



January 29, 2018 | The AFR 411 2018-03

American Financial Resources, Inc.



Attention: AFR Lending Partners

Topics in this edition of The AFR 411 include:

- **Policy Update: USDA OTC Compensation**
- **Policy Update: Government Refinance Requirements**

USDA OTC Compensation

Effective January 30, 2018, AFR will no longer permit Lender Paid compensation on USDA One-Time Close Broker and Table Fund transactions; Borrower Paid compensation is required. Rate sheets have been updated to reflect this change.

Refinance Requirements

Effective immediately for submissions dated January 30, 2018 and after:

All streamline and cash-out refinance Government transactions are eligible **only** if:

- The borrower made at least six consecutive monthly payments on the loan being refinanced, referred to as the Initial Loan, beginning with the payment made on the first payment due date; and
- The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan.

Reminder: VA's refinancing types include IRRRLs and Cash Out Refinances, they do not classify rate and term refinances. All VA refinances must adhere to the refinance requirements above.

Rate/Term Refinance Loans (does not include VA loans)

Fully underwritten rate/term refinance loans are acceptable and are free from the restrictions identified above so long as:

- the corresponding housing agency (FHA, VA or RD) has implemented a fully underwritten rate/term refinance loan program specifying any attendant seasoning, loan performance, maximum LTV, full documentation, and full appraisal requirements; and
- the refinance loan in question meets all such housing agency requirements.

In order to comply with these new requirements, loans underwritten to previous seasoning and payment history requirements must be funded/purchased by AFR by February 16, 2018.