

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF AGRICULTURE

Rural Housing Service

7 CFR Part 3555

[Docket No. RHS-24-SFH-0029]

RIN 0575-AD38

Single Family Housing Guaranteed Loan Program

AGENCY: Rural Housing Service, Agriculture Department (USDA).

ACTION: Proposed rule.

SUMMARY: The Rural Housing Service (RHS or Agency), a Rural Development agency of the United States Department of Agriculture (USDA), proposes to amend the current Single Family Housing Guaranteed Loan Program (SFHGLP) regulation to change the requirements for the length of time a prior Agency loss is considered significant derogatory credit and address seasoning requirements and payment performance for refinance transactions. This proposed rule intends to establish a seven-year time frame for the applicant to re-establish credit after a prior loss claim with the Agency before that loss would no longer be considered significant derogatory credit. This proposed rule also intends to clarify the seasoning requirements and expected payment history requirements for all three refinance submission types within the SFHGLP and identify when applicants are eligible to refinance their current mortgage.

DATES: Comments must be submitted on or before November 18, 2024.

ADDRESSES: Comments may be submitted electronically, only by using the Federal eRulemaking Portal: Go to <https://www.regulations.gov> and in the “Search for dockets and documents on agency actions” box, enter the following docket number: (RHS-24-SFH-0029). To submit or view public comments, click “Search” button, select the “Documents” tab, then select the following document title: (Single Family Housing Guaranteed Loan Program)

from the “Search Results” and select the “Comment” button. Before submitting your comments, you may also review the “Commenter’s Checklist” (optional). Insert your comments under the “Comment” title, click “Browse” to attach files (if available). Input your email address and select “Submit Comment.” Information on using [Regulations.gov](https://www.regulations.gov), including instructions for accessing documents, submitting comments, and viewing the docket after the close of the comment period, is available through the site’s “FAQ” link.

Other Information: Additional information about Rural Development and its programs is available on the internet at <https://www.rd.usda.gov>.

All comments will be available for public inspection online at the Federal eRulemaking Portal (<https://www.regulations.gov>).

In accordance with 5 U.S.C. 553(b)(4), a summary of this proposed rule may be found by going to <https://www.regulations.gov> and in the “Search for dockets and documents on agency actions” box, enter the following docket number RHS-24-SFH-0029.

FOR FURTHER INFORMATION CONTACT:

Laurie Mohr, Finance and Loan Analyst, Single Family Housing Guaranteed Loan Division, Rural Development, U.S. Department of Agriculture, STOP 0784, Room 2250, South Agriculture Building, 1400 Independence Avenue SW, Washington, DC 20250-0784. Telephone: (314) 679-6917; or email: laurie.mohr@usda.gov.

SUPPLEMENTARY INFORMATION:

Abbreviations

CAIVRS Credit Alert Verification Reporting System
 CFR Code of Federal Regulations
et seq. et sequentes
 FHA Federal Housing Administration
 FR Federal Register
 HB-3555 Handbook 3555
 HUD Department of Housing and Urban Development
 RHS Rural Housing Service
 § Section
 U.S.C. United States Code

I. Statutory Authority

SFHGLP is authorized at Section 502(h) of Title V of the Housing Act of 1949 (42 U.S.C. 1472(h)) and implemented by 7 CFR part 3555.

II. Background

RHS offers a variety of programs to build or improve housing and essential

community facilities in rural areas. RHS offers loans, grants, and loan guarantees for single and multi-family housing, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, housing for farm laborers and much more. RHS also provides technical assistance loans and grants in partnership with non-profit organizations, Indian tribes, State and Federal Government agencies, and local communities.

Under the authority of the Housing Act of 1949, (42 U.S.C. 1471 *et seq.*), as amended, the SFHGLP makes loan guarantees to provide low- and moderate-income persons in rural areas an opportunity to own decent, safe, and sanitary dwellings and related facilities. Approved lenders make the initial eligibility determinations, and the Agency reviews those determinations to make a final eligibility decision.

This program helps lenders work with low- and moderate-income households living in rural areas to make homeownership a reality. Providing affordable homeownership opportunities promotes prosperity, which in turn creates thriving communities and improves the quality of life in rural areas.

III. Discussion of the Proposed Rule

A. Significant Derogatory Credit Proposed Rule Changes

Currently, an applicant with an indicator of significant derogatory credit requires a lender to conduct further review and to document that review during the underwriting process. As specified in 7 CFR 3555.151(i)(3)(iv), one indicator of significant derogatory credit is a previous Agency loan made to the applicant that resulted in a loss to the Government. A loss claim on a SFHGLP or a Single Family Housing Direct Loan results in a loss to the federal government. Therefore, an applicant with a previous loss claim is considered to have an indicator of significant derogatory credit.

Applicants obtaining a guarantee through the SFHGLP must obtain a clear Credit Alert Verification Reporting System (CAIVRS) number, which checks for prior loss claims by reviewing any delinquent and/or defaulted claims that were paid on the applicant’s behalf. Currently, regardless of the time passed since a loss to the

Agency occurred, applicants must maintain a clear CAIVRS number to obtain a new loan with the SFHGLP.

This proposed rule intends to amend 7 CFR 3555.151(i)(3)(iv) to establish a time limit for how long a previous Agency loss will be considered significant derogatory credit. The Agency proposes that this time limit be seven years. This would mean that any loss claim that is older than seven years old would no longer be considered significant derogatory credit for an applicant applying for a new loan using the SFHGLP.

This proposed rule would better align the waiting period with those used by similar programs. The Veterans Administration (VA) and the Federal Housing Administration (FHA), part of the U.S. Department of Housing and Urban Development, have shorter waiting periods before applicants are eligible to participate in their mortgage loan programs after having a foreclosure. VA allows applicants to apply for a mortgage as early as two years after a previous foreclosure, with FHA having a three-year waiting period. While a previous loss claim is a significant event when it occurs, applicants can establish positive repayment ability over time through various means, such as building credit; obtaining better paying jobs; demonstrating growth of liquid assets; and positioning themselves to be eligible for homeownership through the SFHGLP. Currently, 7 CFR 3555.151(i)(3) requires that for manually underwritten loans, lenders must submit documentation of the credit qualification decision. Lenders use credit scores to manually underwrite loan mortgage requests and are required to validate the credit scores utilized in the underwriting determination. Indicators of significant derogatory credit require further review and documentation of that review and a previous Agency loan that resulted in a loss to the government is one item that would require this type of more thorough underwriting review and documentation.

When the loan file becomes a manually underwritten loan, the lender is required to submit a fully documented file for the Agency to review. Some of the guidelines for a manually underwritten file are more stringent and require the lender to provide acceptable debt ratio waivers and compensating factors to support these waivers, as well as require credit score validations, credit exceptions, and a verification of rent. In cases where applicants have re-established credit, obtained a stable and dependable

earning stream, and generated savings it seems prudent to add a time frame for when the Agency considers these previous loss claims to no longer be considered significant derogatory credit.

The Agency proposes a seven-year period for consideration of previous loss claims to be considered significant derogatory credit.

To reach this figure of seven-years, the Agency considered that many states utilize a seven-year statute of limitation for creditor claims. The Agency also considered provisions in the Fair Credit Reporting Act (FCRA), 15 U.S.C. 1681 *et seq.*, which is a federal law that regulates the collection, accuracy, and privacy of consumers' credit information. One of the provisions of FCRA is a requirement to exclude from credit reports most types of derogatory credit that antedate the report by more than seven years.

When evaluating the overall applicants' credit worthiness, lenders consider a variety of factors, including the applicant's income, assets, credit rating, and proposed collateral.

The Agency determined that seven-years is sufficient time for an improvement in these factors. For example, in seven years, an applicant may have significantly increased their income by obtaining a job promotions, raise, completing a degree, learning a new trade, obtaining a new skill, credential, or similar development. to validate circumstances have changed. Having a greater potential repayment ability, or increased capacity, to make the loan payments for the 30-year term is important in the applicants' underwriting analysis.

The Agency also determined that seven years is sufficient time for the applicant to further develop their financial state, by obtaining additional assets and reducing their liabilities. Comparing their assets to liabilities helps determine if the applicant can sustain their current financial situation and, more importantly, if a hardship arose, whether they have sufficient reserves to ensure continued repayment. In conjunction with having time to obtain a better job, this would allow additional time for the applicant to increase their savings. In the seven-year time frame, the applicant may be eligible to receive matching funds by the employer in their 401K or 457 plan, or possibly receive increased wages enabling them to put more away in savings. This would be important for the cash assets and reserves available in the applicants' underwriting analysis.

The last item the Agency considered in determining the seven-year period was credit. A time frame had to be

established that allowed the applicant time to repair their credit. In a seven-year time frame the applicant would have time to repair or rebuild their credit score, pay down or pay off debts, and improve their overall credit situation, and credit reporting companies would no longer report many indicators of derogatory credit seven years after their occurrence. By having sufficient time to re-establish credit, the applicants can show enhanced repayment ability to the potential lender. The Agency believes that by basing the seven-year time frame on both regulatory credit reporting rules and a fair time frame for the applicants to be able to re-establish themselves, the applicants can gain better employment, obtain more wealth, and eradicate a previously tarnished credit report in the seven years. Thus, using a seven-year time frame to consider a prior loss claim to be significant derogatory credit is well supported.

B. Refinance Seasoning and Payment Performance Proposed Rule Changes

There are three refinance options available to borrowers through SFHGLP—streamlined, non-streamlined, and streamline-assist.

Currently, 7 CFR part 3555 does not have a seasoning requirement for streamlined or non-streamlined refinance loans. The "seasoning" period for a mortgage loan refers to the amount of time the applicants have had their mortgage loan and made payments on the debt to their servicer. This proposed rule intends to modify the existing seasoning requirements for streamlined or non-streamlined refinance loans.

The streamlined-assist refinance loan currently has a 12-month seasoning requirement, which this proposed rule would modify to a six-month seasoning requirement. Other Federal Agencies offering similar programs, both requiring limited borrower credit and underwriting documentation, such as FHA and VA, allow streamline refinance transactions after a six-month time span. This proposed rule would bring consistency with these Agencies by permitting the current loan to only be seasoned six months prior to being eligible for a refinance.

The proposed rule would amend § 3555.101(d)(3)(i) to clarify there is no seasoning requirement for the streamlined or non-streamlined refinance loans. Additionally, the current 12-month seasoning requirement for streamlined-assist loans would be modified to a six-month seasoning requirement. The revision would also clarify the mortgage payment history must not reflect any

delinquencies greater than 30 days within 180 days prior to loan application. Since the streamlined and non-streamlined refinance loans are not required to be seasoned for 180 days at loan application, the current loan being refinanced cannot have any delinquencies greater than 30 days since the mortgage loan was originated to be eligible.

This proposal intends to provide our low- to moderate-income applicants the ability to take advantage of a more favorable mortgage interest rate earlier, promoting repayment ability, and allowing them more funds available to save for future expenditures or make home improvements.

The proposed rule would require all payments on the current mortgage loan to be made on time for the last 180 days prior to loan application for all three refinance types (streamlined, non-streamlined, and streamlined assist). No delinquencies greater than 30 days may occur in that period. These proposed guidelines mirror other Federal Agency guidelines, as payments are required to be paid on time for six consecutive months. Since the streamlined and non-streamlined refinance options do not require a seasoning period, when the borrowers' current mortgage account has not been open 180 days prior to the refinance loan application, no defaults can be present since the current mortgage account was originated.

The proposed rule also intends to update 7 CFR 3555.101(d)(3)(iii) by clarifying that existing borrowers seeking to refinance with the streamlined, non-streamlined, and streamlined-assist products must maintain a current mortgage account for 180 days prior to loan application. It will also further explain if borrowers are using the streamlined or non-streamlined refinance options and the mortgage account has not been open 180 days prior to loan application, no defaults can be present since the mortgage account was opened.

Finally, the proposed rule would amend 7 CFR 3555.101(d)(3)(vi) to delete duplicate information already contained within other provisions of subsection (d). The paragraph will instead state: Documentation, costs, underwriting, and servicing requirements of subparts D, E, and F of this part apply to refinancing, unless otherwise provided by the Agency.

IV. Request for Comment

Stakeholder input is vital to ensure the proposed changes in the proposed rule would support the Agency's mission, while ensuring that new regulations and policies are reasonable

and do not overly burden the Agency's lenders and their customers. Comments must be submitted on or before November 18, 2024 and may be submitted electronically by going to the Federal eRulemaking Portal: <https://www.regulations.gov>. Details on how to submit comments to the Federal eRulemaking Portal are in the ADDRESSES section of this proposed rule.

V. Summary of Proposed Rule Changes

RHS is proposing to make the following changes to 7 CFR 3555:

(1) The Agency is proposing to amend 7 CFR 3555.101(d)(3)(i)(A) to state that lenders may offer a streamlined refinance for existing Section 502 Guarantee loans, which does not require a new appraisal. The lender will pay off the balance of the existing Section 502 Guaranteed loan. There is no seasoning requirement for the current mortgage account being refinanced. The borrower must have no delinquencies greater than 30 days on the mortgage account being refinanced for 180 days prior to loan application. If the current mortgage loan is not 180 days mature at loan application, the borrower cannot have any delinquencies greater than 30 days since the mortgage loan was originated.

(2) The Agency also proposes to update § 3555.101(d)(3)(i)(B) to allow lenders to offer non-streamlined refinancing for existing Section 502 Guaranteed or Direct loans, which requires a new and current market value appraisal. The amount of the new loan must be supported by sufficient equity in the property determined by an appraisal. The appraised value may be exceeded by the amount of up-front guarantee fee financed, if any, when using the non-streamlined option. There is no seasoning requirement for the current mortgage account being refinanced. The borrower must have no delinquencies greater than 30 days on the mortgage account being refinanced for 180 days prior to loan application. If the current mortgage loan is not 180 days mature at loan application; the borrower cannot have any delinquencies greater than 30 days since the mortgage loan was originated.

(3) The Agency is also proposing to update § 3555.101(d)(3)(i)(C) to make clear that a streamlined-assist refinance loan is a special refinance option available to existing Section 502 Direct and Guaranteed loan borrowers. There are no debt-to-income calculation requirements, no credit report requirements, no property inspection requirements, and no loan-to-value requirements. There is no appraisal requirement, with the exception of Section 502 Direct loan borrowers who

have received a subsidy. The existing loan must have closed six months prior to loan application. Applicants must meet the income eligibility requirements of § 3555.151(a) and must not have had any delinquencies greater than 30 days on their mortgage account being refinanced 180 days prior to loan application.

(4) The proposed rule intends to update 7 CFR 3555.101(d)(3)(iii) to clarify existing borrowers seeking to refinance with the streamlined, non-streamlined, and the streamlined-assist products must maintain a current mortgage account for 180 days prior to loan application. It will also stipulate if borrowers are using the streamlined or non-streamlined refinance options and the mortgage account has not been open 180 days prior to loan application, no defaults can be present since the mortgage account was opened.

(5) The proposed rule would amend 7 CFR 3555.101(d)(3)(vi) to delete text that is already provided in section (d) of 7 CFR 3555. The paragraph will state: Documentation, costs, and underwriting requirements of subparts D, E, and F of this part apply to refinances, unless otherwise provided by the Agency.

(6) The Agency intends to revise 7 CFR 3555.151(i)(3)(iv) to specify a previous Agency loan that resulted in a loss to the Government within the last seven years is considered significant derogatory credit.

VI. Regulatory Information

Executive Order 12372, Intergovernmental Review of Federal Programs

This program is not subject to the requirements of Executive Order 12372, "Intergovernmental Review of Federal Programs," as implemented under USDA's regulations at 2 CFR 415, subpart C.

Executive Order 12866 and 13563

Executive Orders 12866 (Regulatory Planning and Review) and 13563 (Improving Regulation and Regulatory Review) direct agencies to assess the costs and benefits of available regulatory alternatives and, if a regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and promoting flexibility. This proposed rule has been designated a "non-significant regulatory action,"

under section 3(f) of Executive Order 12866. Accordingly, the rule has not been reviewed by the Office of Management and Budget (OMB).

In accordance with Executive Order 12866, a Regulatory Impact Analysis was not completed.

Executive Order 12988, Civil Justice Reform

This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. Except where specified, all state and local laws and regulations that are in direct conflict with this rule will be preempted. Federal funds carry federal requirements. No person is required to apply for funding under SFHGLP, but if they do apply and are selected for funding, they must comply with the requirements applicable to the federal program funds. This rule is not retroactive. It will not affect agreements entered into prior to the effective date of the rule. Before any judicial action may be brought regarding the provisions of this rule, the administrative appeal provisions of 7 CFR part 11 must be exhausted.

Executive Order 13132, Federalism

The policies contained in this proposed rule do not have any substantial direct effect on states, on the relationship between the national government and states, or on the distribution of power and responsibilities among the various levels of government. This proposed rule does not impose substantial direct compliance costs on state and local governments. Therefore, consultation with the states is not required.

Executive Order 13175, Consultation and Coordination With Indian Tribal Governments

This proposed rule has been reviewed in accordance with the requirements of Executive Order 13175, "Consultation and Coordination with Indian Tribal Governments." Executive Order 13175 requires Federal agencies to consult and coordinate with tribes on a government-to-government basis on policies that have Tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian Tribes, on the relationship between the Federal Government and Indian Tribes or on the distribution of power and responsibilities between the Federal Government and Indian Tribes. Consultation is also required for any regulation that preempts Tribal law or that imposes substantial direct compliance costs on Indian Tribal

governments and that is not required by statute. The Agency has determined that this proposed rule does not, to our knowledge, have Tribal implications that require formal Tribal consultation under Executive Order 13175. If a Tribe requests consultation, the Rural Housing Service will work with the Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions and modifications identified herein are not expressly mandated by Congress.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Public Law 104-4, establishes requirements for federal agencies to assess the effect of their regulatory actions on state, local, and tribal governments, and the private sector. Under section 202 of the UMRA, the Agency generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with "federal mandates" that may result in expenditures to state, local, or tribal governments, in the aggregate, or to the private sector, of \$100 million, or more in any one year. When such a statement is needed for a rule, section 205 of the UMRA generally requires the Agency to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, most cost-effective, or least burdensome alternative that achieves the objectives of the rule.

This proposed rule contains no federal mandates (under the regulatory provisions of Title II of the UMRA) for state, local, and tribal governments, or the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

National Environmental Policy Act

In accordance with the National Environmental Policy Act of 1969, Public Law 91-190, this final rule has been reviewed in accordance with 7 CFR part 1970 ("Environmental Policies and Procedures"). The Agency has determined that i) this action meets the criteria established in 7 CFR 1970.53(f); ii) no extraordinary circumstances exist; and iii) the action is not "connected" to other actions with potentially significant impacts, is not considered a "cumulative action" and is not precluded by 40 CFR 1506.1. Therefore, the Agency has determined that the action does not have a significant effect on the human environment, and therefore neither an Environmental Assessment nor an Environmental Impact Statement is required.

Regulatory Flexibility Act

This proposed rule has been reviewed with regard to the requirements of the Regulatory Flexibility Act (5 U.S.C. 601-612). The undersigned has determined and certified by signature on this document that this rule will not have a significant economic impact on a substantial number of small entities since this rulemaking action does not involve a new or expanded program nor does it require any more action on the part of a small business than required of a large entity.

Civil Rights Impact Analysis

RD has reviewed this proposed rule in accordance with USDA Regulation 4300-4, Civil Rights Impact Analysis," to identify any major civil rights impacts the rule might have on program participants on the basis of age, race, color, national origin, sex, disability, gender identity (including gender expression), genetic information, political beliefs, sexual orientation, marital status, familial status, parental status, veteran status, religion, reprisal and/or resulting from all or a part of an individual's income being derived from any public assistance program. This proposed rule is within a Guarantee-based program. Guarantees are not covered under Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and Title IX of the Education Amendments Act of 1972, as amended, when the Federal assistance does not include insurance or interest credit loans. Lenders must comply with other applicable Federal laws, including Equal Employment Opportunities, the Equal Credit Opportunity Act, the Fair Housing Act, and the Civil Rights Act of 1964. Guaranteed loans that involve the construction of or addition to facilities that accommodate the public must comply with the Architectural Barriers Act Accessibility Standard. The borrower and lender are responsible for ensuring compliance with these requirements.

Programs Affected

The program affected by this proposed rule is listed in the Assistance Listing (AL) Number 10.410, Very Low to Moderate Income Housing Loans (Section 502 Rural Housing Loans).

Paperwork Reduction Act

This proposed rule contains no new reporting or recordkeeping burdens under OMB control number 0575-0179 that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35).

E-Government Act Compliance

Rural Development is committed to the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

Non-Discrimination Policy

In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Mission Areas, agencies, staff offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotope, American Sign Language) should contact the responsible Mission Area, agency, staff office; or the 711 Federal Relay Service.

To file a program discrimination complaint, a complainant should complete a Form AD-3027, *USDA Program Discrimination Complaint Form*, which can be obtained online, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

- (1) *Mail*: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, STOP 9410, Washington, DC 20250-9410; or
 - (2) *Fax*: (833) 256-1665 or (202) 690-7442; or
 - (3) *Email*: program.intake@usda.gov.
- USDA is an equal opportunity provider, employer, and lender.

List of Subjects in 7 CFR Part 3555

Administrative practice and procedure, Business and industry, Conflicts of interest, Credit, Environmental impact statements, Fair housing, Flood insurance, Grant programs—housing and community development, home improvement, Housing, Loan programs—housing and community development, Low and moderate income housing, Manufactured homes, Mortgage insurance, Mortgages, Reporting and recordkeeping requirements, Rural areas.

For the reasons discussed in the preamble, the Agency is proposing to amend 7 CFR part 3555 as follows:

PART 3555—GUARANTEED RURAL HOUSING PROGRAM

- 1. The authority citation for Part 3555 continues to read as follows:

Authority: 5 U.S.C. 301; 42 U.S.C. 1471 *et seq.*

- 2. Amend § 3555.101 by revising paragraphs (d)(3)(i)(A) through (C) and (d)(3)(iii) and (vi) to read as follows:

§ 3555.101 Loan purposes.

* * * * *

- (d) * * *
- (3) * * *
- (i) * * *

(A) Lenders may offer streamlined refinancing for existing Section 502 Guaranteed loans, which does not require a new appraisal. The lender will pay off the balance of the existing Section 502 Guaranteed loan. There is no seasoning requirement for the current mortgage account being refinanced. The borrower must have no delinquencies greater than 30 days on the mortgage account being refinanced for 180 days prior to loan application. If the current mortgage loan is not 180 days mature at loan application, the borrower cannot have any delinquencies greater than 30 days since the mortgage loan was originated.

(B) Lenders may offer non-streamlined refinancing for existing Section 502 Guaranteed or Direct loans, which requires a new and current market value appraisal. The amount of the new loan must be supported by sufficient equity in the property as determined by an appraisal. The appraised value may be exceeded by the amount of up-front guarantee fee financed, if any, when using the non-streamlined option. There is no seasoning requirement for the current mortgage account being refinanced. The borrower must have no delinquencies greater than 30 days on the mortgage

account being refinanced for 180 days prior to loan application. If the current mortgage loan is not 180 days mature at loan application, the borrower cannot have any delinquencies greater than 30 days since the mortgage loan was originated.

(C) A streamlined-assist refinance loan is a special refinance option available to existing Section 502 Direct and Guaranteed loan borrowers. There are no debt-to-income calculation requirements, no credit report requirements, no property inspection requirements, and no loan-to-value requirements. There is no appraisal requirement, with the exception of Section 502 Direct loan borrowers who have received a subsidy. The existing loan must have closed six months prior to loan application. Applicants must meet the income eligibility requirements of § 3555.151(a) and must not have had any delinquencies greater than 30 days on their mortgage account being refinanced 180 days prior to loan application.

* * * * *

(iii) Existing borrowers seeking to refinance using the streamlined, non-streamlined, or the streamlined-assist refinance options must have demonstrated their ability to meet payment demands by maintaining a current mortgage account for 180 days prior to loan application. However, if the borrower is using either the streamlined or non-streamlined refinance option and their mortgage account being refinanced has not been opened for 180 days prior to loan application, no defaults must have occurred since the mortgage account was opened.

* * * * *

(vi) Documentation, costs, and underwriting requirements of subparts D, E, and F of this part apply to refinances, unless otherwise provided by the Agency.

* * * * *

- 3. Amend § 3555.151 by revising paragraph (i)(3)(iv) to read as follows:

§ 3555.151 Eligibility requirements.

* * * * *

- (i) * * *
- (3) * * *

(iv) A previous Agency loan that resulted in any loss to the Government within the last seven years.

* * * * *

Joaquin Altoro,
Administrator, Rural Housing Service.

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