

**Wholesale Lending / Mortgage Programs / Conventional Programs / Fixed / Conforming / 3523:
FNMA 30 Yr Conforming DU Refi Plus Streamline (03/16/10)**

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3523	FNMA 30 Yr Conforming DU Refi Plus Streamline
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*Several states and local municipalities have enacted legislation that define High Cost loans based on APR and fee thresholds which may or may not relate to the HOEPA thresholds. These types of loans typically have various restrictions. **It is the policy of U.S. Bank Home Mortgage not to purchase any loan defined as "high cost" under any federal or state law/regulation or local ordinances, and any subsequent amendments thereto.***

Description

FNMA DU Refi Plus is a streamline refinance of an existing Fannie Mae loan using Desktop Underwriter to underwrite the loan. Originating lender does not have to be the servicer of the existing Fannie Mae loan.

Maximum Loan Amount

- Conforming Loans: Conforming Limits
- Conforming Jumbo Loans: 2009 loan limits as set by the Recovery and Reinvestment Act of 2009 depending upon area median house price and MSA location.

http://www.oftheo.gov/media/cll/HighCostLoanLimits2009_ARRA.xls

DU Eligibility

DU is required.

DU Expanded Approval (AE), LP and manual underwrite are **not** allowed.

Rate/Term Refinance

	<u>LTV</u>	<u>TLTV/HTLTV</u>
Primary: 1- 4 Unit	105%	No maximum Limit
2 nd Home: 1 Unit	105%	No maximum Limit
Investment: 1-4 Units	105%	No maximum Limit

- The DU Refi Plus Streamline Refinance must be for one of the following purposes:
 - To reduce the monthly mortgage principal and interest payment OR,
 - Offer a more stable mortgage product (i.e. refinance from an ARM to a fixed rate or a interest only to a fixed rate amortizing).

- Borrower can finance closing costs, prepaid expenses and points.
- Cash back to the borrower in an amount not to exceed \$250. Any excess cash resulting from the difference between the estimated and actual payoff of the original loan plus closing costs and prepaid fees exceeding \$250 must be applied as a principal curtailment to the new mortgage.
- Texas 50(a)(6) mortgages not allowed.

Eligible Existing First Lien

- Must be a first lien, conventional mortgage currently owned by Fannie Mae.
- Existing first lien must have been delivered to Fannie Mae prior to March 1, 2009.
- DU Version 7.1 will determine if an existing first lien is eligible for a DU Refi Plus streamline refinance by matching the borrower(s) name and subject property address on the loan with an existing Fannie Mae loan. A successful match of both is required to be eligible for a DU Refi Plus streamline.

Ineligible Existing First Liens

- Mortgage loans that are subject to any credit enhancement other than borrower paid mortgage insurance.
- Mortgages that are currently subject to any outstanding repurchase agreement.
- Reverse mortgage loans.
- Second mortgage loans.
- Government mortgage loans.
- Existing first liens with lender-paid MI coverage.
- Texas Equity Section 50(a) (6) Mortgage.
- Existing first liens delivered to Fannie Mae **on and after** March 1, 2009.
- Existing first liens that currently require MI.

Subordinate Financing

- Secondary financing must comply with FNMA guidelines. Existing subordinate financing can be subordinated at the existing balance only. New subordinate financing is not allowed.
- Proceeds **cannot** be used to pay off or pay down any subordinate financing.

Underwriting Submission

Loans must be submitted to your USBHM Underwriting Department – **Submission to Underwriting**. Sellers awarded Delegated Levels 2, 3 and 4 underwriting authority from USBHM can underwrite **up to their specific level of authority** – **Delegated Underwriting Authority**.

General Underwriting

- Underwritten to FNMA guidelines as outlined in this product guideline.
- DU Approve Eligible is required.

- Loans are not eligible for a manual underwrite or underwriting through any other automated underwriting system.
- A complete and dated Residential Loan Application that includes signatures by ALL borrowers is required.
- A new merged credit report with the borrower's "representative" credit score is required.
- All documentation requirements issued by DU must be complied with.
- Salary / Bonus / Overtime documentation: one current paystub and a verbal verification of employment or as required by DU.
- Commission / Self-Employment documentation: one year's federal income tax return or as required by DU.
- Only the balance of the first mortgage being paid off must be entered on line "d" of the Refinance of Details of Transaction section of the Residential Loan Application form.

Eligible Borrowers

- If a borrower from the existing loan is removed from the new loan, verification must be provided that the remaining borrower has been making the payments on the existing mortgage from his or her own funds for the most recent 12 months prior to the origination of the new mortgage. The borrower being removed from the loan must also be removed from the deed.
- If a borrower from the existing loan is removed as a result of death, the 12 month payment history and removal of borrower from the deed is not required. The remaining borrower must, however, provide evidence of the previous borrower's death.
- Borrowers may be added to the new loan, provided the existing borrower(s) is retained.

Eligible Properties

- 1-4 Unit Primary Residence
- 1 Unit Second Home as long as the Mortgage being refinanced was originally underwritten and sold to Fannie Mae as a second home Mortgage.
- 1-4 Unit Investment as long as the Mortgage being refinanced was originally underwritten and sold to Fannie Mae as an investment property Mortgage.
- Condominiums and PUDs are allowed.
- Condominium Project Review:

For loans currently serviced by a lender other than USBHM: Review of the condominium project is required in all cases.

For loans currently serviced by USBHM: If the property receives a PFW, no further review of the project is required. If an appraisal is used, then the condominium project must be reviewed by PAD.

Additionally, all condominium projects must be reviewed against the Reviewed Project List found on AllRegs, and must not show as declined on the list due to the project being a Condotel.

- Refer to the "Appraisal / Valuation" section for additional requirements / restrictions.
- Manufactured Homes and Cooperatives are NOT allowed.

Eligible States

See **State Table**

- Texas Equity Section 50(a) (6) Mortgages not allowed.

Credit / FICO

- All Borrowers must have a FICO Score.
- Minimum 620 FICO Score required.
- Existing mortgage must be current.
- Borrower must meet the requirements for FNMA DU underwritten loans, including mortgage delinquency, bankruptcy and foreclosure requirements.

Qualifying Ratios

- Determined by DU.

Qualifying Rate

- Note Rate

Funds to Close / Reserves

- Verify enough sufficient funds to cover Borrower's out of pocket closing costs.

Processing Options

- Loans must be submitted through DU.

Appraisal / Valuation

- The final DU response will indicate whether an appraisal (or exterior only property inspection) is required or, if the option of a DU Refi Plus Property Fieldwork Waiver (PFW) is available.

The following transactions are eligible for consideration for a DU Refi Plus PFW:

- 1-unit Primary residences, second homes and investment properties with LTV/TLTV \leq 95%.

If a loan is eligible for a DU Refi Plus PFW, the FINAL DU response must include the following two messages:

- 1) Identifying that the loan is eligible for a Property Fieldwork Waiver and instructions for exercising that waiver and;
 - 2) Indicating the minimum level of property fieldwork required if the lender chooses not to exercise the waiver.
- If the DU Refi Plus Property Fieldwork Waiver is exercised there is a \$75 fee.
 - The DU Refi Plus Property Fieldwork Waiver must be issued no more than 120 days prior to the Note Date.

- Lenders may not exercise the Property Fieldwork Waiver if there is reason to believe that based on additional information obtained about the property, subsequent natural disaster events have occurred and would affect property value if a more rigorous evaluation was performed.
- The Mortgage Insurance provider may still require an appraisal even though the final DU response indicates the property is eligible for Property Fieldwork Waiver.
- A DU Refi Plus Property Fieldwork Waiver will **not** be offered when:
 - The LTV or TLTV exceeds 95%
 - The DU response is an ineligible recommendation
 - Manufactured Homes
 - 2-4 unit properties
 - Cooperatives

Mortgage Insurance

- If the original LTV on the existing Fannie Mae mortgage was > 80% and currently has MI, the loan is **NOT** eligible for a DU Refi Plus Streamline Refinance regardless of the DU response.
- If the original LTV on the existing Fannie Mae mortgage was > 80% and does not appear to have MI coverage as a result of termination or pay down of principle, based on the information currently available in DU, lender is required to confirm that the loan does not actually have MI. If the lender determines the existing loan does not have MI, then no MI is required on the new loan and the loan is eligible for a DU Refi Plus Streamline refinance. If the lender confirms that the existing loan does **actually** have MI, then loan is **NOT** eligible for a DU Refi Plus refinance
- If the original LTV on the existing Fannie Mae mortgage was < 80%, then no mortgage insurance coverage is required for the new refinance Mortgage, even if the LTV ratio is greater than 80%.

Temporary Buydowns

- Not allowed

FNMA Special Feature Code (SFC)

- SFC Code "147" for DU Refi Plus mortgage must be used with this product.
- SFC Code "807" must be used when the DU Refi Plus property fieldwork waiver is exercised.

Well and Septic Requirements

See Conventional Underwriting Guidelines – **Wells & Septic Requirements**

Termite Inspection

See Conventional Underwriting Guidelines– **Termite Inspection**

Work Completion Escrows

See Conventional Underwriting Guidelines– **Work Completion Escrows**

Shared Roads, Wells and Septic Systems

See Conventional Underwriting Guidelines –**Shared Roads, Wells & Septic Systems**

Assumability

- Not assumable.

Escrow Waivers

- Escrows may be waived on LTV of 80% or less. The borrower must sign an Agreement for Waiver of Loan Escrows.
- A 0.25 pt fee will be charged if taxes and insurance escrows are waived.

Amortization

- 10, 15, 20, 25 or 30 year amortization. No negative amortization.

Prepayment Penalty

- None.

Late Charges

- 5% or the highest allowed by state law.

Closing Documents

Use most current version required by FHLMC/FNMA for the following documents:

- **Note:**
 - Multistate or state specified, if applicable - Fixed Rate Note FNMA/FHLMC 3200 series.
- **Rider to Mortgage:**
 - PUD units only - FNMA/FHLMC 3150 Multistate Planned Unit Development Rider.
 - CONDO units only - FNMA/FHLMC 3140 Condominium Rider.
 - 2nd Home Rider - FHLMC 3890 Second Home Rider.
 - Investment and 2-4 Unit Properties - FNMA/FHLMC 3170 Multistate one-to-four family Rider.
- **Security Instrument:**
 - In all states, use the state-specific FNMA/FHLMC Mortgage/Deed of Trust.