

# Home Affordable Refinance FAQs

October 11, 2011

The Home Affordable Refinance Program (HARP) is designed to assist homeowners in refinancing their mortgages – even if they owe more than the home’s current value.

The primary expectation for Home Affordable Refinance is that refinancing will put responsible borrowers in a better position by reducing their monthly principal and interest payments or moving them from a more risky loan structure (such as an interest-only mortgage or a short-term ARM) to a more stable product (such as a fixed-rate mortgage).

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## Summary of Features

Fannie Mae's Home Affordable Refinance initiative has three primary components:

1. Expand opportunities for Fannie Mae to Fannie Mae refinances through Refi Plus™, which includes Desktop Underwriter® (DU®) and manual underwriting eligibility
2. Allow LTV ratio up to 125% on the new loan and additional underwriting flexibilities (loans with LTVs of 105.01– 125% are limited to fully amortizing 20-, 25-, or 30-year fixed-rate mortgages)
3. Provide a solution for borrowers with LTVs above 80% who currently may not be able to refinance because of mortgage insurance (MI) coverage requirements:

<i>Original Loan LTV Ratio</i>	<i>Existing MI Coverage</i>	<i>MI Coverage for New Loan</i>
80% or less	None	Not required
Over 80%	None (previously canceled or terminated per <a href="#">Selling and Servicing Guide</a> requirements)	Not required
	Yes	The level of coverage in force on the existing loan or standard coverage in accordance with the <i>Selling Guide</i> *

\* Lenders are encouraged to use their best efforts to obtain MI coverage that provides the lowest-cost MI option available to the borrower.

## General

### Q1. May borrowers obtain the refinance flexibilities only through their existing servicer or do they have the option to use another lender?

Fannie Mae has a refinancing option for each scenario depending on the borrower's situation and preference. Manually underwritten Refi Plus loans are limited to originations by the current servicer of the existing loan. DU Refi Plus may be originated by any lender selected by the borrower, including the existing servicer, because DU will automatically determine whether Fannie Mae is the investor on the existing loan, regardless of the lender entering the loan casefile.

### Q2. Is there a way to determine whether Fannie Mae is the investor on an existing loan other than having the borrower contact their servicer?

Yes. Fannie Mae has an online tool, the Fannie Mae Loan Lookup, for borrowers to determine whether Fannie Mae is the investor on their loan. The Loan Lookup is available on [FannieMae.com](http://FannieMae.com).

The tool indicates whether Fannie Mae is the investor on a property at a specific address, but does not determine refinance or loan modification eligibility for borrowers. Lenders and servicers

must refer to our published guidelines to determine a borrower's eligibility for a particular refinance opportunity or servicing solution.

Additionally, DU automatically determines if the borrower(s) and property address on a limited cash-out refinance transaction are associated with an existing Fannie Mae loan, and applies the DU Refi Plus expanded eligibility guidelines, when applicable.

Homeowners can also contact Fannie Mae by phone at 1-800-7FANNIE (1-800-732-6643) (8 a.m. – 8 p.m. ET) or e-mail to [resource\\_center@fanniemae.com](mailto:resource_center@fanniemae.com).

**Q3. What is meant by “movement to a more stable product”?**

Generally, a more stable product would include movement from:

- A mortgage loan with an interest-only feature to a fully amortizing mortgage product (provides amortization of principal and accumulation of equity in the property);
- An adjustable-rate mortgage (ARM) to a fixed-rate mortgage (FRM) (elimination of the potential for payment shock);
- An ARM to a new ARM with an initial fixed period of five years or more, and equal to or greater than that of the existing mortgage (elimination of pending payment shock and movement to the same or longer initial fixed-interest rate period); or
- A 30-year FRM to a 15-, 20-, or 25-year FRM (accelerated amortization of principal and building of equity).

Movement to a more stable product would *not* include simply an extension of the mortgage term, e.g. a 30-year FRM to a 40-year FRM, but this type of transaction is permissible if, and only if, the borrower realizes a reduction in the mortgage payment.

**Q4. Is there a combined loan-to-value ratio (CLTV) or home equity CLTV (HCLTV) limit?**

No, there is not a limit to CLTV or HCLTV for existing subordinate financing (no new subordinate financing is permitted). All existing subordinate financing must be resubordinated by the current lienholder without regard to any limit on CLTV or HCLTV. Note, however, that the lender must calculate the CLTV for the new loan and provide it to Fannie Mae. See the Refi Plus requirements of the *Selling Guide* and Q5 for information related to Refi Plus (DU or manual) transactions with existing subordinate financing.

**Q5. What are the requirements related to existing subordinate financing?**

In accordance with *Selling Guide* requirements, all existing subordinate financing must be resubordinated to maintain first-lien priority of the new first mortgage originated as a Refi Plus (manual underwriting) or DU Refi Plus transaction.

Fannie Mae recognizes that in some cases borrowers may have obtained subordinate financing after origination of the existing first mortgage loan that may not comply with our subordinate financing guidelines per the *Selling Guide*. Please refer to the Refi Plus requirements of the *Selling Guide* for detailed guidelines related to existing subordinate financing with a Refi Plus or DU Refi Plus transaction.

For DU Refi Plus transactions, lenders will receive a reminder message that the subordinate financing must comply with standard *Selling Guide* provisions.

**Q6. Why are loans with LTVs above 105% not permitted to be commingled in standard Fannie Mae TBA-eligible MBS pools?**

Permitting loans with LTVs greater than 105% in TBA (to-be-announced) securities would have tax reporting implications for investors that are subject to certain income and asset tests for federal income tax purposes (e.g., REITs must derive at least 75% of their income from real estate assets). Right now, 100% of Fannie Mae's TBA MBS qualify as real estate assets, and thus there is no need for additional tax reporting. In addition, the introduction of LTVs in excess of 105% could create greater uncertainty around prepayment speeds for TBA pools since there is no significant track record of data on prepayment of loans with LTVs above 105%.

Finally, the MI flexibility offered under the Home Affordable Refinance Program is temporary and scheduled to expire in mid-2012. Many loans with LTVs above 105% are reliant on the HARP MI flexibility, so introducing LTVs of 105.01 to 125% into TBA pools could produce an anomaly in prepayment expectations for these pools compared to pools issued before and after HARP.

For these reasons, we concluded that the right solution was to create a separate class of MBS (i.e., a new pool prefix) specifically for these over-105% LTV Refi Plus loans.

**Q7. For loans with LTVs over 105%, what product execution options are available?**

Because Refi Plus and DU Refi Plus loans with LTV ratios above 105% are not permitted to be included in TBA-eligible pools, we created a new non-TBA MBS pool prefix specifically for these loans. In addition, to align our whole loan execution to what we are doing on the MBS side, we created one new whole loan product for these over-105% LTV loans. To drive a quick ramp-up of market liquidity for these loans, we wanted to avoid the fragmentation that would occur if we offered a broad array of product options, so we deliberately limited our offering only to fully amortizing fixed-rate mortgages with terms greater than 15 years up to 30 years.

- For MBS, all production will be pooled using the one prefix, CQ.
- For whole loans, all production will be accommodated under one product in eCommitting™ and eCommitONE™ called “30-Year Fixed-Rate, Refi Plus LTV 105.01 thru 125.”

In contrast to our standard TBA-eligible FRM offerings, we will not offer separate MBS or whole loan executions for different FRM terms.

**Q8. Do the “de minimis” pooling limits apply to the MBS pool prefix for Refi Plus loans with LTVs above 105% up to 125% (prefix CQ)?**

No. The pooling limits that apply to TBA-eligible prefixes (e.g., CI and CL) in terms of nonstandard characteristics (high-balance loans, loans with significant interest rate buydowns, loans on cooperative share properties, and restricted relocation loans) do not apply to the new CQ prefix.

**Q9. The Making Home Affordable Program offers loan modifications as a companion to the refinance initiative. How should borrowers and lenders determine whether a refinance or modification is best for the borrower's situation?**

Home Affordable Refinance addresses the problem faced by millions of homeowners who have been unable to take advantage of low mortgage rates to refinance because their property value has fallen. The loan modification program is intended to prevent foreclosure for borrowers in

default or in imminent danger of default, and has clear guidelines regarding qualification and terms.

The Refi Plus options are intended for borrowers who 1) are not having difficulty making their monthly payments, 2) are current on their payments at the time of refinance, and 3) have not been delinquent by more than 30 days during the past 12 months (during the life of the loan if it has existed for less than 12 months).

The Home Affordable Modification program is intended for borrowers who do not have the ability to make their mortgage payments, even with a refinance. To be eligible for Home Affordable Modification, the borrower is required to “document a financial hardship and represent that s/he does not have sufficient liquid assets to make the monthly mortgage payments” (see the Refi Plus requirements of the *Selling Guide* for details).

**Q10. Is a borrower who was making payments under a Home Affordable Modification Program (HAMP) trial modification, but is determined to be ineligible for a permanent modification, eligible for Refi Plus or DU Refi Plus?**

Refi Plus (DU or manual) is designed for borrowers who are not experiencing any problems that could impact their ability to continue making mortgage payments. Some borrowers may have obtained a trial modification due to an anticipated hardship (where default is deemed imminent) requiring them to make trial payments for a specified period of time. This may, in turn, reflect on the borrower’s payment history as a delinquency of 30 or more days past due.

Refi Plus has specific payment history requirements that must be met to be eligible. Borrowers who were denied a HAMP permanent modification are eligible for Refi Plus provided they meet these payment history requirements and the lender is satisfied that the circumstances relied upon by the borrower to apply for the HAMP trial modification have been resolved.

In some instances, the credit report may not include recent reporting activity for the mortgage. Lenders must obtain an up-to-date payment history for the mortgage to determine that the payment history is eligible (both DU Refi Plus and Refi Plus). Even if the lender receives the DU Refi Plus messaging, they must review the credit report to determine that it is an accurate reflection of the payment history on the existing loan.

**Q11. Is there a limit on the number of times a borrower can refinance using the Fannie Mae to Fannie Mae refinance options?**

Previously, to be eligible for Refi Plus (manual) or DU Refi Plus, the existing loan must have been owned or guaranteed by Fannie Mae before March 1, 2009. In March of 2011, the March 1, 2009 date was extended to June 1, 2009. Because of the acquisition date extension, there will be an additional group of loans (those acquired by Fannie Mae between March 1, 2009 and May 31, 2009) that are now eligible for refinance under Refi Plus or DU Refi Plus, including loans that have already been refinanced and delivered to Fannie Mae as Refi Plus or DU Refi Plus transactions.

**Q12. Fannie Mae’s policy guidelines for refinance transactions require lenders to confirm that the subject property is not currently listed for sale. Does this provision apply to the Refi Plus options?**

Fannie Mae is offering a flexibility to waive this requirement for the Refi Plus options (DU and manual underwriting).

**Q13. With the unprecedented refinancing opportunities being offered by Home Affordable Refinance, is this also a good opportunity for lenders to target market to borrowers with existing Fannie Mae loans?**

No. It is important to note that the Fannie Mae *Selling and Servicing Guides* prohibit lenders from conducting marketing campaigns that expressly single out Fannie Mae loans for the purpose of refinancing existing loans. Any marketing to borrowers must be general enough to encompass all investors and all borrowers of a lender.

Home Affordable Refinance offers lenders a business opportunity to compete for refinance business as long as these guidelines are followed. Refi Plus with manual underwriting offers servicers a portfolio retention tool, while DU Refi Plus does not limit the new loan to the existing servicer, which can give Fannie Mae borrowers the choice to select a lender based on the best rate, service, or other factors.

Lenders may contact their Fannie Mae customer account teams to discuss in more detail how to conduct marketing outreach consistent with our guidelines to inform borrowers of the flexibilities associated with Home Affordable Refinance.

**Q14. Is the target marketing restriction limited to loans in MBS because of investor concerns, or can lenders target market to borrowers whose loans were delivered to Fannie Mae as whole loans?**

The restrictions apply regardless of how the loan was delivered. Note that Fannie Mae ultimately securitizes many loans that are delivered to us as whole loans.

**Q15. Is there a limit on the amount of the principal curtailment that can be made for loans that closed with more than \$250 cash back to the borrower?**

Fannie Mae does not limit the amount of curtailment made for amounts in excess of the \$250 cash back to the borrower. As a general rule, the curtailment should not be greater than what would have been allowed through a limited cash-out refinance; i.e., the lesser of 2% of the principal balance or \$2,000. A curtailment in excess of this amount would be considered a cash-out refinance and the loan would, therefore, not be eligible under Refi Plus.

**Q16. Can the borrower receive a refund of fees or closing costs, such as an application fee paid up front if these fees are rolled into the loan amount?**

Yes. The refund of fees or costs paid by the borrower prior to closing can be included in the loan amount and do not count toward the \$250 cash back limit. The lender must clearly document that the borrower paid the fees up front from their own funds.

**Q17. Who provides the funds for the curtailment?**

The curtailment should be made from funds that belong to the borrower, and the curtailment should be applied at time of closing. It is acceptable for the lender to apply the curtailment after closing; however, the curtailment must be applied prior to loan delivery. It is recommended that documentation be included in the loan file to explain the reason for the principal curtailment.

## Lender Representation and Warranty Requirements

### *Verification of Employment, Income, Reserves, and Assets*

#### **Q18. Does the lender need to verify the borrower's employment and income for the loan to be eligible for Refi Plus?**

For DU Refi Plus, the lender must obtain a verbal verification of employment (VOE) and verify the borrower's source of non-employment income, plus obtain any other income documentation as required by the DU Underwriting Findings Report. The lender is relieved of underwriting representations and warranties *if the lender meets all of these requirements*: enters data that is complete, accurate, and not fraudulent; follows the instructions in the DU Underwriting Findings Report regarding income, employment, asset, and fieldwork documentation; and complies with all other requirements as documented in the *Selling Guide*.

For Refi Plus (manual underwriting), the lender must verify the borrower's employment and source of non-employment income, if any. For this option, lenders are required to obtain at least a verbal VOE to verify that borrowers are currently employed and, if applicable, have a verified source of non-employment income. The borrower's ability to repay the mortgage loan is based primarily on the acceptable payment history of the existing mortgage and the borrower benefit provisions. If a lender verifies income in accordance with the foregoing, Fannie Mae's quality assurance process will deem lender to have complied with income verification requirements applicable to a Refi Plus loan.

#### **Q19. Does a lender need to verify reserves or assets as stated on the new mortgage loan application?**

For DU Refi Plus, reserves and assets must be verified to the extent that the DU Underwriting Findings Report requires such verification. The lender is relieved of underwriting representations and warranties *if the lender meets all of these requirements*: enters data that is complete, accurate, and not fraudulent; follows the instructions in the DU Underwriting Findings Report regarding income, employment, asset, and fieldwork documentation; and complies with all other requirements in the *Selling Guide*.

For Refi Plus (manually underwritten), the lender is not required to verify or document reserves or assets and may rely on the information stated by the borrower on the new mortgage loan application. Fannie Mae's quality assurance process will not hold the lender responsible for information obtained as a result of its reverification of assets or reserves stated by the borrower or impose any maximum debt-to-income ratio or other underwriting criteria in connection with a Refi Plus loan.

### ***Borrower Credit History***

#### **Q20. How should a borrower's credit history be evaluated?**

For DU Refi Plus, DU performs its standard credit risk assessment for DU Refi Plus loans, which includes a comprehensive review of the borrower's credit history. Fannie Mae's standard minimum credit score requirement is waived, however.

Lenders will receive the limited waiver of representations and warranties for eligible DU loan casefiles, provided the lender has complied with all other requirements as documented in the *Selling Guide*.

For Refi Plus (manual underwriting), the lender should rely on the payment history requirements of the existing mortgage and Fannie Mae's standard guidelines and timeframes for past bankruptcy and foreclosure actions. Aside from these requirements, the lender will not be required to represent and warrant that the borrower has an acceptable credit history or be held accountable for undisclosed liabilities in connection with a Refi Plus loan.

See also Q10 for both DU Refi Plus and Refi Plus.

### ***Borrower Benefit and Reasonable Ability to Pay***

#### **Q21. How can the borrower benefit requirement be met?**

The borrower benefit requirement has two distinct standards based on the borrower's payment change:

- If the borrower's payment is decreasing, the borrower benefit provisions are met. The borrower could extend their amortization term – e.g., from 15 years to 30 years – or move from a fixed-rate mortgage to an adjustable-rate mortgage.
- If the borrower's payment is staying the same or increasing, the borrower must be moving to a more stable mortgage product. The borrower *may not* extend their amortization period (although a shorter amortization period is considered to comply with this standard), or move from a fixed-rate mortgage to an adjustable-rate mortgage.

As a reminder, Fannie Mae encourages lenders to provide a fixed-rate mortgage whenever possible to further ensure long-term stability.

#### **Q22. How can lenders meet the requirement to represent and warrant that the borrower has a reasonable ability to repay the loan, based on the information stated by the borrower on the new mortgage loan application?**

For DU Refi Plus, DU applies the standards for ensuring the borrower has a reasonable ability to repay the mortgage loan, and lenders are relieved of this representation and warranty. Also, lenders remain bound by the DU representation and warranty that all data entered into DU is "complete, accurate, and not fraudulent." It is important to note that, as always, the lender is responsible for making the final credit decision as to whether or not the borrower qualifies for the loan using the underwriting recommendations received from DU.

For Refi Plus (manual underwriting), lenders are expected to ensure the borrower has a source of income (whether through verification of employment or verification of source of non-employment income) and meets the payment history requirements for the existing mortgage, and that the borrower benefit provisions are met. Fannie Mae will not impose any additional underwriting requirements through the quality control process other than the items outlined to determine reasonable ability to repay. If a lender complies with the foregoing, Fannie Mae's quality assurance process will not hold the lender responsible for information obtained as a result of its reverification of the amount of income and/or assets stated by the borrower or impose any maximum debt-to-income ratio or other underwriting criteria in connection with a Refi Plus loan.

**Q23. Even though no DTI ratio is required to be calculated and the amount of income does not need to be verified for Refi Plus (manual), how do lenders comply with the “reasonable ability to repay” representation and warranty in certain instances, such as when the new mortgage payment is greater than the income amount or the DTI ratio is unusually high?**

Refi Plus (manual) eligibility is based primarily on the payment history of the existing mortgage and the borrower benefit provisions. If the new mortgage payment is higher than the income stated by the borrower, lenders should establish the borrower’s financial capacity to repay the new mortgage loan. As part of this review, lenders may include a discussion of why the borrower is not seeking a loss mitigation alternative such as a modification or deed-in-lieu of foreclosure. While lenders may not solicit borrowers who are current or no more than 30 days delinquent on their current mortgage for HAMP, lenders should consider HAMP as a viable option for borrowers seeking a refinance if they appear to be facing hardships that may satisfy the imminent default provisions.

This logic also applies for excessively high DTI ratios. Fannie Mae purposely did not establish a maximum DTI ratio in order to provide lenders with the discretion to review each individual borrower’s circumstances to determine whether a refinance was sustainable and the best option for the borrower. It is Fannie Mae’s overall objective to make mortgage loans that allow for long-term sustainable homeownership. Therefore, lenders should consider an unusually high DTI as an opportunity to evaluate the individual borrower’s circumstances to determine whether a refinance (as opposed to a modification) is the appropriate option for the borrower based on his or her financial capacity.

Fannie Mae will adhere to the guidelines for determining when a repurchase will be requested on a Refi Plus transaction (which does not include a maximum DTI), as clearly outlined in the Lender Representation and Warranty Requirements contained in the *Selling Guide*. Fannie Mae will continue to monitor loan deliveries to establish trends including high DTIs, income less than monthly payment, etc. The monitoring of loan deliveries may result in further updates or clarification of program flexibilities or, on a lender-by-lender basis, initiating discussions to help Fannie Mae establish what may be represented in the delivery information.

As an additional reminder, the eligible sources for income must comply with all existing provisions outlined in the *Selling Guide*. Lenders who have questions regarding these issues may contact their Fannie Mae customer account team to discuss them.

***Property Valuation Requirements – Refi Plus Manual Underwriting***

**Q24. If a new appraisal is obtained for the Refi Plus transaction, is the lender responsible for the representations and warranties of the existing appraisal in the file?**

The lender is responsible for the standard representations and warranties related to the value, marketability, and condition of the property as reflected in the property valuation *used to support the refinance transaction*. For Refi Plus, this could be the original appraisal used to support the existing mortgage loan, or a new property valuation, whichever is used to support the refinance transaction. If a new property valuation is obtained, the lender is relieved of the standard representations and warranties related to any prior appraisal obtained for the mortgage loan being refinanced.

**Q25. For Refi Plus, if the lender is relying on the original appraisal to support the value of the refinance transaction, it must represent and warrant that the current value is not less than the value reflected in the appraisal obtained for the existing mortgage loan. How can a lender assess the current property value to determine whether the existing appraised value meets this standard?**

To determine whether it can represent and warrant that the current value is not less than the value obtained in connection with the existing mortgage loan, the lender should assess current market values based on whatever means it determines to be acceptable. If the lender is confident that the new value is not less than the original value, the lender can provide the representation and warranty and originate the new mortgage based on the original value without a new property valuation.

### **Other**

**Q26. At the time a lender originates a Refi Plus transaction, is it responsible for ensuring that the original mortgage loan file met all eligibility and underwriting requirements?**

Refi Plus (manual underwriting) provides flexibilities to lenders who currently service the borrower's mortgage loan because the lender has access to the original underwriting file and documentation. If:

- 1) the borrower has made at least 12 monthly payments on the existing mortgage, and
- 2) the loan meets the payment history and borrower benefit requirements for Refi Plus,

the lender is not required to review or make representations and warranties to the terms of the original mortgage loan file related to borrower eligibility or underwriting applicable to the original mortgage loan. In these cases, any prior issues associated with borrower eligibility or underwriting requirements have not impacted the borrower's ability to repay the mortgage loan.

If the borrower has made less than 12 monthly payments, however, the lender retains responsibility for the standard eligibility and underwriting representations and warranties for the original mortgage loan.

## **Loan Eligibility – Existing and New Loans**

**Q27. Are all borrowers on the existing mortgage required to be on the new mortgage for Refi Plus and DU Refi Plus? Can borrower(s) be removed through the refinance transaction?**

For loan casefiles underwritten and delivered as DU Refi Plus, borrower(s) may be removed through the refinance transaction, provided that (a) the lender obtains documented evidence that the remaining borrower(s) has been making payments from his or her own funds for the past 12 months, and (b) the borrower(s) being removed is also removed from the deed. If the borrower(s) is being removed due to death, however, evidence that the remaining borrower(s) has been making payments from his or her own funds is not required.

Under prior guidelines, Refi Plus (manual) permitted a borrower(s) to be removed only due to death or divorce. These guidelines have been updated to allow removal of a borrower(s) for any reason, provided the same requirements outlined above for DU Refi Plus are met. Note, however, that even in cases of death, documented evidence that the remaining borrower(s) has been making the payments from his or her own funds for the prior 12 months is required for Refi

Plus loans. In addition, appropriate documentation related to the death of the borrower(s) is required to be provided in the Refi Plus file.

**Q28. If a borrower is being removed through the refinance due to death, must the deceased borrower also be removed from the title to the property?**

Fannie Mae does not require that the deceased borrower be removed from the title to the property and will rely on common and customary practices related to this situation.

**Q29. Can a borrower “buy out” the interest of another borrower that is being removed through a DU Refi Plus or Refi Plus transaction?**

No. The remaining borrower may not “buy out” the interest of another borrower through the Refi Plus or DU Refi Plus transaction since increases to the existing unpaid principal balance are not permitted except for the financing of closing costs.

**Q30. If a borrower is being removed through the transaction, can funds from a joint account with the remaining and prior borrower be used to document that the remaining borrower has been making payments “from their own funds?”**

No. If a borrower is being removed from the transaction, the remaining borrower must demonstrate that they have been making payments for 12 months from their own funds. Funds from an account that is held jointly by the remaining borrower and the borrower being removed are not deemed to meet this requirement. The flexibility to remove borrowers is designed to provide the ability for a borrower to refinance the loan when the prior borrower has not been, and will no longer be, contributing funds for the payment.

**Q31. If the existing mortgage loan was closed in the names of the individual borrowers but has since been transferred to an inter vivos revocable trust, is the loan eligible for Refi Plus?**

Yes, provided the borrowers on the existing mortgage are the only parties to the inter vivos trust and the trust otherwise meets standard *Selling Guide* requirements.

**Q32. Do high-cost area loans—Jumbo-Conforming Mortgages and high-balance mortgage loans—qualify for refinance under this initiative?**

Yes. An existing Jumbo-Conforming Mortgage or high-balance loan may qualify for refinance under Refi Plus (manual or DU options) and may be delivered using the high-balance loan option, subject to currently applicable loan limits, even if higher loan limits applied to the existing loan being refinanced. The current “temporary” high-cost area loan limits for high-balance mortgage loans will expire September 30, 2011 (based on note date), so the “permanent” high-cost area limits will apply to Refi Plus loans with note dates on or after October 01, 2011.

**Q33. Does Home Affordable Refinance provide opportunities for borrowers with existing Alt-A or subprime loans to refinance into more favorable terms?**

If Fannie Mae is the investor on the borrower’s existing Alt-A or subprime loan, the loan may be eligible for the refinance flexibilities offered through DU Refi Plus because the new loan is being

fully evaluated by DU; however, this loan is not eligible to be manually underwritten as a Refi Plus. Fannie Mae lenders may contact their customer account teams to discuss other options for loans that do not meet the Refi Plus manual underwriting eligibility criteria.

**Q34. Can borrowers with a first-lien loan and a home equity line of credit or a closed-end second mortgage combine the first and second mortgages into the new refinance if the maximum LTV is not exceeded?**

No. Subordinate financing in the form of a home equity line of credit or a closed-end second mortgage may not be satisfied with the proceeds of the refinance mortgage. This restriction includes any purchase-money second liens that typically would be permitted under our standard limited cash-out refinance guidelines.

The authority given to Fannie Mae by FHFA for refinances of existing Fannie Mae loans with LTVs up to 125% and MI coverage flexibility is specifically limited by FHFA as follows: “The refinance will not have a cash-out component, except for closing costs and certain de minimis allowances to cover items such as association fees, property tax bills, insurance costs, and rounding adjustments.”

**Q35. If the existing mortgage file indicates that the loan received a Refer with Caution/IV recommendation from DU due to erroneous credit information, and the original loan was delivered with Special Feature Code (SFC) 343, is the loan eligible for Refi Plus?**

Yes, assuming that: 1) the existing mortgage was originated in accordance with Fannie Mae policy, which permits a lender to deliver a loan with a Refer with Caution/IV recommendation when the recommendation is based on erroneous credit data, 2) SFC 343 was provided at delivery, and 3) the loan file includes appropriate documentation.

**Q36. Are loans currently subject to lender recourse and/or indemnification agreements eligible for Refi Plus?**

Many existing Fannie Mae loans that are subject to recourse and/or indemnification agreements are eligible for Refi Plus (DU or manual underwriting). Effective with loan applications dated on or after February 1, 2010 for Refi Plus (manual underwriting), existing mortgage loans that are subject to full, unconditional recourse agreements, including loans with less than life-of-loan agreements, where such agreements were not needed to meet Fannie Mae’s minimum credit enhancement requirements applicable to loans with LTV ratios greater than 80%, are eligible only if the new mortgage loan is delivered with full, unconditional life-of-loan recourse, designated with Special Feature Code 001. Existing mortgage loans that are subject to conditional or other non–full recourse agreements remain eligible for Refi Plus and (not applicable to DU Refi Plus; refer to the *Selling Guide* for details).

Existing loans that are subject to recourse and/or indemnifications agreements, and the coverage was necessary to meet Fannie Mae minimum credit enhancement requirements applicable to loans with LTVs in excess of 80%, remain ineligible for Refi Plus (DU or manual). Lenders may contact their Fannie Mae account teams to discuss details regarding recourse/indemnification loans that remain ineligible and potential options

**Q37. Is an existing mortgage loan that was delivered to Fannie Mae in May 2009 for a June 1, 2009 MBS pool issue date eligible for DU Refi Plus or Refi Plus?**

Refi Plus loans that are subject to the above criteria would not be eligible. A Refi Plus loan delivered to Fannie Mae in May must have been pooled for May settlement with a May issue date. Such loans may not have been delivered to Fannie Mae in May for a June 1, 2009 issue date (and a June settlement).

**Q38. With the requirement that the existing mortgage be owned by Fannie Mae prior to June 1, 2009 to be eligible for Refi Plus or DU Refi Plus, is there any streamlined refinance eligibility available for loans that were acquired by Fannie Mae after that date?**

Fannie Mae retired the prior streamlined refinance product and replaced it with Refi Plus and DU Refi Plus. At this time, there is no streamlined refinance product available for loans that were acquired by Fannie Mae on or after June 1, 2009. Loans originated on or after June 1, 2009 represent loans that were subject to more stringent underwriting and documentation requirements, and originated after the most significant declines in property values. Therefore, the majority of such loans should be eligible under standard refinance guidelines and will not need the additional flexibilities provided by Refi Plus or DU Refi Plus.

**Q39. Are existing mortgages that are balloon loans or adjustable-rate loans with a convertible option eligible for Refi Plus and DU Refi Plus?**

Balloon mortgages and convertible ARMs are eligible for DU Refi Plus and Refi Plus provided the borrower has not exercised their right to either a conditional right to refinance (balloon) or conversion (ARM). A Refi Plus or DU Refi Plus transaction cannot be completed once the borrower advises that they wish to exercise their conditional right to refinance or convert since the lender must repurchase the loan from Fannie Mae. If the loan has been repurchased to effectuate the conditional right to refinance or conversion, the loan is no longer technically owned by Fannie Mae and will not be eligible.

## **Mortgage Insurance/Credit Enhancement**

**Q40. How can Fannie Mae offer MI coverage flexibilities? Doesn't Fannie Mae's Charter require credit enhancement for LTVs above 80%?**

Fannie Mae's regulator, FHFA, has interpreted Fannie Mae's Charter to allow specific refinance terms for loans that Fannie Mae already owns or guarantees by providing certain flexibilities to the credit enhancement requirements of its Charter, in light of unusual and exigent market circumstances. As a result, the flexibilities are subject to important eligibility and time limitations. Please refer to FHFA's February 20, 2009 letter to the Mortgage Insurance Companies of America, which is available at <http://www.fhfa.gov/webfiles/1257/FNFRERefInitiatives22009.pdf>.

**Q41. Are the mortgage insurers supportive of this initiative?**

Yes. For refinances of loans that they already insure, the MI companies are willing to provide flexibilities. They fully recognize the urgent need to help more borrowers improve their position

by refinancing into a lower interest rate and monthly payment or into a more stable product (e.g., interest-only or short-term ARM into fixed rate). The MIs are working closely with us to support the modification of existing MI certificates to facilitate the refinance of loans that currently have MI coverage.

No MI companies have stated maximum LTVs for same-servicer refinances in which they modify the existing MI certificate. Based on our conversations with the MIs, we understand those that allow different-servicer refinances are subject to state-imposed LTV limits if they issue a new certificate, and may impose their own LTV limit for credit risk management purposes if they modify the existing MI certificate.

For the expanded Refi Plus eligibility to include existing loans with LTVs up to 125%, the MI companies have reiterated their willingness to support modification of existing MI certificates for same-servicer Refi Plus transactions. See Q43 for additional information regarding different-servicer refinances.

**Q42. In connection with the refinance of loans that are already insured, how can lenders effect transfer of existing MI coverage to the new loan, given that many servicer systems are set up to cancel MI coverage on loans that are paid off?**

Lenders/servicers must continue to work closely with their MI providers to either continue existing coverage or obtain new coverage on new refinance loans and not allow erroneous cancellation of coverage when existing loans pay off. The lender that originates the refinance will be held responsible if the MI coverage on the existing loan is not successfully continued on the new loan, either by modification of the existing MI certificate or by issuance of a new MI certificate.

Since March 2009, the MI companies have made significant progress in supporting both same-servicer and different-servicer refinances. With respect to same-servicer refinances, all of the major MIs have issued guidelines to facilitate these refinances via modification of the existing MI certificate. With respect to different-servicer refinances, at least five of the major MI companies have issued guidelines to facilitate these refinances either via modification of the existing MI certificate or issuance of a new MI certificate.

In addition, the MIs have implemented processes to facilitate both same- and different-servicer refinances and to help avoid the erroneous cancellation of coverage. Please note that, under current MI guidelines or state law, it may not be possible to get the existing MI certificate modified or to obtain a new MI certificate for some different-servicer refinances of loans having LTVs over 105% up to 125%. Lenders are encouraged to review the MI guidelines, consult with their MI providers, and use their best efforts to obtain MI coverage that provides the lowest-cost option available to the borrower within the overall context of improving the borrower's position.

**Q43. If the borrower is refinancing with a different servicer, does Fannie Mae allow the MI company to charge a modification fee to transfer the MI certificate?**

Fannie Mae does not object to an MI company charging a reasonable fee to transfer the certificate, and will allow such cost to be rolled into the unpaid balance of the new loan as a closing cost as long as the loan will still comply with Fannie Mae's and the MI company's guidelines.

**Q44. What should be the term of the MI coverage on the new loan?**

The MI coverage should extend for the life of the new loan, or until cancellation or termination of coverage as required by law or Fannie Mae guidelines, whether the MI company modifies the existing MI certificate or issues a new one. So, for example, even if a 15-year loan that is three years old is refinanced into a 30-year loan, the MI coverage should be extended for the full life of the new loan.

**Q45. What provisions govern cancellation/termination of MI on the new Refi Plus loan?**

The terms of the new mortgage note (new unpaid balance, LTV, term, etc.) should be used to calculate the MI cancellation/termination date. Lenders should check with their individual MI providers to determine how the payment anniversary date and coverage effective date should be handled.

**Q46. Are existing loans with financed MI eligible for Refi Plus, and are there any differences from other loans in how the MI coverage is continued?**

Existing loans with financed MI are eligible for Refi Plus and there should be no difference in how coverage is continued on the refinance of such loans versus existing loans that do not have financed MI. The existing coverage can be continued on the new loan regardless of whether the financed premium on the existing loan was paid as a single premium or a split premium. Lenders should check with the mortgage insurer for specific requirements.

**Q47. Are existing loans with MI coverage provided by Triad (or any other MI that at the time of the refinance is not eligible to write new business) eligible for refinance under this initiative?**

Yes. While Triad is in "run-off," and therefore prohibited by its state insurance regulator from insuring any new risk, it is permitted to modify the terms of existing risk as long as the loan complies with Triad's published guidelines, improves the position of the borrower, and decreases the likelihood of default and of Triad having to pay a claim. Note that if Triad or any other MI company fails to pay a properly payable claim (or any part of a properly payable claim) solely because it does not have the financial ability to pay, that risk belongs to Fannie Mae, not the lender.

**Q48. What MI Code should lenders use when delivering Fannie Mae to Fannie Mae refinances when the LTV of the existing loan is less than or equal to 80%, but the LTV of the new loan is greater than 80%?**

Such loans must be delivered using MI Code 95. Fannie Mae has changed the definition of this code to include loans with LTVs greater than 80% that are eligible for a no-MI, Fannie Mae to Fannie Mae refinance. Our revised list of Acceptable Conventional Mortgage Insurers and MI Codes for Loan Delivery is available on [eFannieMae.com](http://eFannieMae.com).

**Q49. Are existing Fannie Mae loans with lender-paid, primary MI coverage eligible for Refi Plus?**

Existing loans with lender-paid primary coverage are eligible for a same-servicer refinance under Refi Plus with manual underwriting, and it is the servicer's responsibility to ensure continued coverage.

Existing loans with lender-paid primary MI coverage that were purchased by Fannie Mae before June 1, 2009 are eligible for DU Refi Plus. For different-servicer refinances, the lender must obtain MI coverage at least at the existing level.

**Q50. Is new lender-paid, primary MI permitted on Refi Plus transactions?**

New lender-paid primary coverage *may be obtained* on the new loan for Refi Plus transactions (DU or manual). Continuation of existing lender-paid primary coverage on the new loan also is permitted.

**Q51. Are existing loans with lender-paid pool insurance coverage, investor-paid (i.e., Fannie Mae–paid) pool insurance, or other secondary market coverage eligible for Refi Plus refinances?**

Most existing Fannie Mae loans with lender-paid pool coverage (sometimes referred to as GSE pool insurance), investor-paid pool coverage, or secondary market agreements (to the extent the secondary market coverage reverts to the original primary MI) are eligible for the Refi Plus DU and manual underwriting options.

Existing loans that had these types of credit enhancements added after loan closing, and the coverage was necessary to meet Fannie Mae minimum credit enhancement requirements applicable to loans with LTVs in excess of 80%, remain ineligible.

Lenders may contact their account teams to discuss other options for refinances of existing loans that have these forms of alternative credit enhancement arrangements, including options for loans that are excluded from the eligible DU Refi Plus database.

**Q52. Must the MI coverage be issued by the same mortgage insurer on the existing loan?**

No. There is no requirement that the coverage be provided by the same mortgage insurer as on the existing loan. The lender must obtain coverage at the same coverage level as was in effect on the existing mortgage, or standard coverage in accordance with the *Selling Guide*. DU Refi Plus loans that are not insured by the current MI company could be subject to additional guideline restrictions and pricing changes. Lenders are encouraged to provide the lowest-cost option available to the borrower.

## **Eligible Property Type and Occupancy**

**Q53. Is there any requirement that the existing mortgage and the new mortgage represent the same occupancy?**

No. The occupancy of the subject property may have changed by the time of the new mortgage transaction. Because the loan represents existing Fannie Mae risk, there is no requirement that the occupancy has stayed the same. This may result in transactions that would not otherwise be permitted under standard guidelines, as follows:

- Investment properties that are manufactured housing;

- Investment properties that are cooperatives; and
- 2-4-unit second homes.

These types of transactions are permissible under Refi Plus (DU or manual). All existing restrictions on property types, such as condo hotels, continue to apply. (Note that occupancy changes for cooperative units may be subject to the cooperative's rules and regulations.) As a general rule, if the existing loan was ineligible at time of delivery to Fannie Mae, the loan is not eligible for Refi Plus (DU or manual). If the loan became ineligible after delivery, the loan is eligible for Refi Plus (DU or manual).

## Project Review

**Q54. Even if no new project review is required for a Refi Plus (manual underwriting) loan secured by a condominium or cooperative, must the lender still confirm adequate insurance coverage for the project or unit?**

Yes. The lender is not required to conduct an additional review of the project for compliance with our existing standards, based on the assumption that the existing mortgage met the standards in place at the time it was originated and delivered to Fannie Mae. Confirmation of hazard, flood, liability, and fidelity insurance coverage, however, is required.

**Q55. What condominium or cooperative project review must be completed by the lender originating a DU Refi Plus loan?**

Since the loan is currently owned or securitized by Fannie Mae, we will assume that it met our review standards in effect at the time it was originated. No further review is required, except the lender must confirm that the property is not in a condominium or cooperative hotel or motel, and that adequate hazard, flood, liability, and fidelity insurance coverage is in place.

## Pricing

**Q56. Do the standard risk-based LLPAs apply?**

No. Fannie Mae has developed a new LLPA matrix specifically applicable to eligible limited cash-out refinances of existing Fannie Mae loans. The Refi Plus Pricing Matrix is based on our standard risk-based pricing approach, considering credit score and LTV ratio, but does not consider whether or not MI coverage is provided. For some credit score and LTV combinations, the Refi Plus LLPAs are lower than standard LLPAs. There is a 2% cap on the total LLPAs and Adverse Market Delivery Charge (AMDC) assessed on Refi Plus loans (1.50% cap for Refi Plus loans with LTVs above 105% *and* loan terms greater than 15 years up to 25 years).

**Q57. Is Fannie Mae charging other LLPAs for Refi Plus?**

A feature of Refi Plus is expanded eligibility criteria, specifically expanded LTVs up to 125%. The Refi Plus Pricing Matrix includes LLPAs for these previously ineligible loans. The LLPAs for the increased LTVs are the same as the LLPAs that are charged for the highest LTV for otherwise eligible refinance transactions, except that for Refi Plus loans with LTVs of 105.01–125% *and* loan terms greater than 15 years up to 25 years the high-LTV LLPA is reduced by .50 percentage points.

**Q58. Does the AMDC apply to refinances?**

Yes. The AMDC is applicable, and is shown on the Refi Plus Pricing Matrix. The AMDC is included in the 2% cap (or 1.50% cap for Refi Plus loans with LTVs of 105.01–125% and loan terms greater than 15 years up to 25 years).

**Q59. Why did Fannie Mae develop a separate Refi Plus Pricing Matrix?**

Due to the expanded LTV, CLTV, and other specific eligibility criteria, as well as the MI coverage flexibilities, creating a separate matrix for these loans provides the most clarity. Besides containing only the relevant LLPA tables, the Refi Plus Pricing Matrix also shows LLPAs at higher LTVs and CLTVs that are not accommodated on the standard LLPA matrix. Finally, the Refi Plus Pricing Matrix introduces some reductions to the “LLPA by Credit Score/LTV” grid to better align with the MI flexibilities permitted for higher-LTV loans under Refi Plus.

**Q60. Since Fannie Mae already has the risk on the existing mortgage loan, why are LLPAs required?**

LLPAs are required because Fannie Mae is putting a new loan on our books, which involves certain basic processing/administrative costs, accounting considerations, and the requirement for us to hold capital (based on the current risk) against every loan we acquire. Some Refi Plus loans may get better pricing than the borrower’s original loan did because risk characteristics may have changed.

## **Refi Plus – Manual Eligibility**

**Q61. Since there is no minimum credit score requirement for Refi Plus, why is a current credit score required at delivery?**

In accordance with our pricing structure, LLPAs are assessed based on a combination of credit scores and LTVs, as well as product features. For Refi Plus transactions, the applicable LLPAs will be charged on the new loan at delivery, based on current risk attributes, including credit score. If no credit score is provided at delivery, the loan will be assessed the highest LLPA on the Refi Plus Pricing Matrix based on the LTV of the mortgage. Borrowers will benefit from good credit scores.

**Q62. Is the amount of income as stated by the borrower required to be provided to Fannie Mae at time of loan delivery?**

Yes. Income must be reported to Fannie Mae on all Refi Plus loans at time of loan delivery even though there is no maximum DTI ratio. The borrower’s current income is required to be stated on the new loan application as part of the Refi Plus transaction.

**Q63. Since Fannie Mae already has the risk on the existing mortgage loan, why is a new property value required?**

Fannie Mae provides certain disclosures to investors of mortgage-backed securities, including the LTV for the loans in the MBS pool. Even though Fannie Mae has the risk on the existing mortgage, the current property value must be assessed to ensure that the loan complies with the maximum LTV restriction of 125% and that an accurate LTV is disclosed for pricing and risk analysis purposes.

**Q64. The standard guidelines for Refi Plus permit the existing mortgage to have been a Streamlined Refinance Mortgage (*Selling Guide* product that is being retired) loan. Could the prior fully documented loan have been originated through a third-party originator?**

Yes. The originating Refi Plus lender must be the current servicer of the existing loan and have access to all previous files, including the original fully documented loan file and any subsequent loan files. The older loan files become part of the loan application for the new Refi Plus refinance, and must be retained for the life of the new loan. If the lender can meet these conditions, they may originate the new Refi Plus loan through their retail channel.

**Q65. Can a loan that was originally considered for manual underwriting as Refi Plus be submitted through DU?**

Yes. If the loan is initially processed as a Refi Plus transaction with manual underwriting and either the borrower does not qualify or the lender decides to submit the loan to DU, the loan may be processed through DU and may be eligible under DU Refi Plus.

**Q66. Is a lender that is currently subservicing a mortgage pursuant to an agreement with another lender considered the “current servicer” of the mortgage and eligible to complete a Refi Plus transaction?**

No. The subservicer of the loan is bound by an agreement with another lender and is not considered the “current servicer” under Refi Plus. The loan is eligible for Refi Plus only if originated and delivered by the servicer (not the subservicer) of the loan. Lenders with additional questions may contact their account team to discuss any specific agreements and eligible lenders for Refi Plus transactions.

## **DU Refi Plus**

### ***General***

**Q67. Was the DU credit risk assessment modified for DU Refi Plus loan casefiles? Specifically, does DU assess the risk of a high-LTV DU Refi Plus loan casefile the same as a high-LTV non-DU Refi Plus loan casefile?**

The DU credit risk assessment was not initially modified for DU Refi Plus loan casefiles. In September 2009, however, the standard DU credit risk assessment was updated to reflect the credit risk associated with loan casefiles with LTV ratios greater than 105%. The credit risk assessment performed for a DU Refi Plus loan casefile is the same credit risk assessment performed for standard refinance transactions.

**Q68. Why is Fannie Mae waiving the standard 620 minimum representative credit score requirement for DU Refi Plus transactions?**

For DU Refi Plus loans, Fannie Mae is waiving the 620 credit score minimum eligibility requirement because the refinance transaction is expected to put the borrower in a better position, we already have the risk on the loan, and DU’s comprehensive risk assessment evaluates whether the borrower has a reasonable ability to repay the mortgage loan.

**Q69. If a lender receives the DU Refi Plus message on a specific loan casefile submission, and on a subsequent submission the loan casefile is not underwritten as a DU Refi Plus, can the lender still deliver the loan under DU Refi Plus?**

No. A lender may only deliver the loan under DU Refi Plus if the DU Refi Plus message is issued on the *final* submission to DU.

**Q70. If a lender receives the DU Refi Plus message on a specific loan casefile submission, can the lender deliver the loan as a standard limited cash-out refinance without the DU Refi Plus special feature code (SFC)?**

If the lender does not want a specific loan casefile to be underwritten as DU Refi Plus, the lender may choose to instruct DU to underwrite the loan casefile as a standard limited cash-out refinance.

When a loan casefile is underwritten as DU Refi Plus, it must be delivered as a DU Refi Plus loan with SFC 147. Lenders may, however, apply their own eligibility requirements to loan casefiles underwritten as DU Refi Plus; for example, lenders may choose to obtain deeper documentation, obtain standard MI coverage, and/or apply the standard maximum LTV/CLTV/HCLTV ratios to DU Refi Plus loan casefiles.

**Q71. If the lender receives the DU Refi Plus message on a DU loan casefile, does it need to conduct any further analysis to determine that the existing mortgage loan is eligible?**

Lenders must always be diligent to identify additional issues or circumstances that could impact the mortgage loan's eligibility for DU Refi Plus, particularly those items that cannot be detected by DU. For example, we have identified ineligible loans based on the following scenario:

- An "existing mortgage" was originated on or after June 1, 2009 and was used to pay off the "original mortgage" that was purchased by Fannie Mae prior to June 1, 2009;
- A "new" refinance transaction is then originated that will be used to pay off the "existing mortgage" and is underwritten through DU prior to the removal of the "original mortgage" from the DU Refi Plus database; and
- The "new" refinance transaction is underwritten as DU Refi Plus based on the presence of the "original mortgage" in the DU Refi Plus database.

In this example, the transaction should not have been underwritten as DU Refi Plus because the "new" refinance transaction is paying off the "existing mortgage," which was not eligible because it was purchased by Fannie Mae on or after June 1, 2009. Because the DU Refi Plus database is updated only once a month, the removal of loans that have been liquidated does not occur immediately.

We understand that in these situations, the lender may not be the servicer of the "existing mortgage," but lenders must review the credit report, title report, and any other documentation in the file to determine if the loan being paid off with the DU Refi Plus transaction is a more recent refinance transaction that would make the "new" loan ineligible for a DU Refi Plus transaction.

**Q72. May a new borrower be added with a DU Refi Plus transaction at the same time one of the borrowers on the existing Fannie Mae loan is being removed?**

Yes. However, because there will be two borrowers on the new loan casefile, DU will not issue the message stating a borrower is being removed, but will issue the following message:

*The Social Security numbers on the existing Fannie Mae loan associated with the subject property do not match those entered on the loan application. The lender must*

*represent and warrant that the borrowers on the existing Fannie Mae loan are the same borrowers that will be on the new loan. Acceptable documentation from the existing loan to confirm that the borrowers are the same on the new loan include a recent mortgage statement, the existing mortgage note or security instrument, or the most recent Form 1098.*

Since one of the borrowers on the existing Fannie Mae loan is being removed, the lender will not be able to represent and warrant that the borrowers on the existing Fannie Mae loan are the same borrowers on the DU Refi Plus loan casefile, so the lender will need to apply the following guidelines:

- If the borrower is being removed as the result of a death, the lender will need to provide evidence of the borrower's death, but will not be required to document that the remaining borrower on the loan casefile has been making the payments on the existing Fannie Mae loan from his or her own funds for the most recent 12 months.
- If the borrower being removed is not the result of a death, the lender will need to provide evidence that the remaining borrower on the loan casefile has been making the payments on the existing Fannie Mae loan from his or her own funds for the most recent 12 months.

*NOTE: If a non-occupant co-borrower is being added with the DU Refi Plus transaction, it is important to note that on primary residence transactions, DU does not include the income or debt for non-occupant co-borrowers (NOBs) when calculating the total expense ratio. Because of this, the total expense ratio using only the income and debts for the occupying co-borrower must be within the maximum allowable total expense ratio applied on DU Refi Plus transactions.*

**Q73. If the lender needs to resubmit a DU Refi Plus loan casefile to DU after closing, is the lender running the risk of the loan casefile no longer being underwritten as DU Refi Plus?**

Yes. Lenders have a limited amount of time to resubmit to DU after closing if corrections need to be made. After an existing Fannie Mae loan is paid off, it is removed from the DU Refi Plus database. If a loan casefile was underwritten as DU Refi Plus when being matched to that existing loan, and the loan casefile is resubmitted to DU after that existing loan is removed from the DU Refi Plus database, DU will no longer underwrite the loan casefile as DU Refi Plus, which could not only impact the eligibility and verification messages received on the loan casefile, but could also impact the underwriting recommendation. For example, if a DU Refi Plus loan casefile receives an EA-II/Eligible recommendation, and that loan casefile is resubmitted to DU and is no longer underwritten as DU Refi Plus, the loan casefile will receive a Refer with Caution/IV recommendation since EA-II and EA-III recommendations are not issued on non-DU Refi Plus loan casefiles.

***Loan Casefile Eligibility Criteria***

**Q74. The *Selling Guide* specifies the loan characteristics that are eligible for DU Refi Plus. Will DU confirm all of the characteristics are met before underwriting the loan casefile according to the DU Refi Plus underwriting flexibilities?**

Yes. DU will review the loan application to ensure that the eligibility criteria specified in the *Selling Guide* are met before a loan casefile is underwritten according to the DU Refi Plus underwriting flexibilities.

NOTE: For DU Refi Plus loan casefiles, be sure to enter only the balance of the first mortgage being paid off with the new transaction on line d., Refinance of the Details of Transaction section of the loan application. This amount must match the balance of the mortgage being paid off, as shown in the liabilities section of the loan application.

**Q75. If the borrower has an existing second mortgage associated with the subject property, may the borrower resubordinate that second mortgage as part of a DU Refi Plus transaction?**

Yes, any existing second mortgage must be resubordinated to the DU Refi Plus transaction. However, borrowers may not pay off existing subordinate liens or obtain new subordinate financing with DU Refi Plus.

**Q76. Are all DU recommendations eligible for DU Refi Plus?**

Approve/, EA- I/, EA- II/, and EA- III/Eligible recommendations are eligible for DU Refi Plus.

If a loan casefile was underwritten as a DU Refi Plus loan and:

- received an Approve/, EA-I/, EA-II/, EA-III/Ineligible recommendation with the only reason for the Ineligible recommendation being an excessive debt-to-income ratio, or
- the loan received a Refer with Caution/IV recommendation,

the lender may convert the DU loan casefile to a Refi Plus (manual) transaction.

In all cases, if the lender is converting a loan from a DU Refi Plus to a Refi Plus (manual) transaction, the lender must be the current servicer of the loan and the loan must comply with all Refi Plus (manual) requirements.

**Q77. What amount of MI coverage is required on DU Refi Plus loan casefiles with an LTV greater than 80%?**

- If the original LTV on the existing Fannie Mae loan is less than or equal to 80%, lenders are not required to obtain MI.
- If the original LTV on the existing Fannie Mae loan was greater than 80%, and the existing loan currently has MI, the lender may either obtain the amount of MI coverage in effect on the existing Fannie Mae loan, or standard MI coverage.
- When determining the amount of MI coverage to obtain, the lender is encouraged to use its best efforts to obtain the MI coverage that provides the lowest-cost option available to the borrower.
- If the original LTV on the existing Fannie Mae loan was greater than 80%, and the existing loan does not currently have MI (for example, if MI was canceled or terminated), lenders are not required to obtain MI.

NOTE: Loan casefiles with an LTV of 80% or less do not require MI.

**Q78. If a loan is identified by DU as eligible for DU Refi Plus, must the lender confirm that the loan is not subject to an outstanding repurchase request?**

No. If DU identifies the loan as eligible for DU Refi Plus, the lender may proceed with the origination of the new mortgage and is not required to otherwise confirm the loan is not subject to an outstanding repurchase request.

**Q79. If a limited cash-out refinance transaction was submitted to DU and identified as a DU Refi Plus, but received a recommendation other than Approve, may the lender underwrite according to the manual Refi Plus guidelines?**

Loan casefiles underwritten as DU Refi Plus that receive an Approve/, EA-I/, EA-II/, or EA-III/Eligible recommendation must be documented in accordance with the DU Underwriting Findings Report and delivered as a DU Refi Plus loan with SFC 147. They *may not* be underwritten manually or delivered as a Refi Plus (manual) loan (with SFC 288).

Loan casefiles underwritten as DU Refi Plus that:

- receive an Approve/, EA-I/, EA-II/, EA-III/Ineligible recommendation with the only reason for the Ineligible recommendation being an excessive debt-to-income ratio, or
- receive a Refer with Caution IV recommendation,

may be converted to a Refi Plus (manual) transaction.

In all cases, if the lender is converting a loan from a DU Refi Plus to a Refi Plus (manual) transaction, the lender must be the current servicer of the loan and the loan must comply with all Refi Plus (manual) requirements.

Lenders also may manually underwrite loan casefiles submitted to DU if significant, material credit errors in a borrower's credit report had a negative impact on the underwriting recommendation, as referenced in the *Selling Guide*.

***Identification of Existing Fannie Mae Loan***

**Q80. For a loan to be eligible for DU Refi Plus, the borrower(s) and subject property address on the loan casefile must match an existing eligible Fannie Mae loan. Are there any existing Fannie Mae loans that are not eligible to be refinanced using DU Refi Plus?**

Certain existing loans will not be identified by DU as eligible for DU Refi Plus. They include, but are not limited to: loans purchased by Fannie Mae on or after June 1, 2009; loans currently subject to any outstanding repurchase request (see Q78 for related information); some loans that were subject to some form of secondary-market credit enhancement (see Q51); and government mortgages.

Although these loans may not be eligible to be refinanced using DU Refi Plus, they may be eligible for other Fannie Mae refinance options.

**Q81. When DU matches the subject property address on the loan casefile to an existing eligible Fannie Mae loan, does DU require an exact match on the property address? For example, would 123 Main St. be matched to 123 Main Street?**

DU uses the "standardized" property address to establish a match with an existing eligible Fannie Mae loan. In the example above, 123 Main St. and 123 Main Street would be considered a match.

The standardized address used to perform the match appears on the DU Underwriting Findings report in the messages that states, "*Desktop Underwriter returned the following standardized*

address...". The lender must ensure that the standardized address is, in fact, the correct address for the subject property.

NOTE: Complete guidelines for entering the subject property address, including pre- and post-directional abbreviations and street suffix abbreviations, are provided in the [Guidelines for Entering the Subject Property Address](#) document on eFannieMae.com.

**Q82. If the subject property contains a unit number, can DU match the property to an existing eligible Fannie Mae loan?**

For DU to match the property to an existing eligible Fannie Mae loan, the subject property data for the existing loan must also contain the unit number.

**Q83. When DU matches the borrower(s) on the loan casefile to an existing eligible Fannie Mae loan, does DU require an exact match on the borrower(s) name? For example, would Mary Smith-Homeowner be matched to Mary Homeowner?**

DU matches the borrower(s) based on the Social Security number(s) entered on the loan application. The lender must ensure that the Social Security number(s) submitted to DU is, in fact, the correct Social Security number(s) for the borrower(s).

**Q84. What message will DU generate if there are two borrowers on the existing mortgage and two borrowers on the new mortgage, but only one borrower matches by Social Security Number?**

In these instances, DU will generate the following message:

*The Social Security numbers on the existing Fannie Mae loan associated with the subject property do not match those entered on the loan application. The lender must represent and warrant that the borrowers on the existing Fannie Mae loan are the same borrowers that will be on the new loan. Acceptable documentation from the existing loan to confirm that the borrowers are the same on the new loan include a recent mortgage statement, the existing mortgage note or security instrument, or the most recent Form 1098.*

Lenders may also receive this message if one borrower is being retained, one borrower is being removed, and a new borrower is being added through the transaction. The lender is responsible for ensuring that all requirements related to the removal of borrowers are met.

**Q85. If the [Fannie Mae Loan Lookup](#) returns a "Match Found" result, why might a lender not get DU Refi Plus messaging for a refinance application for a loan at the same address?**

A "Match Found" result in the Fannie Mae Loan Lookup only confirms that Fannie Mae owns or guarantees a loan at the entered address, regardless of status. The Loan Lookup database is updated monthly to reflect the current Fannie Mae book of business. Only loans that were acquired by Fannie Mae prior to June 1, 2009 are in the DU database and potentially eligible for DU Refi Plus. The DU database also filters out ineligible loans, such as loan types described in Q80). To be eligible for DU Refi Plus, the existing loan must be eligible to be refinanced (see the *Selling Guide* for details), and the new loan application must meet certain requirements, including, but not limited to: same borrower(s), limited cash-out refinance requested, no subordinate financing may be paid off, and no new subordinate financing may be acquired.

## ***Expanded Eligibility Criteria***

**Q86. Are the DU Refi Plus underwriting flexibilities only offered on loan casefiles with an LTV less than or equal to 80%?**

MI flexibilities are applied to loan casefiles with an LTV greater than 80% (see pg 1 for details). Expanded eligibility criteria and reduced employment documentation requirements apply to all DU Refi Plus loan casefiles.

Reduced property fieldwork requirements are only offered on certain DU Refi Plus loan casefiles (although the reduced property fieldwork requirements could be offered on loan casefiles with an LTV greater than 80%, up to 125% LTV/CLTV).

**Q87. Does DU require the same asset documentation for DU Refi Plus loan casefiles as for other DU loans?**

Yes. DU applies the same asset verification requirements for DU Refi Plus casefiles as it does for any other DU loan casefile.

**Q88. Why does DU require the lender to confirm that the MI coverage that is in effect on the existing loan is accurate, as shown on the DU Underwriting Findings?**

The MI coverage level provided on the DU Underwriting Findings Report is based on the information available to Fannie Mae at the time of the DU Refi Plus transaction for the existing loan. To ensure that the borrower is receiving the benefit of the MI flexibilities based on the borrower's current situation, the lender must confirm that the amount of MI coverage provided on the DU Underwriting Findings Report is, in fact, the coverage level currently in effect on the existing loan.

**Q89. When the lender confirms the accuracy of the MI coverage and determines that the amount of existing coverage provided on the DU Underwriting Findings Report is inaccurate, what MI coverage should the lender obtain on the new DU Refi Plus transaction?**

The lender may obtain the amount of MI coverage in effect on the existing loan, as confirmed by the MI provider, or standard MI. The lender is encouraged to use its best efforts to obtain the MI coverage that provides the lowest-cost option available to the borrower.

## ***Reduced Property Fieldwork Documentation Requirements***

**Q90. Which transactions are eligible for consideration for a DU Refi Plus property fieldwork waiver?**

The following transactions are eligible for consideration for a DU Refi Plus property fieldwork waiver:

- one-unit properties;
- primary residences, second homes, and investment properties.

The DU Refi Plus property fieldwork waiver will not be offered when the LTV or CLTV is greater than 125%, and will also not be offered on cooperative units, manufactured homes, two- to four-unit properties, and loan casefiles that receive an Ineligible recommendation. Loan casefiles that receive an EA recommendation will be considered for the DU Refi Plus property fieldwork waiver.

**Q91. How does a lender know if a DU Refi Plus property fieldwork waiver is offered on a loan casefile?**

If a loan casefile is eligible for the DU Refi Plus property fieldwork waiver, the loan casefile will receive two fieldwork messages:

1. one message indicating that the loan is eligible for delivery to Fannie Mae without an appraisal or property inspection, if the DU Refi Plus property fieldwork waiver is exercised by the lender; and
2. a second message indicating the minimum fieldwork required if the lender chooses not to exercise the DU Refi Plus property fieldwork waiver when delivering the loan to Fannie Mae.

**Q92. If a lender receives a DU Refi Plus property fieldwork waiver message on a specific loan casefile submission, and on a subsequent submission loses the DU Refi Plus property fieldwork waiver, can the lender still exercise the DU Refi Plus property fieldwork waiver?**

No. A lender may only exercise the DU Refi Plus property fieldwork waiver if the DU Refi Plus property fieldwork waiver message is issued on the *final* submission to DU. If a lender attempts to exercise the DU Refi Plus property fieldwork waiver for a loan casefile that did not receive the DU Refi Plus property fieldwork waiver message on the latest DU submission, the lender will receive an error message in the Loan Delivery system.

**Q93. What is the process for exercising the DU Refi Plus property fieldwork waiver, and is there a fee associated?**

To exercise the DU Refi Plus property fieldwork waiver, the lender must deliver the loan to Fannie Mae with SFC 807 and the applicable DU casefile ID. A fee of \$75 will be charged to the lender for each exercised waiver.

When the loan is entered in the Loan Delivery system with SFC 807, the system will verify that the latest DU submission of the loan casefile includes the DU Refi Plus property fieldwork waiver message.

*NOTE: The fee associated with exercising a property fieldwork waiver is a secondary market delivery fee that is assessed in connection with the delivery of the loan to Fannie Mae, and is not a "settlement charge" of the type that is typically charged to the borrower and disclosed on the HUD-1. To the extent that a lender, on advice from its legal counsel, decides to recover the costs of this or any other secondary market charge by including it in an existing settlement charge or creating a new settlement charge, we would expect that settlement charge to be disclosed on the HUD-1 as an item payable to the lender, not payable to Fannie Mae.*

**Q94. Does the DU Refi Plus property fieldwork waiver offer expire?**

The DU Refi Plus property fieldwork waiver offer must have been issued no more than 120 days prior to the note date.

**Q95. If a loan casefile receives an offer for the DU Refi Plus property fieldwork waiver, are there situations in which the lender would still need to obtain an appraisal?**

Yes, there may be certain situations in which a lender needs to obtain an appraisal, even though a DU Refi Plus property fieldwork waiver was offered on the loan casefile.

One example of this is when the lender has reason to believe that fieldwork is warranted based on additional information obtained about the property or subsequent events such as a hurricane or other natural disaster. In these situations, the lender should obtain an inspection. If the inspection reveals physical deficiencies or adverse environmental conditions, the lender must obtain a full appraisal (based on an interior and exterior property inspection) and may not exercise the DU Refi Plus property fieldwork waiver offer. Another example is when the lender is required by law to obtain an appraisal. In this situation, the lender must comply with such requirements, but may still exercise the DU Refi Plus property fieldwork waiver.

**Q96. If an MI provider requires that the lender obtain an appraisal based on an interior and exterior property inspection, but the loan casefile was eligible for a DU Refi Plus property fieldwork waiver, could the lender exercise the DU Refi Plus property fieldwork waiver and receive the limited waiver of property-related representations and warranties?**

Yes, as long as the final submission of the loan casefile to DU contains an offer for the DU Refi Plus property fieldwork waiver and the lender exercises the waiver offer in accordance with its terms, Fannie Mae is willing to provide the lender with representation and warranty relief with respect to the value, condition, and marketability of the subject property. However, if an MI provider requires an appraisal for the transaction, the lender must comply with the provider's requirements to obtain MI coverage.