

REFINANCE OPTIONS FOR SECTION 502 DIRECT AND GUARANTEED LOANS			
REQUIREMENT	NON-STREAMLINED	STREAMLINED	STREAMLINED-ASSIST
New Appraisal	Yes	Only for Direct 502 with recapture subsidy due	Only for Direct 502 with recapture subsidy due
Maximum Loan Amount	Up to the new appraised value plus the amount of the financed upfront guarantee fee and include: <ul style="list-style-type: none"> Principal & interest balance Eligible closing costs Subsidy recapture 	May include: <ul style="list-style-type: none"> Principal & interest balance Eligible closing costs Upfront guarantee fee 	May include: <ul style="list-style-type: none"> Principal & interest balance Eligible closing costs Upfront guarantee fee
Net Tangible Benefit	No	No	Yes \$50 or greater reduction of the total principal, interest and monthly annual fee payment
Include Subsidy Recapture	Yes Up to the new appraised value	No	No
Add/Remove Borrowers (one original borrower must remain)	Yes	Yes	<ul style="list-style-type: none"> Add borrowers Remove only deceased borrowers
Credit	<ul style="list-style-type: none"> No defaults in previous 180 days prior to Agency request Meet Chapter 10 requirements 	<ul style="list-style-type: none"> No defaults in previous 180 days prior to Agency request Meet Chapter 10 requirements 	<ul style="list-style-type: none"> No defaults in previous 12 months prior to Agency request
Ratio waivers	GUS Refers only Must meet Chapter 11 requirements	GUS Refers only Must meet Chapter 11 requirements	No ratio calculations required
Utilize GUS	Yes	Yes	No
Soft seconds and/or subsidy recapture may be subordinated	Yes	Yes	Yes

REQUIREMENTS FOR ALL REFINANCE OPTIONS

- Only loans financed or guaranteed by USDA are eligible.
- Original loan must have closed 12 months prior to the request for Conditional Commitment.
- Fixed interest rate and 30-year term.
- Borrower must meet applicable adjusted annual household income.
- No cash out from collateral equity. Only reimbursement of borrower prepaid eligible closing costs and/or refund from escrow overage.
- Borrowers must occupy the property.
- Properties located in areas now deemed ineligible remain eligible for refinance.
- Existing leveraged loans or subordinate liens must be paid in full or be subordinated.

Guidance for Refinancing Section 502 Direct Loans

The Section 502 Direct Loan Program provides loans to low and very-low income borrowers that may include payment assistance, or payment subsidy that reduces the mortgage payments determined by the borrower's adjusted household income.

Subsidy Recapture

Arrangements must be made to either pay off or defer repayment of any subsidy recapture due when a Section 502 loan is refinanced. Any recapture amount owed as part of the 502 direct loan pay off may be included into the amount being financed with the SFHGLP non-streamline refinance loan subject to the maximum loan amount. A discount on recapture may be offered if the customer does not defer recapture (pays amount due in full) or includes the recapture amount due into a non-streamlined refinance loan. Alternatively, any 502 direct recapture amount that is owed at the time of refinance may be deferred if the recapture amount takes a subordinate lien position to the new SFHGLP loan.

Obtaining a "Statement of Loan Balance" Letter for Direct Loan Borrowers

Lenders may determine an applicant has a direct loan when the credit report reflects "USDA" or "Farmers Home Administration" as the mortgage creditor or the applicant informs the lender they applied and received their mortgage loan through a USDA Service Center. Direct loans are serviced by the National Financial and Accounting Operations Center (NFAOC). Obtaining a "Statement of Loan Balances" letter will assist lenders to determine if subsidy recapture is due. The "Statement of Loan Balances" will also include instructions for the lender to follow regardless of information submitted at the time of payoff request.

To obtain a "Statement of Loan Balance", submit a request on lender letterhead which includes the borrower's name, account number and address along with a signed authorization from the customer to release the information. The "Statement of Loan Balance" will reflect the maximum amount of subsidy recapture that may be due. It is not a payoff statement. Requests can be faxed to 314-457-4433.

The NFAOC will not provide payoff quotes verbally or over the phone. The NFAOC also assists lenders with subordination agreements when direct loan borrowers elect to subordinate the subsidy recapture due. Lenders and direct loan borrowers that have questions regarding a direct loan account may contact the NFAOC at (800) 414-1226.
