



High LTV Refinance Option

FAQs

The high loan-to-value (LTV) refinance option provides refinance opportunities to borrowers with existing Fannie Mae mortgages who are making their mortgage payments on time but whose LTV ratio for a new mortgage exceeds the maximum allowed for standard limited cash-out refinance transactions.

These FAQs address questions about high LTV refinance option underwriting.

General

Q1. Is there a limit on the number of times a mortgage can be refinanced under the high LTV refinance option?

No, there is no limit on the number of times a mortgage may be refinanced using the new option, provided the mortgage meets the eligibility criteria, including seasoning, for each refinance.

Q2. Will any Fannie Mae look-up tool be available to indicate if the loan is already owned by Fannie Mae?

Yes. To determine if Fannie Mae owns a loan, please visit: <https://www.knowyouroptions.com/loanlookup>.

Q3. Does Fannie Mae permit new borrowers through assumptions as long as those borrowers are the ones refinancing with the high LTV refinance option?

Yes. Borrower(s) may not be added to the new loan; however, if the loan being refinanced was assumed by the current borrower(s) before the refinance of the new loan, the current borrowers must have been qualified for the existing loan per the *Servicing Guide*.

Q4. Are Community Seconds® permitted with the high LTV refinance option?

We allow existing Community Seconds to remain in place in accordance with the eligible subordinate financing requirements outlined in *Selling Guide* [B5-7-01](#), High LTV Refinance Loan and Borrower Eligibility.

Q5. Are lenders permitted to provide an incentive to the borrower in the form of a payment to pay off a portion of the existing loan using the high LTV refinance option?

We allow the following lender incentives for borrowers:

- cash or cash-like (e.g., gift cards) incentives that are not part of the refinance transaction in an amount not to exceed \$500; and
- a payment to pay off a portion of the mortgage loan being refinanced not to exceed \$2,000.

Refer to *Selling Guide* [B3-4.1-02](#), Interested Party Contributions (IPCs), Lender Incentives for Borrowers, for additional requirements that apply to lender incentives.

NOTE: Any such reduction of the existing loan balance will impact the LTV ratio as it is applied to the calculation of the new loan amount. (Lenders should be careful in that incentives have the potential to reduce the LTV ratio to below the minimum allowable for this program.)



Underwriting

Q6. Will Desktop Underwriter® (DU®) be able to identify if a loan is active under the DU Refi Plus™ or Refi Plus program and therefore ineligible for the high LTV refinance option?

Yes, DU will be able to determine if the borrower's existing loan is a DU Refi Plus or Refi Plus loan and will provide a message informing the lender that the loan casefile was not underwritten using the high LTV refinance option because the existing loan is a DU Refi Plus or Refi Plus loan.

Q7. How will DU message eligibility?

Refer to the DU Version 10.2 September Update [release notes](#) for details on DU messaging related to the high LTV refinance option.

Q8. Will the credit report come through DU directly for the high LTV refinance option?

When using DU to underwrite a high LTV refinance, the process for ordering or reissuing credit into DU will work the same as it does for any other DU loan.

Q9. If a lender obtains income, assets, or liabilities either in error or as a result of originally obtaining that data as part of a traditional refinance, is it their responsibility to deliver that data, and could it affect a borrower's eligibility for the high LTV refinance option?

It is always the lender's responsibility to investigate any contradictory and conflicting information, regardless of the source, and to ensure that the information delivered and used to underwrite the file is complete and accurate. See *Selling Guide* [B5-7-04](#), High LTV Refinance Representations and Warranties, for more information.

Appraisals

Q10. Will appraisal waivers be eligible with the high LTV refinance option?

DU will offer an appraisal waiver in certain situations, though never for manually underwritten loans. For details, refer to *Selling Guide* [B5-7-02](#), High LTV Refinance Underwriting, Documentation, and Collateral Requirements for the New Loan.

Q11. If a lender gets an appraisal and the valuation makes a loan ineligible, is the lender required to use that appraisal or can they get an appraisal waiver, provided that the borrower meets all other criteria?

The lender must use the appraisal if one is obtained. More information regarding valuation requirements can be found in the *Selling Guide* [B5-7-02](#), High LTV Refinance Underwriting, Documentation, and Collateral Requirements for the New Loan.

Mortgage Insurance

Q12. When transferring mortgage insurance (MI) from an existing loan to a new loan, if the borrower has lender-paid MI (LPMI), may they change to a borrower-paid MI (BPMI) plan?

No, a borrower may not change the MI from LPMI to BPMI.