RefiNow

Expanding the refinance market to those who need it most

Fannie Mae

RefiNow™ is an affordable refinancing option for qualifying homeowners aimed at making it easier and less expensive to reduce monthly housing costs.

The matrix below summarizes our eligibility guidelines for RefiNow. Please refer to Lender Letter LL-2021-10 for additional information.

Click the following section titles to navigate to a specific section of the guidelines:

On Oct. 20, we announced changes to the terms of RefiNow that could help even more qualifying homeowners access the benefits of refinancing their mortgage. Updates include changes to requirements for borrower income limits, monthly savings, financing of closing costs, and loan seasoning. This document does not reflect those changes. Please read LL-2021-10 for details, including effective dates.

Borrower Eligibility Requirements	
Borrower income limit	The borrower(s) income must be less than or equal to 80% of the applicable AMI limit for the subject property's location. • In determining whether a loan is eligible under the borrower income limits, the lender must consider the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the new loan. • The lender must use the same methodology in determining income eligibility for a RefiNow loan as they use in reporting "Monthly Income" in Loan Delivery.

Requirements for the Existing Loan Being Refinanced	
Existing loan eligibility	The existing loan must: • be a conventional mortgage loan owned or securitized by Fannie Mae. • be seasoned at least 12 months but no more than 120 months (from the original note date to new loan note date). • not be subject to recourse, repurchase agreement, indemnification, outstanding repurchase demand, or credit enhancement (unless the new loan is also subject to the credit enhancement or it is no longer required). • not be an existing high LTV refinance loan, DU Refi Plus® loan, or Refi Plus® loan.

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	Requirements for the New Loan

New loan eligibility	The new RefiNow loan must:
	• be a fixed-rate loan.
	• have maximum LTV, CLTV, and HCLTV ratios as permitted in the *Eligibility Matrix*.
	• be a limited cash-out refinance with:
	    • financed closing costs, prepaid items and points that do not exceed $5,000, and
	    • cash out less than or equal to $250. Excess proceeds may be applied as a curtailment on the new loan.
	• have a loan limit that conforms to the general loan limits (high-balance loans are not permitted).
	• have identical borrowers on the new loan as the existing loan. New borrowers cannot be added or removed. One or more borrowers may only be removed if:
	    • the remaining borrower(s) meet the payment history requirements and provides evidence that they have made at least the last 12 months of payments from their own funds, or
	    • due to the death of a borrower (evidence of the deceased borrower's death must be documented in the loan file).
	    • **Note:** Non-occupant borrowers are permitted (see below).
	• not be a Texas Section 50(a)(6) loan.
	• not be subject to a temporary interest rate buydown.
	Note: A RefiNow loan may not be combined with a HomeReady® refinance transaction.

Borrower benefit	The refinanced loan must provide the following benefits to the borrower: • a reduction in interest rate of at least 50 basis points, and • a reduction in the monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable) of at least $50.00.

Eligible subordinate financing	• Existing subordinate financing
	    • may not be satisfied with the proceeds of the new loan,
	    • can remain in place if it is resubordinated to the new loan, and
	    • may be simultaneously refinanced with the existing first lien mortgage, provided that:
	        • the unpaid principal balance (UPB) of the new subordinate lien is not more than the UPB of the subordinate lien being refinanced at the time of payoff, and
	        • there is no increase in the monthly principal and interest payment on the subordinate lien.
	• New subordinate financing is only permitted if it replaces existing subordinate financing.

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Occupancy and property types	• The new loan must be secured by a one-unit principal residence. • All eligible property types are permitted. • All project review requirements will be waived for properties located in a condo, co-op or PUD project except that the lender must confirm the project is not a condo or co-op hotel or motel, houseboat, timeshare or segmented ownership project. The lender must confirm appropriate property and flood insurance is obtained. **Note:** The lender must have approval to deliver co-op share loans.

	Underwriting and Documentation Requirements for the New Loan

Underwriting method	• Loans may be underwritten with DU. DU will automate the identification of loan casefiles that appear to be eligible for RefiNow based on the borrowers listed on the loan application, the property address, qualifying income, and several other factors. Refer to the Release Notes for additional information.
	• Manual underwriting may be used if the loan is otherwise eligible for manual underwriting. Manually underwritten loans:
	  ◦ are only required to comply with the maximum LTV, CLTV, HCLTV ratios listed on the *Eligibility Matrix* and as otherwise stated within this document.
	  ◦ may follow the DTI ratio and credit score requirements below. There are no required minimum reserves.

Minimum credit score and significant derogatory credit	• The loan must have a minimum representative credit score of 620. • The borrower must comply with all applicable waiting periods following derogatory credit events in B3-5.3-07, Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit. (Exception: The LTV ratio limitation that applies to a previous foreclosure is not applicable – standard LTV ratios are permitted.)
Payment history requirements	For the loan being refinanced, the borrower cannot have had • any 30-day mortgage delinquencies in the most recent six-month period, and • no more than one 30-day delinquency in months 7 through 12. If the borrower has missed payments due to a COVID-19 forbearance, and those payments have been resolved in accordance with the temporary eligibility requirements for purchase and refinance transactions in LL-2021-03, then the missed payments are not considered delinquencies for purposes of meeting these payment history requirements. This will apply for as long as the temporary policies remain in effect.
Maximum DTI ratio	The DTI ratio must be less than or equal to 65%.
Non-occupant borrowers	• Non-occupant borrowers are permitted. • A maximum LTV, CLTV, and HCLTV ratio of 95% applies to loans underwritten with DU and manually (CLTV ratio may be up to 105% when a Community Seconds® is being resubordinated). • Manually underwritten loans are not subject to the occupying borrower DTI ratio of 43%.

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Documentation requirements	The following table describes the income documentation requirements. **Income type** / **Minimum documentation requirements** **Base Pay (non-variable)**: The borrower's year-to-date paystub dated no earlier than 30 days prior to the loan application date. See *Selling Guide* B3-3.1-02, Standards for Employment Documentation. **Base Pay (variable)** Tip, Bonus, Overtime Income Commission Income: The borrower's year-to-date paystub and W2 covering the most recent one-year period. See also B3-3.1-02. **Military Income**: Military Leave and Earnings Statement **Self-employment**: One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the *Selling Guide* **Alimony, Child Support, or Separate Maintenance**: Copy of divorce decree, separation agreement, court order or equivalent documentation, and one month documentation of receipt **All Other Eligible Income Types**: Standard *Selling Guide* requirements apply

Income type	Minimum documentation requirements
Base Pay (non-variable)	The borrower's year-to-date paystub dated no earlier than 30 days prior to the loan application date. See *Selling Guide* B3-3.1-02, Standards for Employment Documentation.
Base Pay (variable) Tip, Bonus, Overtime Income Commission Income	The borrower's year-to-date paystub and W2 covering the most recent one-year period. See also B3-3.1-02.
Military Income	Military Leave and Earnings Statement
Self-employment	One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the *Selling Guide*
Alimony, Child Support, or Separate Maintenance	Copy of divorce decree, separation agreement, court order or equivalent documentation, and one month documentation of receipt
All Other Eligible Income Types	Standard *Selling Guide* requirements apply

The following additional documentation requirements apply:

- Verbal verification of employment (employment or self-employment) is required in accordance with the *Selling Guide*.
- Verification of funds to close are required. Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance.
- Verification and consideration of recurring alimony and child support payments as a liability, if applicable, are required. Acceptable documentation includes a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation.

Collateral Requirements

Property valuation

- Standard property valuation requirements for an appraisal waiver or appraisal apply.
- A $500 credit will be provided to the lender at the time the loan is purchased if an appraisal was obtained for the transaction. The lender must pass the credit to the borrower.

Note: *The appraisal credit will be applied based on the delivery of Special Feature Code (SFC) 868 and data in the Loan Delivery file that indicates an appraisal was obtained for the transaction.*

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	Other
Usage	The RefiNow option may only be used one time.
Expiration	There is currently no expiration date for this refinance option. We will incorporate these policies into a future *Selling Guide* update.
Mortgage insurance	All standard mortgage insurance requirements apply in accordance with the *Selling Guide*. Mortgage insurance coverage for RefiNow loans is not restricted to the current mortgage insurer on the existing loan. However, DU will identify the insurer that is currently providing coverage. Consult your mortgage insurer to determine their eligibility guidelines for RefiNow loans.

Solicitation	**Permissible solicitation for RefiNow loans to borrowers at or below 80% of AMI include:**
	• Lenders may solicit borrowers with mortgages owned or securitized by a particular GSE, provided that the lender simultaneously applies the same advertising and solicitation activities with respect to borrowers of mortgage loans with AMIs less than or equal to 80% and owned or securitized by the other GSE.
	• Lenders must apply the same advertising and solicitation activities to all mortgage loans with borrowers with AMIs less than or equal to 80% and serviced for a particular GSE, regardless of whether the lender or a third party owns the associated Fannie Mae MBS/UMBS pools or Freddie Mac PC/UMBS pools.
	• All other provisions of *Selling Guide* B2-1.3-04, Prohibited Refinancing Practices, remain in effect.
	• If lenders choose to reach out to borrowers, and the lender's communication includes a reference to a GSE, then the communication must include the following:
	  ◦ "Freddie Mac and Fannie Mae have adopted a new refinance option for loans to borrowers with incomes at or below 80% of area median income and you may be eligible to take advantage of this program. If your mortgage is owned or guaranteed by either Freddie Mac or Fannie Mae, you may be eligible to refinance your mortgage under this refinance option."
	  ◦ "You can determine whether your mortgage is owned by either Freddie Mac or Fannie Mae by checking the following websites:
	    ▪ Freddie Mac Loan Look-up Tool or
	    ▪ Fannie Mae Mortgage Loan Lookup"

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Negotiated provisions	No negotiated terms (such as variances, exceptions, or special requirements) that impact underwriting or eligibility may be used in conjunction with the RefiNow option without prior approval from Fannie Mae.
Loan delivery and pricing	• For whole loans, lenders will commit and deliver RefiNow loans into standard whole loan commitments. • For MBS loans, lenders will deliver RefiNow loans at their standard base guaranty fee into standard contracts. MBS pools with RefiNow loans are TBA-eligible. • All loans must be delivered with SFC 868. • SFC 801 must be delivered if an appraisal waiver is exercised, in addition to all other applicable SFCs. • Loans must be delivered as "LimitedCashOut" in Sort ID 294 (RefinanceCashOutDeterminationType). We are not requiring a new enumeration in Sort ID 451 (Refinance Program Identifier). • All standard loan-level price adjustments apply. • See the **Loan-Level Price Adjustment Matrix**.