Streamline Refinance Cheat Sheet

<u>*New loan amount</u>: can't exceed the original principal amount of the existing FHA mortgage. Use Streamline worksheet to calculate maximum loan amount. Lower of current MIP or MIP refund must be deducted from principal balance.

<u>New mortgage</u>: may not have a term of more than 12 years in excess of the existing mortgage.

<u>Borrower must be current</u> on the mortgage being refinanced for the month due prior to the month they close the refinance (ex: closing in April, must have paid the March payment within the month of March). Borrower has the option of making the April payment at the beginning of the month or include it in the payoff at closing.

<u>Seasoning of the Refinanced Mortgage-On the date of FHA case number assignment:</u>

The mortgagor must have made at least six payments on the FHA-insured mortgage that is being refinanced, and
At least six full months must have passed since the first payment due date of the refinanced mortgage, and
At least 210 days have passed from the closing date of the mortgage being refinanced.

For example, if the FHA case number on the mortgage being refinanced was closed on or before December 1, and if mortgagor's first payment on that mortgage was due on January 1, the mortgagee may request assignment of an FHA case number for the refinancing mortgage no earlier than July 1.

<u>Payment History</u>: At the time of loan application, the borrower must exhibit an acceptable payment history as described below.
1) For mortgages with less than a 12 months payment history, the borrower must have made all mortgage payments within the month due.
2) For mortgages with a 12 months payment history or greater, the borrower must have:
a) Experienced no more than one 30 day late payment in the preceding 12 months, AND
b) Made all mortgage payments within the month due for the three months prior to the date of loan application.

<u>Applications should list employment or source of income</u>, but do not require an income amount unless the streamline is "credit qualifying"*
Either Verbal or written VOE's required (if retirement or pension, verbal or letters required)

<u>*A credit qualifying streamline refinance must be considered:</u>

when a change in the mortgage term will result in an increase in the mortgage payment of more than 20%
when deletion of a borrower or borrowers will trigger the due-on-sale clause
following the assumption of a mortgage that occurred less than six months previously, and
does not contain restrictions (i.e. due-on-sale clause) limiting assumption only to a creditworthy borrower, or
following the assumption of a mortgage that occurred less than six months previously, and
did not trigger the transferability restriction (that is, the due-on-sale clause), such as in a property transfer resulting from a divorce decree or by devise or descent.

Note: The use of a credit qualifying streamline refinance for situations in which the change in mortgage term will result in an increase in the mortgage payment is only permissible for owner-occupied principal residences. Total Scorecard (through any AUS) may not be used for any streamline refinance. Manual underwriting required & is subject to all FHA credit, ration & documentation requirements.

<u>Two (2) full months' bank statements</u> are required for all funds to close and any required reserves. 3-4 Unit properties require 2 months PITI in reserves. Reserves cannot be a gift.

The table below describes policy guidance on the maximum mortgage amount available for mortgagors who re-occupy their investment property securing the mortgage which is being refinanced.

Occupancy of Former Investment Property	**Eligible Financing**
12 months or more prior to the loan application date of the refinancing mortgage	**Maximum financing**
Less than 12 months prior to the loan application date of the refinancing mortgage	**Rate-and-term refinancing only (no streamline allowed), with an LTV not to exceed 85 percent**

Tangible Benefit is based on principal, interest and MIP. The mortgagee must determine that there is a net tangible benefit to the mortgagor as a result of the streamline refinance transaction, with or without an appraisal. Reducing the term of the mortgage in and of itself is not a tangible benefit. "Net tangible benefit" is defined as:

A 5 percent reduction to the P&I of the mortgage payment plus the annual MIP, or

Refinancing from an Adjustable Rate Mortgage (ARM) to a fixed rate mortgage.

The following table defines the permissible minimum thresholds in different refinance situations and outlines what is new and existing guidance.

To From	Fixed Rate	One-Year ARM	Hybrid ARM
Fixed Rate	**Reduction of at least 5 percent of P&I and MIP (new guidance)**	**New interest rate at least 2 percentage points below the current interest rate of the fixed rate mortgage (existing guidance)**	**Reduction of at least 5 percent of P&I and MIP (new guidance)**
One-Year ARM	**New interest rate no greater than 2 percentage points above the current interest rate of the ARM (existing guidance)**	**Reduction of at least 5 percent of P&I and MIP (new guidance)**	**New interest rate at least 2 percentage points below the current interest rate of the ARM (existing guidance)**
Hybrid ARM During Fixed Period	**Reduction of at least 5 percent of P&I and MIP (new guidance)**	**New interest rate at least 2 percentage points below the current interest rate of the ARM (existing guidance)**	**Reduction of at least 5 percent of P&I and MIP (new guidance)**
Hybrid ARM During Adjustable Period	**New interest rate no greater than 2 percentage points above the current interest rate of the Hybrid ARM (existing guidance)**	**Reduction of at least 5 percent of P&I and MIP (new guidance)**	**New interest rate at least 2 percentage points below the current interest rate of the Hybrid ARM (existing guidance)**

Application of Unused Borrower Funds from an Escrow Account on an Existing Mortgage to a Newly Originated FHA-Insured Refinance Loan: Netting Escrows:

Mortgagees may apply unused borrower funds from an existing mortgage for any purpose authorized by the borrower. For example, the borrower may authorize the mortgagee to apply unused borrower funds from an existing mortgage to reduce the payoff amount on the existing mortgage (also referred to as "netting escrows"); pay closing costs on a new FHA-insured mortgage; buy down the interest rate on the new FHA-insured mortgage; or set up an escrow account on the new FHA-insured mortgage loan. These examples are not all inclusive.

The return of unused borrower funds from an existing mortgage to the borrower at closing is not considered cash back to the borrower.

Documentation Requirements for Unused Borrower Funds from an Escrow Account on an Existing Mortgage to a Newly Originated FHA-Insured Refinance Loan

1) Obtain written authorization from the borrower to apply the unused borrower funds from an existing mortgage for any purpose prior to using them. The borrower's written authorization must clearly state the purpose(s) for which the authorization is provided.

2) Include the borrower's written authorization in the Direct Endorsement case binder.

3) Show a credit and document the purpose on the HUD-1 Settlement statement when a mortgagee either applies unused borrower funds from an existing mortgage to the new FHA-insured refinance transaction for the amount authorized to offset settlement charges or establishes the new escrow account.

The process for handling the netting of escrows at closing may differ depending upon whether the servicing mortgagee is the same as the originating mortgagee, and whether funds are netted from the payoff amount by the servicing mortgagee or all funds are sent to the closing table. It is up to the servicing mortgagee on the existing mortgage and the mortgagee on the new FHA-insured mortgage to work through the netting and the transfer of funds process to ensure that, depending on the use of funds, that they are accurately reflected on the payoff statement and the HUD-1.

When processing an FHA-insured streamline refinance mortgage, the new maximum mortgage amount must always be calculated starting with the outstanding principal balance on the existing mortgage, not with the payoff amount for the existing mortgage.