

Single Family Housing Guaranteed Loan Division
Rural Refinance Pilot: Frequently Asked Questions (FAQ)

Administrative Notice (AN) 4615 “Rural Refinance Pilot” was published February 1, 2012. The Single Family Housing Guaranteed Loan Division has prepared this FAQ document to assist the Agency, our approved lending partners and current direct and guaranteed loan borrowers with their questions regarding the Rural Refinance Pilot.

Questions regarding the Rural Refinance Pilot should be directed to the Guaranteed Loan Contact for your state listed here:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=GetRHContact&NavKey=contact@12>

1. What is eligible to be included in the loan amount?

Only the principal balance of the SFH Direct or Guaranteed loan that is being refinanced and the one time upfront guarantee fee.

2. If a SFH Direct loan borrower wishes to refinance their loan into a new GRH loan, how is a loan payoff/ subsidy recapture be calculated? Will a new appraisal be required? How do I know if the loan is a SFH Direct loan?

SFH Direct loans must follow all current regulatory requirements of the SFH Direct loan program for pay off.

SFH Direct loans are serviced by the Centralized Servicing Center (CSC) located in St. Louis, MO. When lenders have a SFH Direct loan they may obtain a payoff from CSC.

If available at the time of payoff request lenders must include a copy of the good faith estimate or estimated closing cost statement and a recent appraisal of the SFH Direct property. If a current appraisal is not remitted at the time of the loan payoff request, the “Statement of Loan Balance” will reflect the maximum amount of subsidy recapture that may be due. When a current appraisal is submitted to CSC, the payoff may be adjusted to reflect the actual amount of subsidy recapture due.

The CSC will not provide payoff quotes verbally or over the phone. Lenders and SFH Direct loan borrowers that have questions regarding a SFH Direct loan account may contact the CSC at 1-800-414-1226. Mortgage loans that list “USDA” as the lender on the credit report can indicate the loan is a SFH Direct loan. Current direct loan borrowers should tell the lender they apply with if they obtained the current mortgage loan directly from a USDA Service Center. This will assist the lender to request a loan payoff for refinance processing.

3. Can the SFH Direct loan subsidy recapture due be included in the new principal loan amount?

No. The Rural Refinance Pilot does not allow for cash out. Subsidy recapture amounts due cannot be included in the refinance loan amount. SFH Direct loan borrowers with recapture due must either pay the recapture amount in full or request the CSC to subordinate the amount due. Approved lenders must work with CSC on a subordination agreement if this option is selected by the borrower(s).

4. Can an existing Section 502 SFH Direct or GRH borrower be removed from the new refinance loan? Can new borrowers be added to the loan?

No. The AN states “The Rural Refinance Pilot is designed to assist existing Section 502 borrowers, for both SFH Direct and Guaranteed loans, to refinance their loans with greater speed and ease.” The only acceptable reason for an applicant to be removed from the new refinance transaction is if the original applicant is deceased. New borrowers cannot be added under this pilot.

5. Will a borrower qualify if they are currently unemployed?

Yes. A borrower that is currently unemployed but has a history of making their mortgage payments as agreed for the previous 12 months is eligible. Lenders must provide verification of the unemployment status. If the borrower has been employed in the previous 12 months preceding loan application, they must provide evidence of their previous earnings. The previous earnings must be considered in the annual income calculation for program eligibility per RD Instruction 1980-D, section 1980.347(b). Annual income calculations must follow section 1980.347.

6. Please clarify the following criteria of the AN: “An origination fee of up to one percent of the total loan amount may be charged to the borrower.”

Lenders may not exceed a one percent origination charge to the borrower.

7. Please clarify the following criteria of the AN: “Evidence of previous 12 months mortgage payment history.”

The loan must have an acceptable 12 month history of mortgage payments that have been paid as agreed. Loans that have been established for less than 12 months are **ineligible** for the pilot.

8. If a lender verifies the mortgage payments for the previous 12 months through a current credit report and they also find new derogatory credit/additional debts/ etc., must they consider this in their underwriting analysis?

AN 4615 only requires the repayment history of the current mortgage be verified for the most recent 12 months. Additional debts and/or adverse credit will not render the borrower ineligible per AN 4615.

9. The expiration date states “December 31, 2012” but the AN states “This pilot will apply for two years from the effective date of this notice unless withdrawn at an earlier date and cannot be modified without National Office approval.”

The pilot does apply for two years. Each fiscal year the upfront guarantee fee and annual fee is subject to change, along with other parameters of the pilot program. A new AN will be published to replace AN 4615 prior to the expiration of AN 4615.

10. Where do I apply?

Apply with an approved USDA lender that is participating in the Rural Refinance Pilot. If you cannot locate an approved lender please contact the [State Guaranteed Loan Coordinator](#) or your local USDA Rural Development office for additional information.