be at least <u>\$50 less</u> than current PITI)

- The streamlined-assist option does not require a ratio calculation, the other 2 options do require a calculation and waiver if required.
- The GUS may be utilized for the non-streamlined and streamlined options but not the streamlined assist.
- All options require that the existing loan be closed at least 12 months prior to the Agency's receipt of a request for Conditional Commitment.
- No tangible benefit is required for the non-streamlined and streamlined options, but the borrower's PITI payment must reduce by at least \$50 with the streamlined-assist option.

Refinance Terms and Conditions

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



Loan terms must be fixed for 30 years.



Properties located in areas since determined by the Agency to be non-rural (ineligible) remain eligible for a refinance.



Interest rate of the new loan must be fixed and not exceed the interest rate of the loan refinanced.



Property inspections as outlined in HB-1-3555, Chapter 12 are not required.



Loan security must include the same property as the original loan and owned and occupied by the applicants as their principal residence.



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.



8

- All refinance loans require that loan terms be fixed for 30 years and the new rate cannot exceed the current rate.
- Rural Development does not require property inspections; however, they may be required by the lender. Any costs associated with those inspections may not be included in the new loan amount.
- Any type of secondary financing cannot be included in the new loan amount and must be subordinated to the new guaranteed loan.

Refinance Terms and Conditions

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



Cash out is not permitted except for reimbursement of eligible closing costs paid from the borrower's personal funds for the refinance transaction.



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



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



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



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.



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.



- Cash out is not permitted except for reimbursement of eligible closing costs paid from the borrower's personal funds or overage from the borrower's escrow account.
- Any type of unpaid or late fees cannot be included in the loan amount.
- The upfront guarantee fee and annual fee apply to refinance loans just as they do purchase loans.
- Lenders will submit their complete loan applications and closing documents in accordance with the requirements outlined in HB-1-3555 Chapters 15 and 16.
- Visit the LINC Library to access the separate training modules available for these topics.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



10

The best way to learn information is to test your knowledge!

QUESTION

Topic

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

TRUE/FALSE or other answer options will be displayed



11

Each question slide will list:

- the topic
- A question or scenario, and
- potential responses.

ANSWER

Topic

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

X. Correct Response

- Additional guidance for clarification may be provided



12

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.

Ready?

**LET'S GET
STARTED!**



Let's get started!

QUESTION

Refinance

- 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



Read the question on the slide and select a response.

ANSWER

Refinance

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

B. FALSE

Borrowers are not eligible to receive “cash-out” from the refinance transaction.



False.

With the exception of reimbursement at settlement for personal funds that were advanced for eligible loan purposes that are part of the refinance transaction, such as the appraisal fee or credit report fee, cash out refinances are prohibited under the SFHGLP.

QUESTION

Refinance

For refinances 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



Read the question on the slide and select a response.

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.



The answer is B. 12 months.

New construction being financed through the SFHGLP for either construction financing or site without a dwelling must be completed within 12 months of issuing the Loan Note Guarantee.

QUESTION

Refinance

GUS may not be utilized on which of the following refinance options:

- A. Non-Streamlined
- B. Streamlined
- C. Streamlined-Assist



Read the question on the slide and select a response.

ANSWER

Refinance

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.



The answer is C. Streamlined-Assist

Loans submitted under this refinance option 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



Read the question on the slide and select a response.

ANSWER

Refinance

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.



False.

PITI and total debt ratio requirements must be met for the Non-Streamlined and Streamlined refinance. Ratios are not a requirement for the Streamlined-Assist refinance.

QUESTION

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



Read the question on the slide and select a response.

ANSWER

Refinance

HB 6.2 D (a.)(3)(i)

A. Non-Streamlined

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.



The answer is A. Non-Streamlined

If an existing borrower wishes to include subsidy recapture in the new loan, then the Non-Streamlined refinance option should be chosen. A new appraisal will be needed in order to support the required loan amount.

Way to Go!
LEARNING CHECK
COMPLETED!



Way to go! You have completed the learning checks!

Lender Toolkit



Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.

- This training module has provided you with an overview of the key requirements of Refinance Loans.
- Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart C, Section 3555.101(d) and Chapter 6 of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.

Have a question on
POLICY?

Contact the PAC team!



Need TRAINING?

Contact the LPA team!



Have a question on a
SPECIFIC FILE?

Contact the OPD!



USDA Rural Development U.S. DEPARTMENT OF AGRICULTURE		Single Family Housing Guaranteed Loan Program (SFHGLP)	
Contacts & Resources			
TOPIC		CONTACT	
File-Specific Questions Information to include in email: <ul style="list-style-type: none"> Identify the state the application is located, if applicable; Provide applicant's name and USDA borrower ID, if applicable; GUS loan number, if applicable Include contact information; and Indicate if you would like a call back (otherwise you will receive an email reply) 		Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI	
Lender Approval		sfhqld.compliance@usda.gov	
Lender Recertification		sfhqld.compliance@usda.gov	
Program Training		sfhqld.lenderpartner@usda.gov	
Program Marketing & Outreach		sfhqld.lenderpartner@usda.gov	
General Loan Scenario Questions		sfhqld.program@usda.gov	
Loan Policy/Regulation/Handbook		sfhqld.program@usda.gov	
Loan Servicing		sfhqld.servicing@usda.gov	
Technical Issues: e-Authentication		eAuthHelpDesk@ftc.usda.gov 800-457-3642, option 1 (USDA e-Authentication issues)	
Technical Issues: GUS		RD.HD@STL.USDA.GOV 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)	
Loss Claims		guarantee.svc@stl.usda.gov	
Monthly & Quarterly Status Reporting		rd.nfac.hsb@stl.usda.gov	
GUS User Agreements		rd.nfac.hsb@stl.usda.gov	
TOOLS & RESOURCES			
Regulation and Handbook: https://www.rd.usda.gov/resources/directives Lender Webpage—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/sfh-guaranteed-lender USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscribe/new			

- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.

The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

- Current turn times on new loan applications
- Contact information, and
- Links to program resources such as our 3555 Handbook and the [USDA LINC](#) website.
- Also, don't forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, 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 and America's rural homebuyers!



www.rd.usda.gov

1 (800) 800-670-6553

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This will conclude the training module. Thank you and have a great day!