



Fannie Mae RefiNow at FLCBank

August 2021

RefiNow Overview

Provides a refinance option with expanded eligibility criteria for Borrowers with a loan that is currently owned or serviced by Fannie Mae so they can take advantage of the current low interest rate environment so long the new mortgage affords an interest rate reduction of at least 0.50%, and a reduction of the principal and interest payment and private Mortgage Insurance by at least \$50.00 per month.

Disclaimer: This training and accompanying training dialogue are not intended as legal, tax or compliance advice and is not a substitute for advice of counsel. Please refer the Underwriting Guidelines for a full description of program eligibility and keep in mind that they can change at anytime without prior notice.

RefiNow Features

- 10, 15, 20, 25, and 30- years fixed rate amortization
- Minimum loan amount is \$75,000
- Maximum loan amount is \$548,250
- Acceptable Occupancy:
 - 1-Units Primary Residence
- Eligible Property Types:
 - Single Family Detached/Attached Residence,
 - PUD,
 - Condominium (lender must confirm that condo is not a condo-tel/motel/timeshare or segmented ownership project)

RefiNow Overview

To qualify, Borrowers must have:

- A Fannie Mae-backed mortgage secured by a 1-Unit, Principal Residence,
 - Current income $\leq 80\%$ of Average Median Income (AMI),
 - Have no missed mortgage payment in the past six months, and no more than one missed mortgage payment in the past 12 months,
 - Minimum 620 credit score,
 - Maximum LTV 97%*,
 - Maximum DTI 65% with DU Approve/Eligible
- The RefiNow product cannot be used with any other agency product i.e. HomeReady.
 - Can only be used one-time.

*The LTV is limited to 95% on transactions with a non-occupant co-borrower

Borrower Eligibility Requirements

Income Limit

- The borrower's income must be $\leq 80\%$ of the applicable Average Median Income (AMI) limit for the subject property's location,
- Income for limit is from *all borrowers* who will sign the note,
- Calculation of income is done using the same methodology as when evaluating income eligibility for qualification purposes,
- DU will determine if total income on the loan is at or below 80% of the AMI.

Loan Program Matrix

Primary Residence Conforming - Fixed Rate SFR, PUD, Condominium				
Loan Purpose	Number of Units	LTV/CLTV	FICO	Underwriting Max DTI Ratios
Limited Cash Out Refinance	1 Unit	97% ¹ / 97% ²	620	65% DU Approve/Eligible
<p>¹ The LTV is limited to 95% on transactions with a non-occupant co-borrower. ² The CLTV can exceed these limits up to 105% if the subordinate lien is an Affordable Community Second Mortgage loan.</p>				

Requirements for the Loan Being Refinanced

The existing loan must:

- Be a Conventional Mortgage loan owned or securitized by Fannie Mae
- Be seasoned for at least 12 months but no more than 120 months from the original note date of the loan being refinanced to the new loan note date
- Be not subject to recourse, repurchase agreement, indemnification, outstanding repurchase demand, or credit enhancement
- Not be an existing high LTV refinance loan, DU Refi Plus loan, or Refi Plus loan

Important: DU will not underwrite the loan as a RefiNow if it determines that existing loan has these characteristics.

Requirements of New Loan

The requirements for the new loan include:

- Be a Fixed Rate loan –Conforming Loan Amount
- 1-Unit Detached/Attached Single Family, Condominium Unit or PUD
- Maximum 97% LTV/CLTV (CLTV may be up to 105% with community second)
- Non-Occupant Co-Borrowers are permitted with maximum 95% LTV/CLTV
- Not be a Texas Section 50(a)(6) loan
- Not be subject to Temporary Interest Rate Buydown
- Cannot be combined with HomeReady Refinance Program

Important: DU will identify the 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 with the Special Feature Code (SFC) 868.

(Continuation) Requirements of New Loan

The requirements for the new loan include:

- Have identical Borrowers on the new loan as the existing loan being paid off
- New Borrowers cannot be added or removed except one or more Borrowers may be removed only 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)
- Must be a limited cash-out refinance with no more than \$5,000 in financed closing costs, prepaid items and points included in the new loan amount
- Incidental cash back at closing must be \leq \$250 (excess proceeds may be applied as a principal reduction/curtailment on the new loan amount)

Borrower Benefit

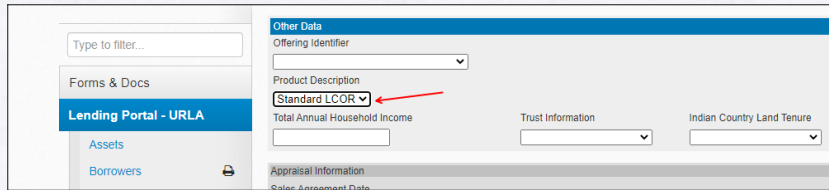
- The new loan must provide the following benefits to the borrower:
 - A reduction in interest rate of at least .50% and
 - A reduction in the monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable) of at least \$50.00

Subordinate Financing

- Existing subordinate financing cannot be paid off with the proceeds of the new loan
- Existing subordinate financing can remain in place if it is resubordinated to the new loan
- Existing subordinate financing may be simultaneously refinanced 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

Underwriting Requirements

- DU must indicate the loan is eligible for the RefiNow Product as noted with the SFC 868
- If the Underwriter determines the loan is not eligible for the RefiNow product:
 - The URLA must be updated in the “other tab” to reflect “Standard LCOR” in order to instruct DU to underwrite the loan as a standard Limited Cash Out Refinance



The screenshot shows a web application interface for 'Lending Portal - URLA'. On the left is a navigation menu with 'Forms & Docs' and 'Lending Portal - URLA' (highlighted in blue). Below the menu are links for 'Assets' and 'Borrowers'. The main content area is titled 'Other Data' and contains several fields: 'Offering Identifier' (dropdown), 'Product Description' (dropdown with 'Standard LCOR' selected and a red arrow pointing to it), 'Total Annual Household Income' (text input), 'Trust Information' (dropdown), and 'Indian Country Land Tenure' (dropdown). At the bottom, there is a section for 'Appraisal Information' with a 'Sales Agreement Date' field.

- Standard applicable waiting periods for major derogatory credit events apply
- Extenuating circumstances are not permitted
- The loan being refinance cannot reflect any 30-day delinquencies in the most recent 6 months, and no more than one 30-day delinquency in the most recent 7 to 12 months
- Missed mortgage payments due to COVID-19 forbearance resolved in accordance with temporary requirements per Lender Letter 2021-03 are not considered late.

Documentation Requirements

The following describes the income documentation requirements:

Income Type	Minimum Documentation Requirement
Base Pay (Non-Variable)	The borrower's YTD paystub dated within 30 days prior to the loan application
Base Pay (Variable) Tip, Bonus, Overtime, Commission	The borrower's YTD paystub and W-2 covering the most recent one-year period
Military Income	A Military Leave and Earnings Statement (LES)
Self-Employment	Signed personal and business tax returns for the most recent tax year
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 Fannie Mae guideline requirements apply

Important: Standard Verbal Verification of Employment is also required.

Documentation Requirements

The following describes the income documentation requirements:

Funds to Close	
Asset Documentation	Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual as applicable) showing asset balance
Large Deposits	All single deposits exceeding 50% of the total monthly qualifying income must be sourced
Gift Funds	Borrower may use gift funds received from an acceptable donor to fund closing costs and/or prepaid items that exceeding \$5,000.
Reserves	DU will determine any required reserves

Private Mortgage Insurance

- Standard Mortgage Insurance Coverage is required on LTV > 80%.
- Borrower Paid Monthly Premium and Lender Paid Single Premium MI is permitted.
- DU will identify the insurer currently providing coverage and although Fannie Mae does not restrict who the mortgage insurance coverage needs to be provided on the RefiNow, however, mortgage insurance providers have placed coverage restrictions; therefore, FLCBank will obtain mortgage insurance coverage from Genworth/Enact.

RefiNow		
LTV	Fixed Rate ≤ 20 Years	Fixed Rate > 20 Years
95.01% – 97%	25%	25%
90.01% – 95%	25%	25%
85.01% – 90%	12%	25%
80.01% – 85%	6%	12%

Appraisal Requirements

- Standard Appraisal requirements apply.
- Appraisal Waivers allowed if provided by DU.
- A \$500 lender credit must be applied to all loans that have an appraisal. This credit is not required to be disclosed on the Loan Estimate (LE), but it must be entered as a negative number in the “Payoffs and Payment” section of the Closing Disclosure (CD) with the label “RefiNow Appraisal Credit”.
- Loans approved with a Property Inspection Waiver (PIW) as noted in the DU findings of the last DU submission will not receive the appraisal credit. The Special Feature Code (SFC) 801 must be entered when an appraisal waiver is identified.

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.

Resources

- ❑ Fannie Mae Lender Letter 2021-10 <https://singlefamily.fanniemae.com/media/25696/display>
- ❑ Fannie Mae Lender Letter 2021-03 <https://singlefamily.fanniemae.com/media/24811/display>
- ❑ Fannie Mae Loan Lookup Tool: <https://www.knowyouroptions.com/loanlookup>
- ❑ Fannie Mae's Area Median Income Lookup Tool <https://ami-lookup-tool.fanniemae.com/amilookuptool/>
- ❑ Desktop Underwriter/Desktop Originator Release Notes (DU Version 11.0 June Update) <https://singlefamily.fanniemae.com/media/25701/display>

Questions



FLCBank Resources

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- Joe Belyea – Director of Training
- FLCB Website - www.flcbmtg.com
 - Login and visit our Resource Center