



Home Affordable Refinance Frequently Asked Questions

Desktop Underwriter Refi Plus and Refi Plus

Updated September 11, 2018

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, reducing their interest rate, reducing the amortization period, 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).

NOTE: HARP extended; will end on **December 31, 2018** ([announced August 17, 2017](#)). The property fieldwork waiver has been renamed to appraisal waiver ([announced September 4, 2018](#)).

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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 unlimited LTV ratios on the new loans and additional underwriting flexibilities (loans with LTVs of >105% are limited to 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:

Original Loan LTV Ratio	Existing MI Coverage	MI Coverage for New Loan
80% or less	None	Not required
Over 80%	None (previously canceled or terminated per Selling and Servicing Guide 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 Fannie Mae [Loan Lookup](#) is available on KnowYourOptions.com by Fannie Mae.

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 1-800-2FANNIE (1-800-232-6643, option 3) (8 a.m. – 8 p.m. ET) or email to 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, for example, a 20-year FRM to a 30-year FRM. But this type of transaction is permissible if, and only if, the borrower realizes a reduction in the mortgage payment or a reduction in the interest rate.

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. All existing subordinate financing must be resubordinated by the current lien holder 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.

- Refer to Q5 and the Refi Plus requirements of the *Selling Guide* for information related to the simultaneous refinance of existing subordinate financing.
- Refer to Q6 and the Refi Plus requirements of the *Selling Guide* for information related to Refi Plus (DU or manual) transactions with existing subordinate financing that is being resubordinated with the transaction.

Q5. Will Fannie Mae allow existing subordinate financing to be refinanced?

Yes, existing subordinate financing may be refinanced on Refi Plus transactions, provided the new loan amount for the subordinate financing does not exceed the existing UPB. Under no circumstances may any portion of the existing subordinate financing be included in the new first loan amount.

Q6. What are the requirements related to subordinate financing (either simultaneously refinanced or resubordinated through the transaction)?

In accordance with *Selling Guide* requirements, all existing subordinate financing may be either resubordinated or simultaneously refinanced to maintain first-lien priority of the new first mortgage originated as a Refi Plus (manual underwriting) or DU Refi Plus transaction (see Note below regarding DU Refi Plus and the refinance of an existing subordinate lien).



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.

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

Q7. Why are loans with LTVs above 105% not permitted to be commingled in standard Fannie Mae TBA-eligible MBS pools?

SIFMA (Securities Industry and Financial Markets Association), not the GSEs, set the guidelines for TBA eligibility. After consultation with the GSEs, SIFMA has determined that mortgage loans with LTVs above 105% may not be included in standard TBA-eligible MBS pools. Consequently, 100% of a Fannie Mae TBA MBS qualifies as a real estate asset and 100% of the income qualifies as real estate income for federal tax purposes.

Q8. 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 non-TBA MBS pool prefixes specifically for these loans. In addition, to align our whole loan and MBS executions, we created whole loan products for these over-105% LTV loans.

As with the Refi Plus loans with LTV ratios above 105%, Refi Plus loans with LTV ratios above 125% may be delivered into existing MBS contracts using the same base guaranty fees as those used for the lender's standard conforming mortgage loans.

- For MBS, in addition to the CQ prefix for 30-year Fixed-Rate, Refi Plus LTV 105.01 thru 125 previously available, three prefixes (CV, CR, CW) have been added for MBS delivery:
 - 15-year Fixed-Rate, Refi Plus LTV 105.01 thru 125: CV prefix
 - 30-Year Fixed-Rate, Refi Plus LTV > 125: CR prefix
 - 15-year Fixed-Rate, Refi Plus LTV > 125: CW prefix

Lenders may deliver Refi Plus and DU Refi Plus mortgage loans with LTV ratios above 125% into a Fannie Majors pool specifically available for these loans. Due to the separate pool prefix required for loans with LTV ratios above 105% (CQ, CR, CV, and CW), these loans may not be delivered into standard TBA-eligible Fannie Majors pools.

Q9. What whole loan committing options are available?

Loans may not be delivered against standard whole loan commitments. Separate committing continues to be required. The following products are available in Pricing & Execution – Whole Loan™:

- 30-year Fixed-Rate, Refi Plus LTV >125
- 30-year Fixed-Rate, Refi Plus LTV 105.01 thru 125
- 20-year Fixed Rate, Refi Plus LTV >125%
- 20-year Fixed Rate, Refi Plus LTV 105.01% through 125%



- 15-year Fixed-Rate, Refi Plus LTV > 125
- 15-year Fixed-Rate, Refi Plus LTV 105.01 thru 125

Q10. Do the “de minimis” pooling limits apply to the MBS pool prefix for Refi Plus loans with LTVs above 105%?

No. The pooling limits that apply to TBA-eligible prefixes (for example, CI and CL) in terms of nonstandard characteristics (high-balance loans, loans on cooperative share properties, and restricted relocation loans) do not apply to the MBS prefixes.

Q11. When must a Refi Plus loan be originated and delivered to Fannie Mae?

As a result of the HARP extension, Fannie Mae extended DU Refi Plus and Refi Plus accordingly:

- mortgage loans must have application dates on or before December 31, 2018; and
- whole loans must be purchased by Fannie Mae on or before September 30, 2019, or in MBS pools with issue dates on or before September 1, 2019.

Q12. 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:

- are not having difficulty making their monthly payments;
- are current on their payments at the time of refinance; and
- have not been delinquent in the most recent 6-month period, or had more than one 30-day delinquency in months 7 through 12.

The Home Affordable Modification program (HAMP) is intended for borrowers who do not have the ability to make their mortgage payments, even with a refinance. To be eligible for HAMP, 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 HAMP requirements of the *Servicing Guide* for details). If subsequent to a refinance a borrower does fall into financial hardship the servicer should follow our standard servicing protocols to work with the borrower which may include a modification if appropriate.

Q13. Is a borrower who is involved with a modification eligible for Refi Plus or DU Refi Plus? This would include a borrower who is in a trial modification period, or a borrower who has received a final modification, including a Home Affordable Modification Program (HAMP) modification.

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, or may have obtained a permanent modification of the loan.

Borrowers are eligible for Refi Plus provided they meet all eligibility requirements, the payment history requirements, the borrower benefit requirement (based on the current monthly principal and interest payment due) and the lender is satisfied that the circumstances relied upon by the borrower to apply for, or obtain the modification have been resolved.

Q14. 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).

Q15. 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?

At the direction of the FHFA, Fannie Mae is modifying the policies by which lenders can solicit borrowers for a Refi Plus or DU Refi Plus refinance with LTV ratios above 80%:

- Lenders may solicit mortgages owned or securitized by a particular GSE, provided that the lender simultaneously applies the same advertising and solicitation activities with respect to loans with LTV ratios of >80% owned or securitized by the other GSE.
- Lenders must apply the same advertising and solicitation activities to all loans with LTV ratios of >80% serviced for a particular GSE, regardless of whether the lender or a third-party owns the associated Fannie Mae MBS pools or Freddie Mac PC pools.
- All other provisions of the *Selling Guide*, B2-1.2-05, Prohibited Refinancing Practices, regarding refinance practices remain in effect with respect to loans with LTV ratios of ≤80%.

If lenders choose to reach out to borrowers, and the lender’s communication includes a reference to a GSE, the communication must include the following:

- “Freddie Mac and Fannie Mae have adopted changes to the Home Affordable Refinance Program (HARP) and you may be eligible to take advantage of these changes.”
- “If your mortgage is owned or guaranteed by either Freddie Mac or Fannie Mae, you may be eligible to refinance your mortgage under the enhanced and expanded provisions of HARP.”
- “You can determine whether your mortgage is owned by either Freddie Mac or Fannie Mae by checking the following websites: www.freddiemac.com/mymortgage or <http://www.knowyouroptions.com/loanlookup>.”

For Refi Plus and DU Refi Plus mortgage loans with LTV ratios less than or equal to 80%, lenders must comply with the provisions of the B2-1.2-05, Prohibited Refinancing Practices, which among other requirements, prohibits lenders from specifically targeting borrowers to refinance whose mortgages are owned or securitized by Fannie Mae.

Q16. 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. While Fannie Mae expects the curtailment to be made at time of closing, the loan may be curtailed after closing if the error is discovered later.

Q17. Can the borrower receive a refund of fees or closing costs, such as an application fee paid upfront 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.

Q18. 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

DU Refi Plus

Q19. What representation and warranty relief is provided by DU Refi Plus?

The lender is not responsible for any of the representations and warranties associated with the original loan. In addition:

- The lender is relieved of the standard underwriting representations and warranties (eligibility, credit history, liabilities, income and asset assessment) with respect to the new mortgage loan if the lender meets all of the following requirements:
 - All data in the loan casefile is complete, accurate, and not fraudulent.
 - The lender follows the instructions in the DU Underwriting Findings Report regarding income, employment, asset, and fieldwork documentation.
 - The lender complies with all other requirements documented in the *Selling Guide*, A2-2.1-04, Limited Waiver of Contractual Warranties for Mortgages Submitted to DU.
- When a lender exercises a DU Refi Plus property fieldwork waiver, Fannie Mae accepts the property value estimate submitted to DU as the market value for the subject property, and the lender is not required to make any representation or warranty as to value, marketability, or condition of the subject property.
- If the lender obtains an appraisal for the subject property, the lender is not required to make any representation or warranty related to the value, marketability, and condition of the subject property.
- Lenders may deliver loans on properties with a condition rating of C6 and/or a quality rating of Q6 completed on an “as-is” basis. There is no requirement for the appraisal to be completed “subject to” repairs being made.
- The lender is not responsible for the following requirements in the *Selling Guide*, B4-1.1-01: General Information on Appraisal Requirements (Lender Responsibilities):



- ensuring the accuracy and completeness of the appraisal and its assessment of the marketability of the property;
 - underwriting the completed appraisal report to determine whether the subject property presents adequate collateral for the mortgage;
 - ensuring that the appraiser uses sound reasoning and provides evidence to support the methodology used for developing the value opinion, particularly in cases that are not covered by Fannie Mae guidelines; and
 - ensuring that the appraiser provides an accurate opinion, an adequately supported value, and an accurate description of the property.
- The lender is not responsible for the standard representations and warranties related to project eligibility, with the exception that the lender must represent and warrant that the property is not in a condo or co-op hotel or motel, a houseboat project, or a timeshare or segmented ownership project. The lender must also verify property, flood, and liability insurance coverage. See the *Selling Guide*, B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards for additional information about property and project requirements.

Verification of Employment, Income, Reserves, and Assets

Q20. 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, and as described by *Selling Guide*, B5-5.2-02, DU Refi Plus and Refi Plus Underwriting Considerations.

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), if the borrower's principal and interest payment is not increasing more than 20%, the lender has two options for verification of the borrower's income and reserve alternative:

- **Income Source Verification:** Lender must verify at least one source of income from a borrower (VOE for employment; VOE and verification of existence of business for self-employed; or verification of source of non-employment income); or
- **Reserve Alternative:** Borrower must document liquid financial reserves equal to 12 months of the new PITIA payments on the subject loan from acceptable sources (e.g., checking or savings accounts, CDs, money market funds, stocks, bonds, mutual funds, and retirement accounts that are documented with at least one month account statement. The value of market volatile accounts must be discounted per standard *Selling Guide* requirements.

If the borrower's principal and interest payment is increasing more than 20%, the borrower must be re-qualified for the new loan, including verification of all income sources and amounts, and verification of any assets needed to close, in accordance with standard *Selling Guide* requirements.



Q21. For Refi Plus (manual underwriting), when the borrower’s payment is not increasing more than 20%, the lender may choose to verify the source of any “non-employment income.” What documentation is acceptable for this purpose?

There are no distinct documentation requirements for verifying the source of non-employment income for Refi Plus (manual underwriting) and the intent is to confirm the source for this income, not the continuity or the amount.

Lenders are provided discretion in determining the documentation necessary to verify the source of non-employment income. In many cases, the borrower’s most recent bank statement that includes a deposit with the non-employment source identified (i.e., direct deposit of Social Security benefit payment or other agency providing benefit), or a deposit statement or check stub identifying the income source is sufficient. Other sources of non-employment income, such as capital gains, interest and dividends, or royalty payments may require different documentation. The *Selling Guide* provides examples of standard documentation available for these types of non-employment income.

If the borrower’s payment is increasing more than 20% through the transaction, the lender should refer to the specific income documentation requirements for Refi Plus loans with payment increases greater than 20% and DU Refi Plus loans.

Q22. How is the payment increase calculated so that the lender can determine if the borrower must be re-qualified within Refi Plus (manual)?

The new principal and interest payment should be compared to the current contractually obligated payment under the Note. For example, if the current mortgage is an ARM, and the loan is still in the initial period then the lender should compare the principal and interest using the initial period rate. If the loan has entered an adjusted period, the lender should compare the principal and interest using the adjusted rate.

The guideline also states “In the event that the Note provides for more than one payment option, the Seller must use the lowest payment option to determine whether the increase exceeds 20%”. This is in the case the borrower currently has a loan with several payment options (for example, negative amortization) where the lender would use the current lowest principal and interest option to compare against the new rate to determine if the borrower’s new payment increased by more than 20%.

Q23. 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. Minimum documentation requirements are one month asset statement (monthly, quarterly or annual). Statements do not require analysis for large deposits or proof of liquidation of funds needed to close. Fannie Mae’s standard guidelines related to “discounting” of certain assets apply if they are required to satisfy DU reserve requirements. 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) where the borrower’s principal and interest payment is not increasing more than 20%, the lender is not required to verify or document reserves or assets unless being used as a “Reserve Alternative”. Fannie Mae’s quality assurance process will not hold the lender responsible for information obtained as a result of its re-verification 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.

The borrower must be re-qualified for the new loan if the principal and interest payment for the new loan increases by more than 20% of the current principal and interest payment. This re-qualification includes verification of assets to close if the borrower is required to bring funds to closing. Minimum documentation requirements are one month asset statement (monthly, quarterly or annual). Statements do not require analysis for large deposits or proof of liquidation of funds needed to close.

Q24. Does standard Selling Guide policy related to IRS Form 4506-T apply to Refi Plus and DU Refi Plus transactions?

Standard *Selling Guide* policy related to the IRS Form 4506-T applies to Refi Plus loans if the payment is increasing more than 20% and to all DU Refi Plus loans since borrower income must be verified for qualification purposes. It is not applicable to Refi Plus loans when the payment is not increasing more than 20% since verification of borrower income is not required.

Q25. When a borrower is using Employment-Related Assets as Qualifying Income under either Refi Plus or DU Refi Plus, does the loan need to comply with the additional maximum LTV/CLTV/HCLTV and minimum credit score parameters required under that policy?

No, Refi Plus and DU Refi Plus loans using Employment-Related assets as income would only need to comply with standard Refi Plus and DU Refi Plus LTV requirements.

Borrower Credit History

Q26. 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 for those loans that are not considered a higher-priced mortgage loan (HPML) or a higher-priced covered transaction under Regulation Z. 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*.

Note that if the lender determines that the DU Refi Plus loan casefile is a higher-priced mortgage loan (HPML) or a higher-priced covered transaction under Regulation Z, the lender must then manually confirm that the loan casefile has a representative credit score of 620 or more and a debt-to-income ratio of 45% or less in order for the loan to be eligible for delivery to Fannie Mae.

For **Refi Plus** (manual underwriting), the assessment of the borrower's credit history varies depending on the increase in the monthly principal and interest payment:

- **Payment Not Increasing More Than 20%** – Lenders should rely primarily on the payment history requirements of the existing mortgage, and the borrower benefit requirements. The lender must determine that the borrower has not had any 30-day mortgage delinquencies on the existing mortgage in the most recent 6-month period, and no more than one 30-day delinquency in months 7 – 12. 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. The lender is not required to obtain a credit report but must obtain a representative credit score for pricing purposes as long as the new mortgage file includes documented proof from the



lender's servicing system (printed after the date of the borrower's new mortgage application) that evidences the payment history requirements for the mortgage have been met.

Note that if the lender determines that the manual Refi Plus loan is a higher-priced mortgage loan (HPML) or a higher-priced covered transaction under Regulation Z, the lender must underwrite the loan using the stricter guidelines for Refi Plus loans with payments increases greater than 20% (see bullet below).

- *Payment Increasing More Than 20%* – In addition to relying on the payment history and borrower benefit requirement, the lender must re-qualify the borrower for the mortgage, including income and asset documentation, a maximum DTI ratio, and a minimum credit score supported by a new credit report. Refer to the *Selling Guide*, B5-5.2, DU Refi Plus and Refi Plus for complete requirements.

Borrower Benefit

Q27. How can the borrower benefit requirement be met?

The borrower benefit requirement can be met in four different ways based on changes in the terms between the existing mortgage loan and the new mortgage loan. If any of the following are met, the borrower benefit provision has been satisfied:

- reduction in the borrower's monthly principal and interest payment;
- reduction in the interest rate;
- reduction in the amortization term; or
- movement to a more stable product.

If the borrower's payment, interest rate, or amortization period is staying the same or increasing, the borrower must be moving to a more stable mortgage product. See Q3 for additional information on meeting the "movement to a more stable product" requirements.

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

Property Valuation Benefits – Refi Plus Manual Underwriting

Q28. 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?

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.

Q29. What appraisal representations and warranties is the lender responsible for if the lender obtains a new appraisal for a Refi Plus transaction?

- If a new appraisal is obtained, the lender is relieved of the standard representations and warranties related to the value, condition, and marketability of the property. In addition:
- Lenders may deliver loans on properties with a condition rating of C6 and/or a quality rating of Q6 completed on an "as-is" basis. There is no requirement for the appraisal to be completed "subject to" repairs being made.



- The lender is not responsible for the following requirements in the *Selling Guide*, B4-1.1-01: General Information on Appraisal Requirements (Lender Responsibilities):
 - accuracy and completeness of the appraisal and its assessment of the marketability of the property;
 - underwriting the completed appraisal report to determine whether the subject property presents adequate collateral for the mortgage;
 - ensuring that the appraiser uses sound reasoning and provides evidence to support the methodology used for developing the value opinion, particularly in cases that are not covered by Fannie Mae guidelines; and
 - ensuring that the appraiser provides an accurate opinion, an adequately supported value, and an accurate description of the property.

Representation and Warranty Relief for Refi Plus (Manual Underwriting)

Q30. 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 the loan meets the mortgage payment history requirements (the lender must determine that the borrower has not had any mortgage delinquencies on the existing mortgage in the most recent 6-month period, and no more than one 30-day delinquency in months 7 – 12) 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.

Q31. What representations and warranties does the lender retain when a loan is underwritten using Refi Plus (manual option)?

The lender is only responsible for representations and warranties on the original loan regarding original project eligibility, fraud, and compliance with laws.

Original project eligibility:

If the subject property is in a condo, co-op, or PUD project, the lender must represent and warrant that the project met Fannie Mae's requirements at the time the original loan was originated (see section on Project Review for additional information).

Fraud:

The lender represents and warrants that the original loan being refinanced by a Refi Plus mortgage loan was not originated or sold pursuant to any scheme or pattern of fraud. For purposes of the foregoing, the following terms have the meanings ascribed to them:

- "Fraud" is a misstatement, misrepresentation, or omission that cannot be corrected and that was relied upon by Fannie Mae to purchase the mortgage being refinanced.
- A "scheme or pattern of fraud" is any fraud that involved two or more mortgages and two or more perpetrators acting in common effort with respect to such mortgages.



- A “perpetrator” is an individual or entity involved in the origination or sale of the mortgage or the related real estate transaction, including, but not limited to, a mortgage broker, loan officer, appraiser, appraisal company, title or closing agent, or property seller, or the borrower(s) acting in conjunction with one of the former.

Compliance with laws:

The lender represents and warrants that the original loan was originated in compliance with laws (for example, related to predatory lending, HOEPA, etc.).

Loan Eligibility – Existing and New Loans

Q32. 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 at least one of the original borrowers is retained on the new loan.

Refi Plus (manual) allows removal of a borrower(s) for any reason, provided that one of the following conditions are met:

- 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; or
- the remaining borrower(s) may qualify based on the eligibility and underwriting requirements applicable to Refi Plus loans with payment increase > 20% (regardless of actual payment change); or
- the borrower(s) is being removed due to death.

Q33. 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.

Q34. If the existing mortgage note 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 note are the only parties to the inter vivos trust and the trust otherwise meets standard Selling Guide requirements.

Q35. 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. “Temporary” high-cost area loan limits for high-balance mortgage loans expired September 30, 2011 (based on note date), so the “permanent” high-cost area limits apply to Refi Plus loans with note dates on or after October 01, 2011.



Q36. 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.

Q37. 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 expanded LTVs 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."

Q38. The Selling Guide states that existing mortgages that received a Refer with Caution/IV recommendation from DU due to erroneous credit information are eligible to be refinanced using Refi Plus. Is that also the case for those loans that received a Refer with Caution recommendation (issued when the lender was not offering Expanded Approval)?

Yes, provided all of the following are met:

- the original loan was delivered with Special Feature Code 343;
- the existing mortgage was originated in accordance with Fannie Mae policy, which permits a lender to deliver a loan with a Refer with Caution or Refer with Caution/IV recommendation when the recommendation is based on erroneous credit data; and
- the loan file includes appropriate documentation.

Q39. 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. Existing mortgage loans that are subject to conditional recourse agreements are eligible for Refi Plus (DU and manual underwriting). Existing mortgage loans that are subject to 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 for DU Refi Plus. These loans are only eligible for Refi Plus (manual underwriting) if the new mortgage loan is delivered with full, unconditional life-of-loan recourse, designated with Special Feature Code 001.

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.

Q40. With the requirement that the existing mortgage have a note date 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 do not meet this criteria?

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 with a note date 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.

Q41. 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 that:

- Fannie Mae is the current owner of the loan, and
- the borrower has not exercised their right to either a conditional right to refinance (balloon) or conversion (ARM), or
- the borrower has exercised their right and the loan has a note date prior to June 1, 2009.

Mortgage Insurance/Credit Enhancement

Q42. 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, and subsequent extension letters, available at:

- <http://www.fhfa.gov/webfiles/1257/FNFRERefInitiatives22009.pdf>;
- [http://www.fhfa.gov/webfiles/15466/HARPEXTENDED3110\[1\].pdf](http://www.fhfa.gov/webfiles/15466/HARPEXTENDED3110[1].pdf);
- <http://www.fhfa.gov/webfiles/20399/HarpExtended0311R.pdf>; and
- <http://www.fhfa.gov/webfiles/25112/HARPEXTENSIONPRFINAL41113.pdf>.

Q43. How do the mortgage insurers support HARP?

All MI companies (both active companies and those in run-off) support HARP/Refi Plus and DU Refi Plus by modifying existing MI certificates to continue or transfer the existing coverage to the new refinance loans.



The mortgage insurance companies were deeply engaged with FHFA and the GSEs to develop the HARP 2.0 enhancements announced in late 2011. As an industry, the MI companies recognize the need to help more borrowers improve their position by refinancing into a lower interest rate or monthly payment, shorter amortization period, or a more stable product (for example, an interest-only or short-term ARM into a fixed-rate).

Generally, MI guidelines are aligned with Refi Plus and DU Refi Plus guidelines, but there are some differences, so lenders should review the MI companies' information on their websites for specific program guidelines.

Q44. In connection with the refinance of loans that are already insured, how can lenders effect transfer of existing MI coverage to the new loan?

Lenders/servicers must work closely with their MI providers to continue existing coverage on new refinance loans and not allow the erroneous cancellation of coverage when existing loans pay off.

All MI companies have implemented guideline revisions in response to the HARP 2.0 enhancements announced in late 2011. Generally, MI guidelines are aligned with Refi Plus and DU Refi Plus guidelines, but there are some differences. All MI companies treat both same- and different-servicer HARP refinances as modifications and continue the existing coverage on the new loan by modifying the original MI certificate. Generally, the original premium rate also applies to the new refinance loan and most MIs waive their representations and warranties on the existing loan for both same- and new-servicer refinances.

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.

Q45. If the borrower is refinancing with a different servicer, does Fannie Mae allow the MI company to charge a fee or surcharge to facilitate the refinance?

Fannie Mae does not object to an MI company charging a reasonable fee or surcharge to facilitate the refinance, 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.

Q46. 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. So, for example, even if a 15-year loan that is 3 years old is refinanced into a 30-year loan, the MI coverage should be extended for the full life of the new loan.

Q47. What provisions govern cancellation and termination of MI on new Refi Plus and DU Refi Plus loans?

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

Q48. Are existing loans with financed MI eligible for Refi Plus and DU 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 DU 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 their individual MI providers for specific requirements.

Q49. Are existing loans with MI coverage provided by Triad, RMIC, PMI, 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 these MI companies have been prohibited by their domiciliary state insurance regulators from insuring any new risk, we understand that they are permitted to modify the terms of existing risk as long as the new loan complies with their published HARP guidelines, improves the position of the borrower, and decreases the likelihood of default and of the MI company having to pay a claim. Lenders should check with their individual MI providers for specific requirements.

Q50. What are the delivery requirements for Refi Plus loans (DU or manual) with no MI coverage or if the amount of MI coverage is changing?

If the LTV of the existing loan is less than or equal to 80%, but the LTV of the new loan is greater than 80%, the required delivery code (ULDD enumerated value) is “No MI Based On Original LTV.” The definition of this delivery data value includes loans with LTVs greater than 80% that are eligible to be delivered without MI pursuant to the flexibilities of the credit enhancement requirements of Fannie Mae’s charter, provided by FHFA (Refi Plus and DU Refi Plus loans).

Under DU Refi Plus, if the DU Underwriting Finding Report indicates that the existing loan has active MI, but the lender confirms and documents that the MI was properly cancelled pursuant to the guidance in the Selling and Servicing Guides, it may be that the existing servicer had not reported the discontinuance of the MI or that the DU data has not yet been updated to reflect the cancellation. In such circumstance, MI is not required on the refinance transaction, provided the lender retains confirmation/documentation about the MI cancellation in the loan file. The loan must then be delivered with delivery data value “No MI Based On Original LTV” and a single-loan waiver may be required to deliver the loan. Contact your Customer Account Team for more information if the loan activates an edit at delivery.

If the amount of MI coverage is less on the new loan than Fannie Mae’s records show on the existing loan, the lender must request and receive a single-loan waiver from Fannie Mae prior to delivery in order to bypass loan delivery edits. When a Refi Plus loan (DU or manual) is delivered, Loan Delivery compares the coverage amount on the new loan to the coverage amount shown in our system for the existing loan, and if the MI coverage on the loan being delivered is less, there is a hard-stop edit on the delivery. There could have been a data entry error at delivery of the previous loan, but whatever the reason for the discrepancy, a single-loan waiver is required to deliver the loan. The lender must be able to confirm and document that the MI coverage on the new loan is accurate and correct.

Refer to the list of Acceptable Conventional Mortgage Insurers and MI Codes for Loan Delivery.

Q51. Are existing Fannie Mae loans with lender-paid, primary MI (LPMI) coverage eligible for Refi Plus and DU Refi Plus?

Yes. Existing loans with LPMI coverage are eligible for Refi Plus and DU Refi Plus. MI coverage for the refinance loan may stay as LPMI or be converted to borrower-paid MI (BPMI) if the lender desires to



convert the coverage type and the individual MI company can accommodate the change in coverage type.

The lender must obtain MI coverage at least at the existing level.

Q52. Is lender-paid, primary MI (LPMI) coverage permitted on Refi Plus and DU Refi Plus?

Yes. New LPMI coverage *may be obtained* on Refi Plus and DU Refi Plus transactions. Continuation of existing LPMI coverage on the new loan also is permitted.

Q53. Are existing loans with lender-paid pool insurance (LPPI) coverage or secondary market coverage eligible for Refi Plus and DU Refi Plus?

Yes. Most existing Fannie Mae loans with LPPI coverage (sometimes referred to as GSE pool insurance) or secondary market coverage (to the extent the secondary market coverage reverts to the original primary MI) are eligible for Refi Plus and DU Refi Plus. No continuation of such credit enhancements is required.

Q54. Are existing loans with investor-paid mortgage insurance coverage eligible for DU Refi Plus?

Yes. Existing loans with investor-paid mortgage insurance coverage, including primary and pool coverage, necessary to meet Fannie Mae minimum credit enhancement requirements applicable to loans in excess of 80% LTV are eligible for the DU Refi Plus option. Lenders are required to convert the existing coverage to borrower-paid or lender-paid coverage. If the coverage cannot be converted from investor-paid, existing loans will remain ineligible.

NOTE: *A small number of loans currently insured with investor-paid coverage with Triad Guaranty Insurance Corporation will continue to be ineligible for refinancing under DU Refi Plus. There are no changes for loans currently insured by Triad Guaranty Insurance Corporation with borrower-paid or lender-paid coverage – they remain eligible for refinancing under DU Refi Plus.*

Q55. Are existing loans with investor-paid mortgage insurance coverage eligible for Refi Plus?

No. Existing loans with investor-paid mortgage insurance (primary and pool coverage) necessary to meet Fannie Mae minimum credit enhancement requirements applicable to loans in excess of 80% loan-to-value ratios will remain ineligible except on a negotiated basis.

Q56. Must the MI coverage be issued by the same mortgage insurer on the existing loan?

No. While Fannie Mae has no requirement that the coverage be provided by the same mortgage insurer as on the existing loan, a new insurer may not be willing to take on the new risk of an underwater borrower. As a result, modification of the existing certificate by the same mortgage insurer typically will provide the lowest cost and broadest eligibility since that insurer already has the risk. Note, however, that due to operational or other considerations, it may not be possible to continue the existing coverage even with the same mortgage insurer. Fannie Mae requires that coverage be at the same level as was in effect on the existing mortgage, or standard coverage in accordance with the Selling Guide.



Eligible Property Type and Occupancy

Q57. 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-to 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. Please note that occupancy changes for cooperative units may be subject to the cooperative's rules and regulations.

Q58. Can a non-occupant co-borrower be added through a Refi Plus or DU Refi Plus transaction?

Yes, non-occupant co-borrowers can be added on all Refi Plus or DU Refi Plus transactions.

Project Review

Q59. 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?

No confirmation of insurance coverage is required for Refi Plus (manual underwriting). The lender's original project review would have included confirmation of the required insurance coverage, and there are existing processes required by the Servicing Guide.

Q60. 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, a houseboat project, or a timeshare or segmented ownership project, and that adequate property, flood, and liability insurance coverage is in place.

Pricing

Q61. Do the standard risk-based LLPAs apply?

The standard risk-based loan-level price adjustments (LLPAs) do not apply; use the Refi Plus-specific LLPA matrix.



Q62. Why does Fannie Mae have a separate Refi Plus Pricing Matrix?

Due to the expanded LTV, CLTV, and other specific eligibility criteria, as well as the MI coverage flexibilities, having a separate matrix for these loans provides the most clarity. The Refi Plus Pricing Matrix also shows LLPAs at higher LTVs and CLTVs that are not accommodated on the standard LLPA matrix.

Q63. 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

Q64. Since there is no minimum credit score requirement for Refi Plus if the monthly principal and interest payment is not increasing more than 20%, 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.

The exception to this is when the borrower's payment increases by more than 20%, where, as part of the re-qualification, there is a minimum representative credit score requirement of 620.

Q65. Is the amount of income 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 for those Refi Plus transactions where there is no maximum DTI ratio. When a lender used the "Reserve Alternative" option as an income source to qualify the borrower on Refi Plus loans with a payment change of $\leq 20\%$, the lender must deliver the stated income from the loan application, if any, or, if not stated, the equivalent of the new monthly PITIA as income.

Q66. If the borrower's P&I payment is increasing by more than 20% what is the lender required to use to re-qualify the borrower?

The borrower must be re-qualified for the new loan when the principal and interest payment increases by more than 20% of the current contractually obligated payment under the Note. In the event that the Note provides for more than one payment option, the Seller must use the lowest payment option to determine whether the increase exceeds 20%. The borrower must meet the following requirements:

- minimum representative credit score of 620;
- maximum DTI ratio of 45%;
- verification of all income sources and amounts, in accordance with Refi Plus *Selling Guide* requirements; and



- verification of assets to close if the borrower is required to bring funds to closing in accordance with Refi Plus *Selling Guide* requirements.

This does not apply to DU Refi Plus since DU performs a full underwriting evaluation.

Q67. 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 can be allocated to the appropriate security (for example, <105%, 105.01–125%, >125%) and that an accurate LTV is disclosed for pricing and risk analysis purposes.

Q68. The standard guidelines for Refi Plus permit the existing mortgage to have been a Streamlined Refinance Mortgage (retired Selling Guide product) 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.

Q69. 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 underwritten through DU and may be eligible under DU Refi Plus.

Q70. 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

Q71. Why does Fannie Mae waive the standard 620 minimum representative credit score requirement for DU Refi Plus transactions?

For DU Refi Plus loans that are not considered a higher-priced mortgage loan (HPML) or a higher-priced covered transaction under Regulation Z, Fannie Mae waives 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.

Note that if the lender determines that the DU Refi Plus loan casefile is a higher-priced mortgage loan (HPML) or a higher-priced covered transaction under Regulation Z, the lender must then manually confirm that the loan casefile has a representative credit score of 620 or more and a debt-to-income ratio of 45% or less in order for the loan to be eligible for delivery to Fannie Mae.

Q72. 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.

Q73. 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. Please refer to the job aid for more information.

Q74. 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 had a note date 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 had a note date 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.

Q75. 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 accuracy of the SSN on the loan application must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. If the SSN on the loan application is determined to be correct, 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.

NOTE: *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.*

Q76. 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 Approve/Eligible recommendation, and that loan casefile is resubmitted to DU and is no longer underwritten as DU Refi Plus, the loan casefile may receive a Refer with Caution recommendation since the number of loan casefiles that receive an Approve recommendation is slightly higher for DU Refi Plus than for standard loan casefiles.

Loan Casefile Eligibility Criteria

Q77. 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.

Q78. 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, or simultaneously refinanced into a new subordinate lien to the DU Refi Plus transaction (see Q5 for more information on new subordinate lien requirements). However, borrowers may not pay off existing subordinate liens with proceeds of the DU Refi Plus loan.

Q79. 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.*

Q80. 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.

Q81. If a loan is originally submitted to DU, can it be converted to manual Refi Plus?

Yes. Loan casefiles originally submitted to DU may be converted to a Refi Plus (manual) transaction for any reason and without regard to the DU recommendation. In all cases, if the lender is converting a loan from a DU Refi Plus to a Refi Plus (manual underwriting) transaction, the lender must be the current servicer of the loan and the loan must comply with all Refi Plus (manual underwriting) requirements.

Identification of Existing Fannie Mae Loan

Q82. 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 with a note date on or after June 1, 2009;
- loans currently subject to any outstanding repurchase request (see Q80 for related information);
- some loans that were subject to some form of secondary-market credit enhancement (see Q55); 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.

Q83. 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 will first use 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.

If DU is not able to perform a match using the standardized address, DU will then use the address entered on the online loan application to establish a match with the existing Fannie Mae loan. Because the address on the DU Refi Plus database will be standardized, and DU will require an exact property match for a loan casefile to be underwritten as DU Refi Plus, it is important to ensure that the address on the online loan application was entered using the Guidelines for Entering the Subject Property Address document, including pre- and post-directional abbreviations, and street suffix abbreviations.

Q84. 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.

Q85. 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).

Q86. 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 accuracy of the SSN on the loan application must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. If the SSN on the loan application is determined to be correct, 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.



Q87. 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 with a note date 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 Q82. 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: only limited cash-out refinance may be requested, no subordinate financing may be paid off with the proceeds from the new first mortgage, and cash back to the borrower must be less than or equal to \$250.

Expanded Eligibility Criteria

Q88. 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. 2 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%.

Q89. Does DU require the same asset documentation for DU Refi Plus loan casefiles as for other DU loans?

The lender must verify the amount of assets specified on the DU Underwriting Findings report. The required documentation to verify the assets for DU Refi Plus is one month asset statement (monthly, quarterly or annual). Statements do not require analysis for large deposits or proof of liquidation of funds needed to close).

Q90. 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.

Q91. 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

Q92. 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;
- loan casefiles at any LTV, CLTV, or HCLTV, even those greater than 125%;
- attached and detached properties, and units in a condominium project; and
- loan casefiles that receive an Approve/Eligible recommendation.

The DU Refi Plus property fieldwork waiver will not be offered on cooperative units, manufactured homes, two- to four-unit properties, and loan casefiles that receive an Ineligible recommendation.

NOTE: *In addition to the eligibility criteria noted above, in order for a loan casefile to be considered for the DU Refi Plus property fieldwork waiver, the submitted property address must be able to be standardized, and Fannie Mae's databases must have sufficient information about the property.*

Q93. 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:

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

Q94. 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.

Q95. **UPDATED** 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. Effective for loans delivered to Fannie Mae on or after January 1, 2017, there is no fee for exercised fieldwork waivers.

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.



Q96. 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.

Q97. 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 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.

Q98. If a loan casefile receives an offer for the DU Refi Plus property fieldwork waiver on a property located in an area impacted by a disaster, does the lender need to obtain a property inspection and/or an appraisal?

For properties affected by a disaster, the lender is not required to obtain an appraisal or conduct a property inspection on loan casefiles that receive a DU Refi Plus property fieldwork waiver. However, if DU offers the DU Refi Plus property fieldwork waiver on the final submission of the loan casefile to DU, the lender must exercise the waiver offer within four months of the date of the note and mortgage. Refer to the Selling Guide, B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards for additional information.

Q99. 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.

Q100. When the lender receives the message that states "...this property is not eligible for a DU Refi Plus property fieldwork waiver" does this mean the loan casefile will not be eligible for the waiver, even if changes to the value are made?

Yes. When the "...this property is not eligible for a DU Refi Plus property fieldwork waiver" message is received, DU does not have enough information on the property to offer the waiver. Updating the value entered into DU will not change that fact.

Q101. Does the number of submissions I make on a DU Refi Plus loan casefile impact the eligibility of the loan casefile for the DU Refi Plus property fieldwork waiver?

No. The number of times a DU Refi Plus loan casefile is submitted to DU has no impact on the loan casefiles eligibility for the DU Refi Plus property fieldwork waiver offer.



Q102. Does the relief of representations and warranties on the value, condition, and marketability of the property that is provided when a DU Refi Plus property fieldwork waiver is exercised change based on the source of the value used by the lender?

No. As long as the DU Refi Plus property fieldwork waiver is offered on the final submission of the loan casefile to DU, and that waiver is exercised when the loan is delivered to Fannie Mae, the relief of representations and warranties on the value, condition, and marketability of the property will be provided, regardless of the source of the value used to underwrite the loan casefile.