

DU Refi Plus™

Analysis from Adam Quinones

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BORROWERS YOU DO NOT HAVE TO GO TO YOUR SERVICER FOR HELP!!!

Before you begin reading allow me to explain how I composed this guide....

Most of what you read in this commentary is copied directly from Fannie Mae Guidelines, Announcements, and FAQ Documents. I simply aggregated the information for you and added brief commentary in some places and left the guidelines to speak for themselves in others. I will continue to add "Plain and Simple" explanations following reader questions. Enjoy...I hope this document is helpful!!!!

[Fannie Mae Underwriting Guidelines \(All Regs\)](#)

[Fannie Mae Announcement 09-04](#)

[Fannie Mae Home Affordable Refinance FAQ](#)

[DU Version 7.1 May Release Notes](#)

[DU Version 7.1 April Release Notes](#)

The Making Home Affordable program announced by the Department of the Treasury on March 4, 2009, includes a new initiative – Home Affordable Refinance – to provide refinance opportunities to borrowers with mortgages held or guaranteed by Fannie Mae.

The originating lender does not need to be the current servicer of the existing mortgage. Fannie will allow direct lenders and mortgage brokers to assist!!!

Note to Borrowers: although Fannie Mae has allowed bankers and mortgage brokers to participate in this program it does not mean that lenders will actually offer this program. For instance if your lender sells to Freddie Mac this program will not be available.

As previously described in Desktop Underwriter® (DU®) Version 7.1 April Update Release Notes (link) issued on February 4, 2009, **DU Refi Plus leverages DU and provides new functionality to systematically identify existing Fannie Mae loans, and extend underwriting flexibilities and documentation efficiencies to eligible loan casefiles.** DU Refi Plus is a refinance of an existing Fannie Mae loan by any lender using Desktop Underwriter® (DU®) for underwriting; the **lender does not have to be the current servicer of the mortgage loan.**

DU Refi Plus is expected to increase Lending Capacity through automation. Efficiencies are created by:

- DU Refi Plus property fieldwork waiver option
- Process hand-offs decreased
- Re-focus underwriters on more complex loans
- Approval in minutes versus days
- Closing cycle times reduced to days versus weeks

Implementations: For most customers that submit to Desktop Underwriter through a Loan Origination System (LOS), there is no technical integration required for the DU Version 7.1 April Update.

Phase 1: Weekend of April 4, 2009

DU Refi Plus **will be available for loan casefiles submitted to DU on or after the weekend of April 4, 2009** and will include:

- Certain MI flexibilities will be applied to loan casefiles with an LTV greater than 80 percent.
- Expanded eligibility criteria will only be applied to loan casefiles with an LTV less than or equal to 80 percent.
- Reduced employment documentation requirements will apply to all DU Refi Plus loan casefiles.
- Reduced property fieldwork requirements will only be offered on certain DU Refi Plus loan casefiles (though the reduced property fieldwork requirements could be offered on loan casefiles with an LTV greater than 80 percent, up to 95% LTV/CLTV).

Phase 2: Weekend of May 2, 2009

The additional enhancements outlined in this announcement and described in the DU Version 7.1 May Update Release Notes **will be available in DU for loan casefiles submitted to DU on or after the weekend of May 2, 2009.** These enhancements include:

- MI flexibilities will be applied to loan casefiles with an LTV greater than 80 percent. Refer to page 1 for details on these flexibilities.
- Expanded eligibility criteria will apply to all DU Refi Plus loan casefiles.
- Reduced employment documentation requirements will apply to all DU Refi Plus loan casefiles.
- Reduced property fieldwork requirements will only be offered on certain DU Refi Plus loan casefiles (though the reduced property fieldwork requirements could be offered on loan casefiles with an LTV greater than 80 percent, up to 95% LTV/CLTV).

Lenders may begin to take advantage of these additional DU flexibilities prior to the weekend of May 2 by manually applying these flexibilities to DU Refi Plus loan casefiles submitted to DU after the weekend of April 4, 2009.

Loan casefiles submitted to DU after the weekend of April 4 that receive an Ineligible recommendation can be delivered to Fannie Mae, and will be eligible for the DU limited waiver of underwriting representations and warranties, provided all of the following conditions are met:

- The loan is identified as a DU Refi Plus loan casefile.
- The only reasons for the Ineligible recommendation are the LTV/CLTV/HCLTV ratio(s) or minimum “representative” credit score.
- The loan complies with all of the guidelines specified in the DU Version 7.1 May Update Release Notes.
- The loan complies with all applicable terms of the DU limited waiver of representations and warranties, as outlined in Fannie Mae’s Selling Guide.

Special Feature Code 147 must be included on the delivery file for all DU Refi Plus mortgage loans. DU Refi Plus mortgage loans with an LTV or CLTV greater than 95 percent must not be delivered with Flexible mortgage special feature codes.

Recognizing a DU Refi Plus Loan Casefile

DU will automatically identify the loan application as a DU Refi Plus eligible casefile by reviewing the loan application data in order to determine Fannie Mae ownership and eligibility for DU Refi Plus. The following message will be included in the DU Underwriting Findings Report:

"This loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower's existing loan is identified by DU as a Fannie Mae loan. This loan casefile must be delivered with Special Feature Code 147."

Effective Dates

Fannie Mae will accept whole loan or MBS delivery of DU Refi Plus mortgage loans as follows effective on or after April 1, 2009.*

Lender Eligibility

Available to all Fannie Mae approved lenders using DU. DU Refi Plus available across all lending channels (retail, wholesale and correspondent). The originating lender does not need to be the current servicer of the existing mortgage.

In accordance with the provisions of the Selling and Servicing Guide, [Part I, Section 309](#): Questionable Refinancing Practices, the lender may not specifically target borrowers whose mortgages are owned or securitized by Fannie Mae for a new mortgage.

Considerations for TPO channels or non-direct delivery customers (brokers using DO):

- As a practice, submit all limited cash-out refinance loans through DO/DU first, as DU Refi Plus is eligible for existing Fannie Mae loans, regardless of the current servicer.
- Follow any aggregator specific guidelines to properly document DU Refi Plus property fieldwork waivers, when applicable.
- Ensure loan documentation in the final loan package matches the last DU submission results before delivering to the investor.

Plain and Simple: The originating lender **does not** need to be the current servicer of the existing mortgage. Fannie will allow **direct lenders and mortgage brokers** to participate in this program. It will be up to the individual lenders to decide whether or not to offer this program through third party origination channels.

Maximum LTV Ratio

- Maximum LTV ratio of 105 percent for all occupancy and property types.
- No maximum CLTV or HCLTV.
- All existing subordinate financing must be resubordinated to maintain first lien priority of the new DU Refi Plus mortgage loan.
- No new subordinate financing may be obtained as part of the new DU Refi Plus transaction.

Desktop Underwriter® (DU®) Maximum Allowable LTV Ratios ¹ Effective with DU Version 7.1 Loan Casefiles				
Transaction Type ²	Occupancy	# Units	Amortization ³ and Property Restrictions	Maximum LTV/CLTV ⁴ / HCLTV
DU Refi Plus™				
Limited Cash-Out Refinance	Principal	1-4	DU Refi Plus Requirements	LTV: 105 ⁷
	Second Home	1		
	Investment	1 - 4		

Why is the LTV capped at 105 percent?

Loans with LTVs in excess of 105 percent are not currently eligible for inclusion in our MBS pools under the terms of Fannie Mae's base MBS prospectus.

Loan-to-Value Delivery Eligibility:

April Update (from weekend of April 4 until weekend of May 2): Current maximum allowable LTV/CLTV/HCLTV ratios apply (with exceptions noted below). The following transactions (currently limited to 75 percent LTV/CLTV/HCLTV ratios) will be eligible up to an 80 percent LTV/CLTV/HCLTV:

- 3- to 4-unit primary residence transactions;
- 2-unit primary residence high-balance mortgage transactions;
- Investment property transactions; and
- Second home transactions on cooperative units (LTV only, subordinate financing not allowed).

May Update (after the weekend of May 2): DU Refi Plus loan casefiles will be eligible up to a 105 percent LTV ratio, including the following:

- 1- to 4-unit primary residence transactions;
- 1-unit second home transactions;
- 1- to 4-unit investment property transactions;
- high-balance mortgage loan casefiles; and
- all eligible property types; including detached, attached, manufactured housing, and units in a planned unit development, condominium project, or cooperative projects.

DU Refi Plus loan casefiles will not be subject to a maximum CLTV or HCLTV ratio. Between the April and May releases, if the loan casefile receives an Ineligible recommendation because of the LTV (up to 105 percent), CLTV, or HCLTV, the lender may deliver the loan to Fannie Mae.

Plain and Simple: Borrowers can refi with an LTV up to 105% and Fannie does not have a maximum CLTV restriction. There is DRAWBACK here though....SUBORDINATING A CURRENT SECOND MORTGAGE. Fannie Mae will allow unlimited CLTV but that means the new lender will have to convince the current 2nd lien holder to subordinate the second mortgage behind the new first mortgage. In order for DU REFI PLUS to be effective 2nd lien holders must be cooperative with subordinations. Also with an LTV upwards of 95% obtaining mortgage insurance will be difficult.

Loan Purpose

- Limited cash-out refinances only; existing purchase money subordinate financing may not be satisfied with the proceeds of the Refi Plus mortgage loan.
- All existing subordinate financing must be **resubordinated** to maintain the first lien priority of the new DU Refi Plus mortgage loan.

Note: All other guidelines for limited cash-out refinances, as contained in the Selling Guide, Part VII, Section 103.02: Limited Cash-out Refinance Transactions, continue to apply.

Limited cash-out refinance loan casefiles submitted to DU containing the following components will be eligible for DU Refi Plus:

-the payoff of the unpaid principal balance on the existing first mortgage (**no subordinate financing may be paid off with the proceeds of the new mortgage**);

-the financing of the payment of closing costs, prepaid items, and points; and

-cash back to the borrower in an amount that is no more than the lesser of 2 percent of the new mortgage loan balance or \$2000.

Will borrowers with a first lien loan and a home equity line of credit or a closed-end second mortgage be able to combine the first and second mortgages into the new refinance if the 105 percent LTV cap 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 our regulator, the Federal Housing Finance Agency (FHFA), for refinances of existing Fannie Mae loans with LTVs up to 105 percent 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.”

Plain and Simple: Borrower's closing costs can be rolled into the loan amount. You cannot pay off a 2nd mortgage of any type with DU REFI PLUS money. Really no change from current guidelines except for the fact that you cannot pay off a 2nd mortgage.

Mortgage Insurance Requirements

(This is our biggest hurdle)

To assist borrowers with LTVs above 80 percent 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 <i>Selling and Servicing Guide</i> 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> *

April Update (from weekend of April 4 until weekend of May 2):

Loan casefiles with both an original LTV and current LTV greater than 80 percent: **DU will issue standard MI requirements.**

Loan casefiles with an original LTV of 80 percent or less, and a current LTV greater than 80 percent: **No MI will be required.***

*For LTVs over 80 percent where no MI is obtained, MI Code 95 must be provided at delivery.

May Update (after the weekend of May 2):

Loan casefiles with an original and current LTV greater than 80 percent:

- If the existing loan has MI, the lender must obtain either the amount of the existing MI or standard MI.*

**In choosing which option, the lender is encouraged to obtain the amount of coverage that will be least expensive to the borrower.*

If the existing loan does not have MI, no MI will be required.

A new DU message will appear in the DU Findings Report providing guidance on the amount of required coverage - either standard MI or the existing MI coverage level. An Observation message will appear in the DU Findings Report indicating the MI provider, MI Coverage Obtained, and MI Certificate Number.

Between the April and May updates, the lender may manually apply these MI flexibilities.

*The MI flexibilities outlined in this Announcement extend only through June 10, 2010 and will apply only to mortgage loans with note dates on or before June 10, 2010 that are delivered by October 31, 2010

Are the mortgage insurers supportive of this initiative?

Yes. The MI companies are capital constrained due to the current extreme economic conditions. As a result, they are focused on preserving capital to support their regulatory requirements and to support new purchase-money business that meets their published guidelines for insuring new risk. In addition, they are not in a position to increase their exposure in connection with the refinance of loans that they currently insure.

The MIs, however, fully recognize the urgent need to help more borrowers improve their position by refinancing into a lower interest rate and monthly payment or into a less risky and more stable product (e.g., IO or short-term ARM into fixed rate). They are working closely with us to support the modification of existing MI certificates to facilitate the refinance of loans that currently have MI coverage. Given the MIs' current focus and their capital and risk constraints, they support FHFA's temporary suspension of our Charter credit enhancement requirements in connection with the refinance of existing Fannie Mae loans.

Are existing Fannie Mae loans with lender-paid MI coverage eligible for DU Refi Plus?

Loans with lender-paid MI coverage are not eligible for DU Refi Plus. Loans with lender-paid coverage are eligible for same-servicer refinance, and it is the servicer's responsibility to ensure continued coverage.

Will Fannie Mae charge a loan-level price adjustment (LLPA) for refinance loans with LTV ratios higher than 80 percent to compensate for the MI coverage flexibilities?

No, Fannie Mae will not charge a LLPA to compensate for the MI coverage flexibilities. The risk-based LLPAs consider credit score and LTV ratio, but do not penalize the loan for MI coverage

Plain and Simple: If you have mortgage insurance now you will need to get it again. If your original loan did not require mortgage insurance and your new loan does you will not be required to obtain mortgage insurance. This is our biggest hurdle. Currently mortgage insurance guidelines do not allow for LTV's greater than 95% (must be very qualified). Furthermore mortgage insurance is subjected to declining markets restrictions which adds another obstacle for borrowers looking to lower their mortgage payment. WE NEED THE COOPERATION OF MORTGAGE INSURANCE COMPANIES IN ORDER FOR DU REFI PLUS TO BE EFFECTIVE. FHA still remains a viable option up to 97.75% LTV.

Credit History

- No minimum credit score required.
- The borrower must meet the requirements for DU underwritten loans, including the mortgage delinquency, bankruptcy, and foreclosure policies.

[Link to Guidelines](#)

Why is Fannie Mae waiving the minimum credit score requirements for Fannie Mae to Fannie Mae refinances after emphasizing in recent months a "back to basics" approach that supports borrowers with good credit?

Home Affordable Refinance is targeted to borrowers who have demonstrated the willingness and ability to make their mortgage payments. DU will still perform its standard risk assessment for DU Refi Plus loans, which

includes a comprehensive review of the borrower's credit history, even though no minimum credit score is required to establish eligibility.

Helping responsible borrowers who have acceptable payment histories to reduce their monthly payments or move from a riskier loan structure to a more stable product may reduce the risk of future delinquency as well as possibly help borrowers improve their overall financial and credit situation

Expanded Credit Score Delivery Eligibility

April Update (from weekend of April 4 until weekend of May 2):

Loan casefiles with a current LTV less than or equal to 80 percent will not be subject to the minimum "representative" credit score requirement of 580. High-balance mortgage ARM loan casefiles with a current LTV less than or equal to 80 percent will not be subject to the minimum "representative" credit score requirement of 680.

May Update (after the weekend of May 2):

Loan casefiles delivered as DU Refi Plus, regardless of LTV, will not be subject to any minimum credit score requirements. Between the April and May releases, if the loan casefile receives an Ineligible recommendation because of the minimum credit score, the lender may deliver the loan to Fannie Mae.

Plain and Simple: Same delinquency, bankruptcy, and foreclosure policies. No limit on credit score but borrower will be inhibited by loan level price adjustments and lack of mortgage insurance availability.

Borrower Benefit

Lenders must represent and warrant that the borrower is receiving a benefit through the DU Refi Plus transaction in the form of one of the following:

- Reduction in monthly payment; and/or..
- Moving into a more stable loan product (ARM to FRM).

Lenders are also encouraged to explore other refinance options with borrowers who are not eligible for DU Refi Plus.

- A new DU message (after the weekend of May 2) will be issued on RWC/IV recommendations and Ineligible recommendations to remind lenders to work with the borrower to explore other refinance or modification options.

The Making Home Affordable Program offers loan modifications as a companion to the refinance initiative. How will a borrower know whether a refinance or modification is best for their 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 will have clear guidelines regarding qualification and terms. In general, it is unlikely that responsible borrowers who simply want to refinance to lower their payments or get into a more stable product will see a modification as a more feasible solution, or that the option will be available to them

Plain and Simple: You must show benefit to borrower!

Eligible Borrowers

The borrower(s) on the existing mortgage must be identical to the borrower(s) on the new mortgage. Borrower(s) may be added to the new loan, provided the existing borrower(s) is retained.

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?

No. It is important to note that the Fannie Mae Selling Guide prohibits lenders from conducting marketing campaigns that expressly single out Fannie Mae loans for the purpose of refinancing existing loans. Any marketing to borrowers must be general enough to encompass all investors and all borrowers of a lender. Home Affordable Refinance offers lenders a business opportunity to compete for refinance business as long as these guidelines are followed. Refi Plus with manual underwriting offers servicers a portfolio retention tool, while DU Refi Plus does not limit the new loan to the existing servicer, which can give Fannie Mae borrowers the choice to select a lender based on the best rate, service, or other factors.

Plain and Simple: You can add a new borrower to the loan application for qualification purposes.

Pricing

In support of Home Affordable Refinance, the Refi Plus™ Pricing Matrix provides the unique pricing applicable to eligible limited cash-out refinances of existing Fannie Mae loans, effective for deliveries on or after April 1, 2009. This matrix applies only for refinances of existing Fannie Mae loans originated in compliance with the terms of Announcement 09-04. The standard matrix must be used for all other loan deliveries.

Lenders are expected to pass on the reduced LLPAs (versus the higher standard fees that currently apply) to eligible borrowers that have not yet closed on their mortgage loan that are delivered as a DU Refi Plus mortgage loan.

DU REFI PLUS SPECIFIC LLPAs improved 25bps-75 bps!!!

The LLPA table below replaces Table 2 of Fannie Mae’s Loan-Level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge (AMDC)

Representative Credit Score	LTV Range ¹								
	< 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	97.01 – 105%
> 740	-0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
720 – 739	-0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
700 – 719	-0.25%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
680 – 699	0.00%	0.50%	0.75%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%
660 – 679	0.00%	1.00%	1.50%	1.75%	1.75%	1.75%	1.75%	1.25%	1.25%
640 – 659	0.50%	1.25%	2.00%	2.25%	2.25%	2.25%	2.25%	1.75%	1.75%
620 – 639	0.50%	1.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.50%	2.50%
< 620	0.50%	1.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

The LLPA table below amends Table 3 of the LLPA Matrix.

LLPAs are Cumulative	LTV Range								
	< 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	97.01 – 105%
ARM	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.25%	0.25%
High-balance mortgage loans - ARM	0.75%	0.75%	0.75%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
40-year term (MBS only)	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%
Manufactured Home	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Condominium and Cooperative Properties ¹	0.00%	0.00%	0.00%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Investment property	1.75%	1.75%	1.75%	3.00%	3.75%	3.75%	3.75%	3.75%	3.75%
2 unit Property	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
3-4 unit Property	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
High LTV ²	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	1.00%

The LLPA table below amends Table 8 of the LLPA Matrix

Expanded Approval (SFC 716)	LTV Range								
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	97.01 – 105%
≥ 740	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	0.50%
720 – 739	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.75%	0.75%
700 – 719	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.75%	0.75%
680 – 699	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	1.00%	1.00%
660 – 679	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	1.00%	1.00%
640 – 659	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.25%	1.25%
620 – 639	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.25%	1.25%
< 620	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.75%	1.75%

LLPA for Mortgages with Subordinate Financing

LLPAs in Table 4 of the LLPA Matrix apply to other LTV/CLTV ranges for DU Refi Plus and Refi Plus loans with subordinate financing.

LTV/CLTV Range	LLPA
CLTV > 95%	1.50%

This LLPA is established to reflect the identical LLPA that applied to the eliminated Streamlined Refinance Options with CLTVs in excess of 95 percent, i.e., “Flexible Mortgages with subordinate financing (non-Community Seconds).” See Table 7 of the LLPA Matrix.

Because Expanded Approval loans are now eligible under DU Refi Plus, the LLPA below also subsumes the LLPA for “EA with High CLTV (loans with subordinate financing only).” See Table 8 of the LLPA Matrix.

Note that Expanded Approval recommendations are only applicable to DU Refi Plus and not Refi Plus.

Will Fannie Mae charge a loan-level price adjustment (LLPA) for refinance loans with LTV ratios higher than 80 percent to compensate for the MI coverage flexibilities?

No, Fannie Mae will not charge a LLPA to compensate for the MI coverage flexibilities. The risk-based LLPAs consider credit score and LTV ratio, but do not penalize the loan for MI coverage flexibilities.

Will the standard risk-based LLPAs apply?

No, Fannie Mae has developed a new LLPA matrix specifically applicable to eligible limited cash-out refinances of existing Fannie Mae loans, effective for deliveries on or after April 1, 2009. The Refi Plus Pricing Matrix is based on our standard risk-based pricing approach, considering credit score and LTV ratio, but does not consider whether or not MI coverage is provided. For some credit score and LTV combinations, the Refi Plus LLPAs are lower than standard LLPAs.

Is Fannie Mae charging other LLPAs for Refi Plus?

A feature of Refi Plus is expanded eligibility criteria, specifically expanded LTVs up to 105%, which currently are ineligible for refinance. The new Refi Plus Pricing Matrix includes new LLPAs for these previously ineligible loans. The LLPAs for the increased LTVs are the same as the LLPAs that are charged for the highest LTV currently eligible.

Will the Adverse Market Delivery Charge apply to refinances?

Yes. The AMDC is applicable, and is shown on the Refi Plus Pricing Matrix.

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 outlined in Announcement 09-04, creating a separate Matrix for loans delivered pursuant to the terms of the Announcement seemed like the cleanest approach. Besides containing only the LLPA tables that are relevant under the Announcement terms, we also introduce LLPAs at higher LTVs and CLTVs that are not currently accommodated on the Standard LLPA matrix. Finally, the Refi Plus Pricing Matrix introduces some reductions to the “LLPA by Credit Score/LTV” grid to better align with the MI flexibilities in the Announcement.

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.

Plain and Simple: Fannie lowered the cost of borrowing! No negatives here...MBS loves!!!

Eligible Existing Mortgage Loans

Mortgage loans that were delivered to Fannie Mae prior to March 1, 2009.

Existing Fannie Mae loans, including loans with previous Alt-A documentation and/or Expanded Approval® recommendations, are eligible

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 is developing an online tool, the Fannie Mae Loan Lookup, for borrowers to determine whether Fannie Mae is the investor on their loan. It is scheduled to be available on March 21.

The tool will simply indicate whether Fannie Mae is the investor on a property at a specific address. It will 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, effective with the DU Version 7.1 April Update, DU will automatically determine if the borrower(s) and property address on a limited cash-out refinance transaction are associated with an existing Fannie Mae loan, and will apply the DU Refi Plus expanded eligibility guidelines, when applicable.

Homeowners can also contact Fannie Mae by phone at 1-800-7FANNIE (8am – 8pm EST) or email to resource_center@fanniemae.com

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 mortgage loan may qualify for refinance under Refi Plus. The new loan may have a high-balance feature, subject to current loan limits, and be underwritten using the flexibilities provided by Refi Plus.

Jumbo-Conforming Mortgages originated under the temporary loan limits that expired December 31, 2008 may be refinanced into a high-balance loan under the lower, permanent loan limits; or may be refinanced under the 2009 temporary loan limits established by the American Recovery and Reinvestment Act of 2009 once Fannie Mae announces the eligibility criteria for these loans in March 2009.

Does this initiative 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, it may be eligible for the refinance flexibilities offered through DU Refi Plus. Fannie Mae lenders may contact their customer account teams to discuss other options for loans that do not meet the manual eligibility criteria.

Plain and Simple: Borrowers if you are having a hard time figuring out whether or not you are eligible for this program your local mortgage banker and broker can be of assistance. DU will automatically identify if a borrower is eligible for DU REFI PLUS. On March 21 Fannie Mae will roll out an online look up tool to allow you to research on your own.

Ineligible Existing Mortgage Loans

- Mortgage loans that are subject to any credit enhancement (e.g., full or partial recourse) other than borrower-paid mortgage insurance.
- Mortgage loans that are currently subject to any outstanding repurchase request from Fannie Mae.
- Reverse mortgage loans.
- Second mortgage loans.
- Government mortgage loans.

Occupancy

Occupancy of the property securing a DU Refi Plus loan may be a primary residence, second home, or investment property.

Plain and Simple: Primary Residence, Second Home, Investment Property are eligible

Property Type

All Fannie Mae-eligible property types are permitted.

The policy guidelines for refinance transactions stated in Announcement 08-22 require lenders to confirm that the subject property is not currently listed for sale. As the lender typically relies on the appraiser to provide them with this information, when the loan casefile receives the DU Refi Plus property fieldwork waiver message and an appraisal is not obtained, does the lender need to contact an appraiser to obtain this information?

If an appraisal is not obtained, as an acceptable alternative to contacting an appraiser, the lender may obtain a signed affidavit from the borrower at the time of the loan application disclosing how long the borrower has owned the property, and whether the property is currently listed for sale.

Condominium, Cooperative, and PUD Project Review

Lenders **will not be required to perform a project review for condominium, cooperative, or PUD projects.** The lender must confirm that the property is not in a condominium or cooperative hotel or motel.

Lenders must use the following Project Type Codes at the time of delivery for DU Refi Plus loans secured by a property in a condominium project, cooperative project, or planned unit development:

- V – for properties in a condominium project,
- 2 – for properties in a cooperative project, or
- E – for properties in a planned unit development.

Plain and Simple: Another example of how Fannie Mae is trying to speed up the approval process!!! NO CONDO REVIEWS REQUIRED!!!

Eligible New Mortgage Loans

- Fully-amortizing fixed-rate mortgage loans with a term up to 40 years.
- Fully-amortizing ARM loans with an initial fixed period of five years or greater with a term up to 40 years.
- Mortgage loans that meet Fannie Mae's general loan limits and high-balance loan limits

Plain and Simple: New loans must be either fully-amortizing FRMs with 10- to 40-year terms or fully-amortizing ARMs with initial fixed rate periods of 5 years or more

Ineligible New Mortgage Loans

- ARM loans with initial fixed periods of less than five years.
- Mortgage loans with an interest-only feature.
- ARM mortgage loans with the potential for negative amortization.
- Balloon mortgage loans.
- MyCommunityMortgage® mortgage loans.
- Texas 50(a)(6) mortgage loans.
- Option ARM mortgage loans.
- HomeStyle® Renovation mortgage loans prior to the completion of the property.
- Jumbo-conforming mortgage loans.

Seasoning Requirements on the Existing Mortgage

No seasoning required.

Multiple Mortgages to the Same Borrower

No limit.

The requirements of the Selling Guide and Announcement 09-02, Updates to Multiple Mortgages to the Same Borrower Policy, Reserve Requirements, Reserves Definition, and Form 3170 do not apply to DU Refi Plus mortgage loans except for the requirement of Forms 3170 and 3170.53.

Property Valuation

Lenders must comply with the property fieldwork requirements issued by DU.

For certain DU Refi Plus eligible loan casefiles, DU will waive the requirement for an appraisal or exterior-only property inspection

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.

When determining DU Refi Plus property fieldwork waiver eligibility, DU will apply the maximum allowable LTV and CLTV ratios based on occupancy. The DU Refi Plus property fieldwork waiver will not be offered when the LTV or CLTV is greater than 95%, or on loan casefiles that receive an Ineligible recommendation.

Cooperative units, manufactured homes, and two- to four-unit properties are not eligible for the DU Refi Plus property fieldwork waiver. DU Refi Plus loan casefiles that receive an Expanded Approval (EA) recommendation are also not eligible for the DU Refi Plus property fieldwork waiver.

In cases when the lender does not obtain a new appraisal:

- The lender must advise the borrower not to rely on the lack of an appraisal as assurance about the condition or value of the property.
- The lender will not represent to the borrower or to any third party to the transaction that Fannie Mae or any third party performed a property review, appraisal or valuation of any sort.
- The lender cannot charge the borrower a fee for an appraisal, a collateral review or any similar service as part of the new mortgage transaction.
- The lender must comply with all applicable laws and regulations related to the origination and servicing of the new mortgage, including, but not limited to, the Homeowners Protection Act of 1998 (the "Act"). Certain borrower rights and lender obligations are based on the LTV ratio at the time of origination and at later dates. Lenders are advised to consult with their legal counsel with regard to establishing the "original value" as defined by the Act.

Refer to Appendix A: DU Refi Plus Property Fieldwork Waiver Additional Terms of the DU Version 7.1 April Update Release Notes for additional terms that apply to mortgage loans on which the DU Refi Plus property fieldwork waiver is exercised.

Refer to Appendix A: DU Refi Plus Property Fieldwork Waiver Additional Terms of the DU Version 7.1 April Update Release Notes for additional terms that apply to mortgage loans that are impacted by a natural disaster.

Two messages will appear in the DU Underwriting Findings Report:

Loan casefiles eligible for the DU Refi Plus property fieldwork waiver will include the following message in the DU Underwriting Findings Report*:

"Desktop Underwriter accepts the value submitted as the market value for the subject property on this limited cash-out refinance transaction where the borrower's existing loan is identified as a Fannie Mae loan. This loan is eligible for delivery to Fannie Mae without an appraisal or exterior-only property inspection if the DU Refi Plus property fieldwork waiver is exercised by the lender at the time of loan delivery to Fannie Mae. To exercise this waiver and be eligible for representation and warranty relief on the value, condition and marketability of the subject property, Special Feature Code 807 and the DU Casefile ID must be included in the loan delivery file. A fee will be charged to exercise this waiver. If the waiver is not exercised, at least the minimum level of fieldwork recommended for this transaction must be obtained."

*** Another fieldwork message is also included that indicates the minimum level of property fieldwork that is required if the lender chooses not to exercise the DU Refi Plus property fieldwork waiver.**

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.

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 an appraisal needs to be obtained, even though the loan casefile was offered the DU Refi Plus property fieldwork waiver.

One example of this would be when the lender has reason to believe that fieldwork is warranted based on additional information obtained about the property or subsequent events such as a hurricane or other natural disaster, or based on additional information provided by DU regarding the subject property and/or loan

casefile. In this situation, the minimum property fieldwork requirement specified by DU must be obtained, and the lender may not exercise the DU Refi Plus property fieldwork waiver.

Another example would be when the lender is required by law to obtain an appraisal. In this situation, the lender may exercise the DU Refi Plus property fieldwork waiver.

If a mortgage insurance (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 lender with representation and warranty relief with respect to the value, condition and marketability of the subject property. However, if a mortgage insurance provider requires an appraisal for the transaction, the lender must comply with the MI provider's requirements in order to obtain MI coverage

Reduced Property Fieldwork Requirements beginning in April

DU will waive the requirement of an appraisal or property inspection for certain DU Refi Plus loan casefiles. Lenders can elect to exercise the DU Refi Plus property fieldwork waiver upon delivery of the loan to Fannie Mae, at which point a fee of \$75 will be applied.

These waivers will help reduce time and costs associated with the lender's origination process.

If DU Refi Plus Property Fieldwork Waiver Exercised: SFC 807 is required when the DU Refi Plus property fieldwork waiver offer is exercised at delivery.

Plain and Simple: Appraisal Waivers will speed up the origination process considerably.

Documentation Requirements

The lender must obtain the following additional documentation:

- A new executed Uniform Residential Loan Application (Form 1003 or 1003(S)) from the borrower with all information completed including borrower income, employment, and assets.
- A new merged credit report with the borrower's "representative" credit score. Fannie Mae will use the new credit score for pricing purposes. Determination of the borrower's credit worthiness is based on the payment history of the existing mortgage as stated below

Lenders must comply with the following documentation requirements issued by DU:

- Salary/Bonus/Overtime: one current paystub and a verbal VOE of employment.
- Commission/Self-Employment: one year's federal income tax return
- A new mortgage note, security instrument, and applicable riders and addenda are required for each new DU Refi Plus mortgage loan.

Documentation Requirements beginning in April

DU will offer the following minimum standard income documentation requirements on all DU Refi Plus loan casefiles:

Salary/Bonus/Overtime: One current paystub and a verbal verification of employment.

Commission/Self Employment: One year's federal income tax return.

Plain and Simple: Another example of Fannie Mae making a concession to allow for "common sense" underwriting. This will also help speed up the loan process.

Underwriting Requirements

- All mortgage loans originated under DU Refi Plus must be underwritten through DU, and are not eligible for manual underwriting or underwriting through any other automated underwriting system.
- DU Refi Plus loan casefiles will continue to be subject to the maximum allowable total expense ratio currently applied to all DU loan casefiles. DU Refi Plus loan casefiles that exceed the maximum allowable total expense ratio will receive an Ineligible recommendation.

Total Expense Ratio

Effective May 2 DU Refi Plus loan casefiles will be subject to the maximum allowable total expense ratio currently permitted on DU loan casefiles. If the current debts exceed the maximum allowable ratio, the loan casefile will receive an “Ineligible” recommendation.

Will Home Affordable Refinance help struggling borrowers who have lost their income?

There are no changes to standard income eligibility guidelines for manually underwritten loans, or to the income component of the DU risk assessment; **borrowers must have sufficient income to qualify for the refinance**. Borrowers who cannot qualify for a refinance and are in danger of default should be referred to their servicers to explore servicing workout solutions.

A borrower’s debt-to-income ratio is a comparison of the borrower’s total monthly obligations to the borrower’s stable monthly income.

Total monthly obligations are the sum of:

- the monthly housing expense (as described in Section 701 above);
- monthly payments on installment debts, revolving debts, and other mortgage debts that extend beyond ten months;
- monthly payments on installment debts, revolving debts, and other mortgage debts that extend ten months or less—if the payments significantly affect the borrower’s ability to meet credit obligations;
- monthly payments on lease agreements, regardless of the expiration date of the lease;
- monthly alimony, child support, or maintenance payments that extend beyond ten months;
- monthly payments for other recurring monthly obligations (as discussed in Section 702 above); and
- any net loss from a rental property (as discussed in Section 402.24).

Fannie Mae's benchmark debt-to-income ratio is 36 percent of the borrower’s stable monthly income. However, they may occasionally specify a maximum allowable debt-to-income ratio for a particular mortgage product—for example, they limit the debt-to-income ratio for a Streamlined Purchase Money Mortgage Option 2 to 50 percent. In addition, when the income from more than one borrower is used to qualify for a mortgage (and not all of the borrowers will occupy the property), they require the owner-occupant borrower(s) to satisfy an additional debt-to-income ratio—even if the combined incomes and debts of all of

the borrowers result in a debt-to-income ratio of 36 percent or less. In this case, the owner-occupant borrower(s) should have a debt-to-income ratio of 43 percent or less, after excluding the income(s) and debt(s) for the non-occupying borrower(s).

Plain and Simple: DU makes a "common sense" underwriting decision on a borrowers debt to income ratio. As long as the borrower has compensating factors (deal makes sense) DU will allow DTI to exceed Fannie Mae's benchmark guidelines. In order for relaxed DTI regs to be effective, mortgage insurance guidelines and pricing add-ons will have to accommodate these borrowers.

SO WILL FANNIE MAE'S DU REFI PLUS BE AN EFFECTIVE MEANS OF ALLOWING BORROWERS TO REFINANCE THEIR CURRENT MORTGAGE INTO A NEW ONE WITH A LOWER PAYMENT ???

The underwriting guidelines are relaxed enough and the LLPAs are reasonable.

If mortgage insurance companies and second mortgage holders can find a way to cooperate with this program a broad number of RESPONSIBLE BORROWERS will benefit from DU REFI PLUS.

I will continue to update this information source as questions arise.

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