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**Single Family Housing Guaranteed Loan Division**

**Rural Refinance Pilot:  
Frequently Asked Questions (FAQ) Lending Partners**

**AN 4615 has been replaced with AN 4634**

Administrative Notice (AN) 4634 was published April 2, 2012 to announce that eligible closing costs may be financed into the loan. Additional program clarifications are also included. AN 4615 is no longer effective. The Guaranteed Loan Division has prepared this FAQ document to assist lenders to properly execute the Rural Refinance Pilot under the Single Family Housing Guaranteed Rural Housing (GRH) loan program.

<b>Intent of AN 4634</b>	AN 4634 replaces AN 4615 to clarify the guidelines of the Rural Refinance Pilot program to allow existing Section 502 Single Family Housing (SFH) Direct and Guaranteed borrowers the opportunity to refinance their current rural housing loan into a new Guaranteed loan.
<b>1. What is eligible to be included in the loan amount?</b>	The principal balance of the SFH Direct or Guaranteed loan that is being refinanced, eligible loan closing costs and the one time upfront guarantee fee.
<b>2. Please clarify "Eligible loan closing costs may be included in the new loan amount."</b>	<p>Examples of reasonable and customary closing costs/fees:</p> <ul style="list-style-type: none"> <li>• Accrued interest</li> <li>• The actual cost of the appraisal (for Section 502 Direct loans only)</li> <li>• Credit report (if lender is using this method to verify the mortgage payment history)</li> <li>• Verification charges (such as The Work Number, etc.)</li> <li>• Title examination and title insurance fees</li> <li>• Attorney fees</li> <li>• Settlement, recording, courier, wire, and notary fees</li> <li>• Real estate taxes and homeowners insurance for establishing an escrow account</li> <li>• Document preparation fees</li> <li>• Origination fee (typically the fee the loan originator charges the borrower to place the loan) not to</li> </ul>

	<p>exceed one percent of the total loan amount.</p> <p>Applicable charges may not exceed the cost paid by the lender or charged to the lender by the service provider.</p> <p>Lenders typically establish fees for the services that they provide to the borrower in order to process the loan such as underwriting or processing fees. These are both common fees. Some lenders will lump many eligible costs into one total amount as a “processing fee.” For example, a processing fee of \$300 may be comprised of verification fees of \$50, document preparation fees of \$100, notary fees of \$50 and recording fees of \$100.</p> <p>Unpaid fees, home equity lines of credit, downpayment assistance funds used for the original purchase of the property or other second liens on the property are not eligible to be included in the new loan amount. Direct leveraged loans are ineligible for all refinance transactions including this pilot.</p>
<p><b>3. Is the cost to establish a new escrow account for real estate taxes and homeowners insurance an eligible loan closing cost?</b></p>	<p>Yes.</p>
<p><b>4. 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.”</b></p>	<p>Lenders may not exceed a one percent origination charge to the borrower. This figure is typically for the loan originators fee to place the loan or “commission”. It does <u>not</u> include charges for credit reports, title examination, verification requests, appraisals, settlement costs or other eligible costs associated with processing and closing the loan.</p>
<p><b>5. If a SFH Direct loan borrower wishes to refinance their loan into a new GRH loan, how is a loan payoff/ subsidy recapture calculated? Will a new appraisal be required? How do I know if the loan is a SFH Direct loan?</b></p>	<p>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.</p> <p>A new appraisal of the property must be obtained in order to properly calculate subsidy recapture that may be due. The appraisal cost is an eligible loan closing cost for direct loans only and may be financed into the new loan amount.</p> <p>Directions to obtain a “Statement of Loan Balance” have been included in AN 4634.</p> <p>The CSC will not provide payoff quotes verbally or over the</p>

	<p>phone.</p> <p>Mortgage loans that list “USDA” as the lender on the credit report typically indicate the loan is a SFH Direct loan.</p> <p>Lenders and SFH Direct loan borrowers that have questions regarding a SFH Direct loan account may contact the CSC at 1-800-414-1226.</p>
<p><b>6. Can the SFH Direct loan subsidy recapture due be included in the new principal loan amount?</b></p>	<p>No. The Rural Refinance Pilot does not allow for cash out. Subsidy recapture amounts due cannot be included in the refinance loan amount.</p> <p>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).</p>
<p><b>7. 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?</b></p>	<p>No. The AN states “Borrowers may not be added or removed (unless deceased) from the current loan.”</p>
<p><b>8. Will a borrower qualify if they are currently unemployed?</b></p>	<p>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.</p> <p>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.</p>
<p><b>9. Please clarify the following criteria of the AN: All of the following are required: “Income verifications for all adult household members.”</b></p>	<p>The household must not exceed the maximum adjusted household income limitation for the state and county where the property is located. Therefore, every adult household member (age 18 and up) must present full income documentation to determine program eligibility. The options include:</p> <ol style="list-style-type: none"> <li>1. A written verification of employment (including those obtained through The Work Number) and a</li> </ol>

	<p>recent paystub that has a year to date (YTD) earnings figure <b>Or</b></p> <p>2. 30 days of paystubs with YTD figures, 2 years of W-2's and a telephone verification of employment.</p>
<p><b>10. Please clarify the following criteria of the AN: "Evidence of previous 12 months mortgage payment history."</b></p>	<p>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 <b>ineligible</b> for the pilot.</p>
<p><b>11. 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?</b></p>	<p>AN 4634 only requires the repayment history of the current mortgage be verified for the most recent 12 months.</p> <p>If a credit report is the preferred method of the lender to verify the mortgage payment history, this is an eligible loan closing cost.</p> <p>Additional debts and/or adverse credit will not render the borrower ineligible per AN 4634.</p>
<p><b>12. How much funding is available for the rural refinance pilot loans?</b></p>	<p>The Rural Refinance Pilot will be funded through the annual allocation of refinance funds for fiscal year 2012. ListServ notices are released to subscribers if funding levels become low.</p>

<p><b>13. The expiration date is “March 31, 2013” 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.”</b></p>	<p>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 4634 prior to the expiration date.</p>
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