

Home Affordable Refinance FAQs

November 15, 2011

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).

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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 >105.01 are limited to fully amortizing fixed-rate mortgages with a maximum term of 30 years)
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:

<i>Original Loan LTV Ratio</i>	<i>Existing MI Coverage</i>	<i>MI Coverage for New Loan</i>
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 Loan Lookup is available on FannieMae.com.

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 1-800-7FANNIE (1-800-732-6643) (8 a.m. – 8 p.m. ET) or e-mail 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, e.g. a 30-year FRM to a 40-year FRM, but this type of transaction is permissible if, and only if, the borrower realizes a reduction in the mortgage payment.

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 (no new subordinate financing is permitted). All existing subordinate financing must be resubordinated by the current lienholder 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. See the Refi Plus requirements of the *Selling Guide* and Q5 for information related to Refi Plus (DU or manual) transactions with existing subordinate financing.

Q5. What are the requirements related to existing subordinate financing?

In accordance with *Selling Guide* requirements, all existing subordinate financing must be resubordinated to maintain first-lien priority of the new first mortgage originated as a Refi Plus (manual underwriting) or DU Refi Plus transaction.

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.

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

Q6. Why are loans with LTVs above 105% not permitted to be commingled in standard Fannie Mae TBA-eligible MBS pools?

Permitting loans with LTVs greater than 105% in TBA (to-be-announced) securities would have tax implications for investors that are subject to certain income and asset tests for federal income tax purposes (e.g., REITs must derive at least 75% of their income from real estate assets). Right now, 100% of a Fannie Mae TBA MBS qualifies as a real estate asset and 100% of the income qualifies as real estate income, for tax purposes. In addition, the introduction of LTVs in excess of 105% could create greater uncertainty around prepayment speeds for TBA pools since there is no significant track record of data on prepayment of loans with LTVs above 105%.

Finally, the MI flexibility offered under the Home Affordable Refinance Program is temporary and scheduled to expire at the end of 2013. Many loans with LTVs above 105% are reliant on the HARP MI flexibility, so introducing LTVs of >105.01% into TBA pools could produce an anomaly in prepayment expectations for these pools compared to pools issued before and after HARP.

For these reasons, we concluded that the right solution was to create two separate classes of MBS (i.e., new pool prefixes) specifically for these >105 – 125% LTV and >125% LTV Refi Plus loans.

Q7. For loans with LTVs over 105%, what product execution options are available?

With the removal of the LTV cap for fixed-rate mortgages, we will be adding two new products for loans with LTV ratios of greater than 125%; 30-year and 15-year. Additionally, we will also be adding a 15-year fixed rate product for LTV ratios greater than 105% and less than or equal to 125%.

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 new non-TBA MBS pool prefixes specifically for these loans. In addition, to align our whole loan execution to what we are doing on the MBS side, we created new 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 and will use 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 already available, three new prefixes will be added;
 - 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
- The new prefixes (CV, CR, CW) will be available for MBS delivery and issues dates beginning June 1, 2012
- 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.

Q8. What eCommitting options will be available and when?

Loans may not be delivered against standard whole loan commitments. Separate committing continues to be required. The following new products will be added to eCommitting® for mandatory commitments and eCommitONE® for best efforts commitments:

- 30-year Fixed Rate, Refi Plus LTV >125 – available February 1, 2012,
- 15-year Fixed Rate, Refi Plus LTV > 125 – available June 1, 2012, and
- 15-year Fixed Rate, Refi Plus LTV 105.01 thru 125 – available June 1, 2012.

These new products are in addition to the existing 30-year Fixed Rate, Refi Plus LTV 105.01 thru 125 product that is currently available for whole loan committing and delivery.

In an effort to help support the expansion of HARP and these higher LTV borrowers, Fannie Mae will initially price the >125.1 LTV “flat” to lender's 15-year and 30-year Fixed Rate mandatory and best efforts whole loan pricing.

Q9. 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 (e.g., CI and CL) in terms of nonstandard characteristics (high-balance loans, loans with significant interest rate buydowns, loans on cooperative share properties, and restricted relocation loans) do not apply to the new MBS prefixes.

Q10. When must a Refi Plus loan have been originated and delivered to Fannie Mae?

Lenders may continue to originate Refi Plus and DU Refi Plus provided the note date is on or before December 31, 2013. Whole loans must be purchased by Fannie Mae no later than April 30, 2014 or in MBS pools with issue dates no later than April 1, 2014.

Q11. 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 1) are not having difficulty making their monthly payments, 2) are current on their payments at the time of refinance, and 3) have not been delinquent in the most recent 6 months period, or had more than one 30-day delinquency in months 7 through 12.

The Home Affordable Modification program is intended for borrowers who do not have the ability to make their mortgage payments, even with a refinance. To be eligible for Home Affordable Modification, 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 Refi Plus requirements of the *Selling 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.

Q12. Is a borrower who is involved with a modification (either in a trial modification period, received a final modification, or was making payments under a Home Affordable Modification Program (HAMP) trial modification, but determined to be ineligible for a permanent modification), eligible for Refi Plus or DU Refi Plus?

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 HAMP trial modification have been resolved.

Q13. Is there a limit on the number of times a borrower can refinance using the Fannie Mae to Fannie Mae refinance options?

Previously, to be eligible for Refi Plus (manual) or DU Refi Plus, the existing loan must have been owned or guaranteed by Fannie Mae before March 1, 2009. In March of 2011, the March 1, 2009 date was extended to June 1, 2009. Because of the acquisition date extension, there will be an additional group of loans (those acquired by Fannie Mae between March 1, 2009 and May 31, 2009) that are now eligible for refinance under Refi Plus or DU Refi Plus, including loans that have already been refinanced and delivered to Fannie Mae as Refi Plus or DU Refi Plus transactions.

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 $\leq 80\%$.

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

- "Freddie Mac and Fannie Mae have adopted 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.fanniemae.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. As a general rule, the curtailment should not be greater than what would have been allowed through a limited cash-out refinance; i.e., the lesser of 2% of the principal balance or \$2,000. A curtailment in excess of this amount would be considered a cash-out refinance and the loan would, therefore, not be eligible under Refi Plus.

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

Verification of Employment, Income, Reserves, and Assets

Q19. 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.

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 must verify the borrower's employment and source of non-employment income, if any. In these cases, lenders are required to obtain at least a verbal VOE to verify that borrowers are currently employed and, if applicable, verify the source of any non-employment income. The borrower's ability to repay the mortgage loan is based primarily on the acceptable payment history of the existing mortgage and the borrower benefit provisions. If a lender verifies income source in accordance with the foregoing, Fannie Mae's quality assurance process will deem lender to have complied with income verification requirements applicable to a Refi Plus loan.

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.

Q20. For Refi Plus (manual underwriting), when the borrower's payment is not increasing more than 20%, the lender must 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 must obtain the documentation required by the Selling Guide for non-employment income in accordance with standard Refi Plus requirements.

Q21. If a borrower's new payment has increased by more than 20% and the loan is underwritten using the Refi Plus (manual) option, what should the lender use to re-qualify the borrower?

The borrower must be re-qualified by meeting the following requirements:

- minimum representative credit score of 620,
- maximum DTI ratio of 45%,
- verification of all income sources and amounts, and
- verification of assets to close if the borrower is required to bring funds to closing

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

Q22. How is the payment increased 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, then 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 (i.e.,: 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. 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 and may rely on the information stated by the borrower on the new mortgage loan application. Fannie Mae's quality assurance process will not hold the lender responsible for information obtained as a result of its reverification 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.

Borrower Credit History

Q24. 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, however.

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*.

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 mortgage delinquencies on the existing mortgage in the most recent six 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.
- *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. Refer to the *Selling Guide* for complete requirements. In these cases, the lender will be held accountable for any undisclosed liabilities in connection with the Refi Plus transaction.

Borrower Benefit and Reasonable Ability to Pay

Q25. 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. The borrower *may not* extend their amortization period (although a shorter amortization period is considered to comply with this standard), or move from a fixed-rate mortgage to an adjustable-rate mortgage.

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

Q26. Even though no DTI ratio is required to be calculated and the amount of income does not need to be verified for Refi Plus (manual) when the monthly principal and interest payment is not increasing more than 20%, how do lenders comply with the “reasonable ability to repay” representation and warranty in certain instances, such as when the new mortgage payment is greater than the income amount or the DTI ratio is unusually high?

Refi Plus (manual) eligibility is based primarily on the payment history of the existing mortgage and the borrower benefit provisions. If the new mortgage payment is higher than the income stated by the borrower, lenders should establish the borrower’s financial capacity to repay the new mortgage loan. As part of this review, lenders may include a discussion of why the borrower is not seeking a loss mitigation alternative such as a modification or deed-in-lieu of foreclosure. While lenders may not solicit borrowers who are current or no more than 30 days delinquent on their current mortgage for HAMP, lenders should consider HAMP as a viable option for borrowers seeking a refinance if they appear to be facing hardships that may satisfy the imminent default provisions.

This logic also applies for excessively high DTI ratios. Fannie Mae purposely did not establish a maximum DTI ratio in order to provide lenders with the discretion to review each individual borrower’s circumstances to determine whether a refinance was sustainable and the best option for the borrower. It is Fannie Mae’s overall objective to make mortgage loans that allow for long-term sustainable homeownership. Therefore, lenders should consider an unusually high DTI as an opportunity to evaluate the individual borrower’s circumstances to determine whether a refinance (as opposed to a modification) is the appropriate option for the borrower based on his or her financial capacity.

Fannie Mae will adhere to the guidelines for determining when a repurchase will be requested on a Refi Plus transaction in these cases (which does not include a maximum DTI), as clearly outlined in the Lender Representation and Warranty Requirements contained in the *Selling Guide*. Fannie Mae will continue to monitor loan deliveries to establish trends including high DTIs, income less than monthly payment, etc. The monitoring of loan deliveries may result in further updates or clarification of program flexibilities or, on a lender-by-lender basis, initiating discussions to help Fannie Mae establish what may be represented in the delivery information.

As an additional reminder, the eligible sources for income must comply with all existing provisions outlined in the *Selling Guide*. Lenders who have questions regarding these issues may contact their Fannie Mae customer account team to discuss them.

Property Valuation Requirements – Refi Plus Manual Underwriting

Q27. 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?

The lender is responsible for the standard representations and warranties related to the value, marketability, and condition of the property as reflected in the property valuation *used to support the refinance transaction*. For Refi Plus, this could be the original appraisal used to support the existing mortgage loan, or a new property valuation, whichever is used to support the refinance transaction. 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.

Q28. For Refi Plus, if the lender is relying on the original appraisal to support the value of the refinance transaction, it must represent and warrant that the current value is not less than the value reflected in the appraisal obtained for the existing mortgage loan. How can a lender assess the current property value to determine whether the existing appraised value meets this standard?

To determine whether it can represent and warrant that the current value is not less than the value obtained in connection with the existing mortgage loan, the lender should assess current market values based on whatever means it determines to be acceptable. If the lender is confident that the new value is not less than the original value, the lender can provide the representation and warranty and originate the new mortgage based on the original value without a new property valuation.

Other

Q29. 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 A2-2.1-04, Limited Waiver of Contractual Warranties for Mortgages Submitted to DU (07/26/2011).
- 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 responsible for the standard representations and warranties related to the value, marketability, and condition of the property as reflected in the property valuation used to support the refinance transaction.
- 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 and must verify hazard, flood, liability and fidelity insurance coverage. See B5-5.1-07, DU Refi Plus and Refi Plus Property Valuation and Project Standards for additional information about property and project requirements.

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 six 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)?

Starting with application dates of December 1, 2011 the lender will only be responsible for representations and warranties on the original loan regarding original project eligibility, fraud, charter, 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.

Charter:

The lender represents and warrants that the original loan was eligible for sale in accordance with Fannie Mae's Charter at the time of delivery. For example, the property was not a Condo Hotel or Motel at time of original delivery.

Compliance with laws

The lender represents and warrants that the original loan was originated in compliance with laws (e.g., 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 (a) 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, and (b) the borrower(s) being removed is also removed from the deed. If the borrower(s) is being removed due to death, however, evidence that the remaining borrower(s) has been making payments from his or her own funds is not required.

Refi Plus (manual) allows removal of a borrower(s) for any reason, provided the same requirements outlined above for DU Refi Plus are met. Note, however, that even in cases of death, documented evidence that the remaining borrower(s) has been making the payments from his or her own funds for the prior 12 months is required for Refi Plus loans. In addition, appropriate documentation related to the death of the borrower(s) is required to be provided in the Refi Plus file.

Q33. If a borrower is being removed through the refinance due to death, must the deceased borrower also be removed from the title to the property?

Fannie Mae does not require that the deceased borrower be removed from the title to the property and will rely on common and customary practices related to this situation.

Q34. 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.

Q35. If a borrower is being removed through the transaction, can funds from a joint account with the remaining and prior borrower be used to document that the remaining borrower has been making payments “from their own funds?”

No. If a borrower is being removed from the transaction, the remaining borrower must demonstrate that they have been making payments for 12 months from their own funds. Funds from an account that is held jointly by the remaining borrower and the borrower being removed are not deemed to meet this requirement. The flexibility to remove borrowers is designed to provide the ability for a borrower to refinance the loan when the prior borrower has not been, and will no longer be, contributing funds for the payment.

Q36. If the existing mortgage loan 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 mortgage are the only parties to the inter vivos trust and the trust otherwise meets standard *Selling Guide* requirements.

Q37. 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.

Q38. 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.

Q39. 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.”

Q40. If the existing mortgage file indicates that the loan received a Refer with Caution/IV recommendation from DU due to erroneous credit information, and the original loan was delivered with Special Feature Code (SFC) 343, is the loan eligible for Refi Plus?

Yes, assuming that: 1) the existing mortgage was originated in accordance with Fannie Mae policy, which permits a lender to deliver a loan with a Refer with Caution/IV recommendation when the recommendation is based on erroneous credit data, 2) SFC 343 was provided at delivery, and 3) the loan file includes appropriate documentation.

Q41. 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 (DU or manual underwriting). Effective with loan applications dated on or after February 1, 2010 for Refi Plus (manual underwriting), existing mortgage loans that are subject to full, 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 only if the new mortgage loan is delivered with full, unconditional life-of-loan recourse, designated with Special Feature Code 001. Existing mortgage loans that are subject to conditional or other non–full recourse agreements remain eligible for Refi Plus and (not applicable to DU Refi Plus; refer to the *Selling Guide* for details).

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

Q42. Is an existing mortgage loan that was delivered to Fannie Mae in May 2009 for a June 1, 2009 MBS pool issue date eligible for DU Refi Plus or Refi Plus?

Refi Plus loans that are subject to the above criteria would not be eligible. A Refi Plus loan delivered to Fannie Mae in May must have been pooled for May settlement with a May issue date. Such loans may not have been delivered to Fannie Mae in May for a June 1, 2009 issue date (and a June settlement).

Q43. With the requirement that the existing mortgage be owned by Fannie Mae 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 were acquired by Fannie Mae after that date?

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 that were acquired by Fannie Mae 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.

Q44. 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 either (a) the borrower has not exercised their right to either a conditional right to refinance (balloon) or conversion (ARM), or (b) the borrower has exercised their right and the loan was redelivered to Fannie Mae prior to June 1, 2009. If the loan has been repurchased by the lender to effectuate the conditional right to refinance or conversion, the loan is no longer technically owned by Fannie Mae and will not be eligible unless the loan was redelivered prior to June 1, 2009.

Mortgage Insurance/Credit Enhancement

Q45. 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, which is available at <http://www.fhfa.gov/webfiles/1257/FNFRERefiInitiatives22009.pdf>

Q46. Are the mortgage insurers supportive of this initiative?

Yes. For refinances of loans that they already insure, the MI companies are willing to provide flexibilities. They fully recognize the urgent 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 (e.g., interest-only or short-term ARM into fixed rate). The MIs are working closely with us to support the modification of existing MI certificates to facilitate the refinance of loans that currently have MI coverage.

Lenders should review the MI companies' information which can be found on their websites for their specific program guidelines.

Q47. In connection with the refinance of loans that are already insured, how can lenders effect transfer of existing MI coverage to the new loan, given that many servicer systems are set up to cancel MI coverage on loans that are paid off?

Lenders/servicers must continue to work closely with their MI providers to either continue existing coverage or obtain new coverage on new refinance loans and not allow erroneous cancellation of coverage when existing loans pay off. The lender that originates the refinance will be held responsible if the MI coverage on the existing loan is not successfully continued on the new loan, either by modification of the existing MI certificate or by issuance of a new MI certificate.

Since March 2009, the MI companies have made significant progress in supporting both same-servicer and different-servicer refinances. With respect to same-servicer refinances, all of the major MIs have issued guidelines to facilitate these refinances via modification of the existing MI certificate.

In addition, the MIs have implemented processes to facilitate both same- and different-servicer refinances and to help avoid the erroneous cancellation of coverage. 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.

Q48. If the borrower is refinancing with a different servicer, does Fannie Mae allow the MI company to charge a modification fee to transfer the MI certificate?

Fannie Mae does not object to an MI company charging a reasonable fee to transfer the certificate, 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.

Q49. 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, whether the MI company modifies the existing MI certificate or issues a new one. So, for example, even if a 15-year loan that is three years old is refinanced into a 30-year loan, the MI coverage should be extended for the full life of the new loan.

Q50. What provisions govern cancellation/termination of MI on the new Refi Plus loan?

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

Q51. Are existing loans with financed MI eligible for 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 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 the mortgage insurer for specific requirements.

Q52. 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 respective state insurance regulators from insuring any new risk, they are permitted to modify the terms of existing risk as long as the loan complies with their published guidelines, improves the position of the borrower, and decreases the likelihood of default and of the MI company having to pay a claim. Note that if any MI company fails to pay a properly payable claim (or any part of a properly payable claim) solely because it does not have the financial ability to pay, that risk belongs to Fannie Mae, not the lender.

Q53. What MI Code should lenders use when delivering Fannie Mae to Fannie Mae refinances when the LTV of the existing loan is less than or equal to 80%, but the LTV of the new loan is greater than 80%?

Such loans must be delivered using MI Code 95. Fannie Mae has changed the definition of this code to include loans with LTVs greater than 80% that are eligible for a no-MI, Fannie Mae to Fannie Mae refinance. Our revised list of Acceptable Conventional Mortgage Insurers and MI Codes for Loan Delivery is available on eFannieMae.com.

Q54. Are existing Fannie Mae loans with lender-paid, primary MI coverage eligible for Refi Plus?

Existing loans with lender-paid primary coverage are eligible for a same-servicer refinance under Refi Plus with manual underwriting, and it is the servicer's responsibility to ensure continued coverage.

Existing loans with lender-paid primary MI coverage that were purchased by Fannie Mae before June 1, 2009 are eligible for DU Refi Plus. For different-servicer refinances, the lender must obtain MI coverage at least at the existing level.

Q55. Is new lender-paid, primary MI permitted on Refi Plus transactions?

New lender-paid primary coverage *may be obtained* on the new loan for Refi Plus transactions (DU or manual). Continuation of existing lender-paid primary coverage on the new loan also is permitted.

Q56. Are existing loans with lender-paid pool insurance coverage, investor-paid (i.e., Fannie Mae-paid) pool insurance, or other secondary market coverage eligible for Refi Plus refinances?

Most existing Fannie Mae loans with lender-paid pool coverage (sometimes referred to as GSE pool insurance), investor-paid pool coverage, or secondary market agreements (to the extent the secondary market coverage reverts to the original primary MI) are eligible for the Refi Plus DU and manual underwriting options.

Existing loans that had these types of credit enhancements added after loan closing, and the coverage was necessary to meet Fannie Mae minimum credit enhancement requirements applicable to loans with LTVs in excess of 80%, remain ineligible.

Lenders may contact their account teams to discuss other options for refinances of existing loans that have these forms of alternative credit enhancement arrangements, including options for loans that are excluded from the eligible DU Refi Plus database.

Q57. Must the MI coverage be issued by the same mortgage insurer on the existing loan?

No. There is no requirement that the coverage be provided by the same mortgage insurer as on the existing loan. The lender must obtain coverage at the same coverage level as was in effect on the existing mortgage, or standard coverage in accordance with the *Selling Guide*. DU Refi Plus loans that are not insured by the current MI company could be subject to additional guideline restrictions and pricing changes. Lenders are encouraged to provide the lowest-cost option available to the borrower.

Eligible Property Type and Occupancy

Q58. 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
- 2-4-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. (Note that occupancy changes for cooperative units may be subject to the cooperative's rules and regulations.) As a general rule, if the existing loan was ineligible at time of delivery to Fannie Mae, the loan is not eligible for Refi Plus (DU or manual). If the loan became ineligible after delivery, the loan is eligible for Refi Plus (DU or manual).

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?

Yes. The lender is not required to conduct an additional review of the project for compliance with our existing standards, based on the assumption that the existing mortgage met the standards in place at the time it was originated and delivered to Fannie Mae. Confirmation of hazard, flood, liability, and fidelity insurance coverage, however, is required.

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, and that adequate hazard, flood, liability, and fidelity 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. A matrix specifically for Refi Plus has been created and can be found on eFanniemae.com. Effective with January 1, 2012 MBS issuance and January 3, 2012 whole loan purchases, at the direction of FHFA, Fannie Mae is significantly reducing the maximum amount of LLPAs that apply to "HARP" mortgage loans – loans secured by principal residences with LTV ratios greater than 80%. The following changes apply:

- The cap applicable to the sum of the LLPAs and the Adverse Market Delivery Charge (AMDC) on HARP mortgage loans with amortization terms less than or equal to 20 years is being reduced to 0.00%. *As a result, all delivery fees are effectively eliminated for this category of loans.*
- The cap applicable to the sum of the LLPAs and the AMDC on HARP mortgage loans with amortization terms greater than 20 years is being reduced to 0.75%.
- LTV ratio ranges in the tables have been updated to reflect the higher LTV ratios that will now be permitted.

For DU Refi Plus and Refi Plus mortgage loans that are not defined as HARP loans, the LLPAs, AMDC, and the current cap of 2.00% will remain in effect. Refer to the updated *Refi Plus Pricing Matrix* on eFannieMae.com for all complete information.

Q62. Does the AMDC apply to refinances?

The Adverse Market Delivery Charge (AMDC) of 0.25% continues to apply to all DU Refi Plus and Refi Plus mortgage loans that are not HARP mortgage loans as well as to HARP mortgage loans (loans secured by principal residences with LTV ratios greater than 80%) with terms greater than 20 years. AMDC will not apply to HARP mortgage loans with terms less than or

equal to 20 years.. Refer to the updated Refi Plus Pricing Matrix on eFannieMae.com for complete information.

Q63. Why did Fannie Mae develop a separate Refi Plus Pricing Matrix?

Due to the expanded LTV, CLTV, and other specific eligibility criteria, as well as the MI coverage flexibilities, creating 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.

Q64. 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

Q65. 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.

Q66. 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..

Q67. 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 standard Selling Guide requirements, and
- verification of assets to close if the borrower is required to bring funds to closing in accordance with standard Selling Guide requirements.

The changes to the Refi Plus underwriting requirements are effective for mortgage loans with application dates on or after December 1, 2011

Q68. 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 (e.g., <105%, 105.01-125%, >125%) and that an accurate LTV is disclosed for pricing and risk analysis purposes.

Q69. The standard guidelines for Refi Plus permit the existing mortgage to have been a Streamlined Refinance Mortgage (*Selling Guide* product that is being retired) 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.

Q70. 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.

Q71. 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

Q72. Why is Fannie Mae waiving the standard 620 minimum representative credit score requirement for DU Refi Plus transactions?

For DU Refi Plus loans, Fannie Mae is waiving 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.

Q73. 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.

Q74. 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.

Q75. 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 was purchased by Fannie Mae 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 was purchased by Fannie Mae 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.

Q76. 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 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.

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, so the lender will need to apply the following guidelines:

- If the borrower is being removed as the result of a death, the lender will need to provide evidence of the borrower’s death, but will not be required to document that the remaining borrower on the loan casefile has been making the payments on the existing Fannie Mae loan from his or her own funds for the most recent 12 months.
- If the borrower being removed is not the result of a death, the lender will need to provide evidence that the remaining borrower on the loan casefile has been making the payments on the existing Fannie Mae loan from his or her own funds for the most recent 12 months.

NOTE: If a non-occupant co-borrower is being added with the DU Refi Plus transaction, it is important to note that on primary residence transactions, DU does not include the income or debt for non-occupant co-borrowers (NOBs) when calculating the total expense ratio. Because of this, the total expense ratio using only the income and debts for the occupying co-borrower must be within the maximum allowable total expense ratio applied on DU Refi Plus transactions.

Q77. 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 EA-II/Eligible recommendation, and that loan casefile is resubmitted to DU and is no longer underwritten as DU Refi Plus, the loan casefile will receive a Refer with

Caution/IV recommendation since EA-II and EA-III recommendations are not issued on non-DU Refi Plus loan casefiles.

Loan Casefile Eligibility Criteria

Q78. 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.

NOTE: For DU Refi Plus loan casefiles, be sure to enter only the balance of the first mortgage being paid off with the new transaction on line d., Refinance of the Details of Transaction section of the loan application. This amount must match the balance of the mortgage being paid off, as shown in the liabilities section of the loan application.

Q79. 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 to the DU Refi Plus transaction. However, borrowers may not pay off existing subordinate liens or obtain new subordinate financing with DU Refi Plus.

Q80. Are all DU recommendations eligible for DU Refi Plus?

Approve/, EA- I/, EA- II/, and EA- III/Eligible recommendations are eligible for DU Refi Plus.

If a loan casefile was underwritten as a DU Refi Plus loan and:

- received an Approve/, EA-I/, EA-II/, EA-III/Ineligible recommendation with the only reason for the Ineligible recommendation being an excessive debt-to-income ratio, or
- the loan received a Refer with Caution/IV recommendation,

the lender may convert the DU loan casefile to a Refi Plus (manual) transaction.

In all cases, if the lender is converting a loan from a DU Refi Plus to a Refi Plus (manual) transaction, the lender must be the current servicer of the loan and the loan must comply with all Refi Plus (manual) requirements.

Q81. 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.*

Q82. 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.

Q83. If a limited cash-out refinance transaction was submitted to DU and identified as a DU Refi Plus, but received a recommendation other than Approve, may the lender underwrite according to the manual Refi Plus guidelines?

Loan casefiles underwritten as DU Refi Plus that receive an Approve/, EA-I/, EA-II/, or EA-III/Eligible recommendation must be documented in accordance with the DU Underwriting Findings Report and delivered as a DU Refi Plus loan with SFC 147. They *may not* be underwritten manually or delivered as a Refi Plus (manual) loan (with SFC 288).

Loan casefiles underwritten as DU Refi Plus that:

- receive an Approve/, EA-I/, EA-II/, EA-III/Ineligible recommendation with the only reason for the Ineligible recommendation being an excessive debt-to-income ratio, or
- receive a Refer with Caution IV recommendation,

may be converted to a Refi Plus (manual) transaction.

In all cases, if the lender is converting a loan from a DU Refi Plus to a Refi Plus (manual) transaction, the lender must be the current servicer of the loan and the loan must comply with all Refi Plus (manual) requirements.

Lenders also may manually underwrite loan casefiles submitted to DU if significant, material credit errors in a borrower's credit report had a negative impact on the underwriting recommendation, as referenced in the *Selling Guide*.

Identification of Existing Fannie Mae Loan

Q84. 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 purchased by Fannie Mae on or after June 1, 2009; loans currently subject to any outstanding repurchase request (see Q83 for related information); some loans that were subject to some form of secondary-market credit enhancement (see Q56); 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.

Q85. 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 uses 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.

NOTE: Complete guidelines for entering the subject property address, including pre- and post-directional abbreviations and street suffix abbreviations, are provided in the [Guidelines for Entering the Subject Property Address](#) document on eFannieMae.com.

Q86. 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.

Q87. 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).

Q88. 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 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. The lender is responsible for ensuring that all requirements related to the removal of borrowers are met.

Q89. 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 that were acquired by Fannie Mae 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 Q85). 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: same borrower(s), limited cash-out refinance requested, no subordinate financing may be paid off, and no new subordinate financing may be acquired.

Expanded Eligibility Criteria

Q90. 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 1 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%.

Q91. Does DU require the same asset documentation for DU Refi Plus loan casefiles as for other DU loans?

Yes. DU applies the same asset verification requirements for DU Refi Plus casefiles as it does for any other DU loan casefile.

Q92. 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.

Q93. 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

Q94. 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.

The DU Refi Plus property fieldwork waiver will not be offered when the LTV or CLTV is greater than 125%, and will also not be offered on cooperative units, manufactured homes, two- to four-unit properties, and loan casefiles that receive an Ineligible recommendation. Loan casefiles that receive an EA recommendation will be considered for the DU Refi Plus property fieldwork waiver.

DU Refi Plus will continue to apply a maximum LTV of 125% on DU Refi Plus loan casefiles until March 2012 when the LTV limit will be removed.

Q95. 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:

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

Q96. 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.

Q97. 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. A fee of \$75 will be charged to the lender for each exercised waiver.

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.

NOTE: The fee associated with exercising a property fieldwork waiver is a secondary market delivery fee that is assessed in connection with the delivery of the loan to Fannie Mae, and is not a "settlement charge" of the type that is typically charged to the borrower and disclosed on the HUD-1. To the extent that a

lender, on advice from its legal counsel, decides to recover the costs of this or any other secondary market charge by including it in an existing settlement charge or creating a new settlement charge, we would expect that settlement charge to be disclosed on the HUD-1 as an item payable to the lender, not payable to Fannie Mae.

Q98. 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.

Q99. 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 of this is when the lender has reason to believe that fieldwork is warranted based on additional information obtained about the property, subsequent events such as a hurricane or other natural disaster, or additional information provided by DU regarding the subject property or loan casefile. In these situations, the lender should obtain an inspection. If the inspection reveals physical deficiencies or adverse environmental conditions, the lender must obtain a full appraisal (based on an interior and exterior property inspection) and may not exercise the DU Refi Plus property fieldwork waiver offer. If the inspection does not reveal physical deficiencies or adverse environmental conditions, the lender may choose to exercise the DU Refi Plus property fieldwork waiver, or they may obtain the minimum level of property fieldwork as specified by DU. Another 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.

Q100. 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.