

| 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 up-front 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 Up-front guarantee fee | May include: <ul style="list-style-type: none"> Principal & interest balance Eligible closing costs Up-front 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 | | | |
| <ul style="list-style-type: none"> Only loans financed or guaranteed by USDA are eligible. Existing 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 Servicing and Asset Management Office (Servicing Office). 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 Servicing Office will not provide payoff quotes verbally or over the phone. The Servicing Office 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 Servicing Office at (800) 414-1226.