



Disclaimer: This job aid is not all inclusive. Please reference Agency selling guides for further detail and requirements as necessary

USDA Requirements for all Refinances

Eligibility Requirements

- Existing loan to be refinanced must be an existing Rural Housing 502 Direct or Guaranteed Loan.
- The interest rate of the new guaranteed loan must be fixed and may not exceed the interest rate of the existing loan.
- Loan term must be fixed for 30 years.
- The loan security must include the same property as the original loan. The secured property must be owned and occupied by the applicants, as their principal residence.
- Borrowers must meet all eligibility requirements as outlined in HB-1-3555, except where noted.
- Borrowers must meet credit requirements as outline in Chapter 10 of HB-1-3555.

LTV/CLTV Limitations

100% (102% with guarantee fee).

Borrower Eligibility

- At least one of the original Borrowers must be on the application for the new refinance loan.
- Additional Borrowers may be added to the new guaranteed loan.

Credit Score Requirements

- A tri-merged credit report is not required on streamline refinances. A review of non-mortgage credit history is not required. Please note the following:
 - A 12-month mortgage payment history is required.
 - If the mortgage is less than 12 months old:
 - The mortgage must meet all Agency seasoning requirements, and
 - A payment history through the note date is required.
- A credit score of 680 should be used for pricing purposes.

Payment History Requirement

Loan must be current for the 180-day period prior to the Agency's receipt of a Conditional Commitment Request.

Mortgage Seasoning Requirement

The existing loan must have closed 12 months prior to request, for a refinance.

Ratio Limitations

- Monthly housing expense may not exceed 29%.
- Total debt ratio may not exceed 41%.

Max Cash Back

Borrower cannot receive cash back on USDA refinance.

AUS

GUS may be utilized to request both a streamlined or non-streamlined refinance.

Seasoning and 210 Day Rule

The Note Date of any USDA-guaranteed refinance loan must be on or after the later of:

- 210 days *after* the date on which the first monthly payment was *due* on the mortgage that is being refinanced (when the mortgage has been modified, 210 days after the first payment was due under the modification agreement) and,
- The date on which 6 consecutive monthly payments have been *made* on the mortgage being refinanced (when the mortgage has been modified, the Borrower must have made at least six payments under the modification agreement).
- **Note:** In the event the Borrower made the first payment prior to the actual first payment due date, the actual due date is required to calculate the 210 days, i.e., first payment due 6/1, but Borrower made payment 5/25. The 210 days is calculated from 6/1.

USDA Rate/Term Streamline

Max Loan Amount:

The new loan amount may not exceed the original loan amount at time of purchase, and it may not include any accrued interest, closing costs, or lender fees.

The following items are eligible to be financed:

- Principal and interest balance of existing loan
- A reasonable fee for re-conveyance of the existing USDA mortgage
- The upfront fee may be financed to the extent it does not exceed the original loan amount.

Appraisal Requirements:

- A new appraisal is not required for existing RD loan borrowers.
- **Exception:** A direct loan borrower will be required to obtain a new appraisal if they have received a payment subsidy, in order to determine the amount of subsidy recapture due. If subsidy recapture is due, the amount cannot be included in the newly refinanced loan. Subsidy recapture must be paid with other funds or subordinated to the new guaranteed loan.

USDA Non-Streamline

Max Loan Amount:

The new loan amount may not exceed the new appraised value, with the exception of the upfront guarantee fee. The following items are eligible to be financed up to the new appraised value:

- Principal and interest balance of existing loan
- Reasonable and customary closing costs
- Funds necessary to establish a new tax and insurance escrow account
- Upfront guarantee fee
- Subsidy recapture due

Appraisal Requirements

A new appraisal is required

Maximum Fees

Discount points limited to 2%.

Underwriting Requirements

All standard underwriting requirements apply, including but not limited to income, asset, DTI, and credit qualification.

USDA Streamline-assist

Max Loan Amount

The new loan amount may include the following eligible items:

- Principal and interest balance of existing loan
- Reasonable and customary closing costs
- Funds necessary to establish a new tax and insurance escrow account
- Upfront guarantee fee

Appraisal Requirements

- A new appraisal is not required for existing RD loan borrowers.
 - **Exception:** A direct loan borrower will be required to obtain a new appraisal if they have received a payment subsidy, in order to determine the amount of subsidy recapture due. If subsidy recapture is due, the amount cannot be included in the newly refinanced loan. Subsidy recapture must be paid with other funds or subordinated to the new guaranteed loan. If an applicant elects to finance the subsidy recapture into the new refinance loan, refer to the non-streamlined refinance guidance.

Net Tangible Benefit

\$50 or greater reduction in new PITI (including annual fee), as compared to current PITI payment.

LTV/CLTV Limitations

None – Purpose of this refinance type is to allow USDA loan borrowers to obtain lower monthly payments, regardless of negative equity.

Borrower Eligibility

- No removal of current borrowers, with the exception of deceased borrowers.
- Additional Borrowers may be added to the new guaranteed loan.

Payment History Requirement

Loan must be current for the 12 months, prior to the Agency's receipt of a Conditional Commitment Request.

Mortgage Seasoning Requirement

The existing loan must have closed 12 months prior to request for a refinance.

Ratio Limitations

- No ratio calculation required. The borrower is not required to meet all of the credit requirements as outlined in CH 10.

Max Cash Back

Borrower cannot receive cash back on USDA refinance.

AUS

GUS may not be utilized. These loans must be manually underwritten.