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## Fannie Mae Announces Updates to Refi Plus and DU Refi Plus

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As a result of recently announced changes to the Home Affordable Refinance Program (HARP) made by the Federal Housing Finance Agency (FHFA), Fannie Mae (FNMA) is implementing changes to Refi Plus and DU Refi Plus. The announcement was made in SEL-2011-12: Updates to Refi Plus™ and DU Refi Plus™ (11/15/11).

In addition to the changes discussed below, lenders should also review the Selling Guide, B5-5.1-05, DU Refi Plus and Refi Plus Eligibility, regarding Representations and Warranties as there are a number of exceptions associated with these programs and changes have been made to Refi Plus mortgages with application dates on or after December 1, 2011.

### Maximum LTV Ratios and Eligible Products:

Effective for Refi Plus mortgage loans with application dates on or after December 1, 2011,

FNMA is removing the maximum LTV ratio limit for loans secured by fixed rate mortgages with terms up to 30 years. There is no change in the LTV limit of 105% for those loans with terms greater than 30 years up to 40 years, or for ARMs with initial fixed periods greater than or equal to five years and terms up to 40 years (as permitted by the ARM plan).

For DU Refi Plus mortgage loans, the changes to the LTV ratio limit will not be permitted until DU is updated in March 2012. Therefore, DU loan case files that receive an Ineligible recommendation due to an LTV ratio over 125% will not be eligible for delivery.

### Changes to Underwriting Requirements for Refi Plus:

The following changes are effective for Refi Plus mortgage loans with application dates on or after December 1, 2011.

1. In regard to the mortgage being refinanced, mortgage delinquencies during the most recent six month period are not allowed. Furthermore, no more than one 30 day delinquency in the prior 7 to 12 month period is allowed.

2. If the principal and interest payment increases by more than 20% of the current contractually

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obligated payment under the note, the borrower must be re-qualified. If the note provides for more than one payment option, the lender must use the lowest payment option to determine whether the increase exceeds 20%.

Requalification guidelines are as follows: minimum representative credit score of 620; maximum DTI of 45%; Verification of income sources and amounts in accordance with the Selling Guide, Chapter B3-3 Income Assessment; and Verification of assets to close in accordance with the Selling Guide, Chapter B3-4, and Asset Assessment.

3. The bankruptcy and foreclosure policies will no longer apply. Therefore the borrower on the new loan will not be required to meet the standard waiting period and reestablishment of credit criteria following a bankruptcy or foreclosure. Also, the original loan does not need to have met the bankruptcy and foreclosure policies in effect at the time the loan was originated.

4. FNMA is updating the borrower benefit criteria to add the following: a reduction in the interest rate or a reduction in the loan amortization term. This change applies to both Refi Plus and DU Refi Plus mortgage loans.

### **Loan Level Price Adjustment for Refi Plus and DU Refi Plus:**

For all Refi Plus and DU Refi Plus whole loans purchased on or after January 3, 2012 and for mortgage loans delivered in to MBS with issue dates on or after January 1, 2012, 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 reduced to 0.75%.

### **Permissible Refinance Solicitation Practices:**

Effective for solicitations that occur on or after December 1, 2011, FNMA is adding the following policies by which lenders can solicit borrowers.

Lenders must apply the same advertising and solicitation activities to borrowers of mortgage loans with LTV ratios greater than 80%, regardless of whether the mortgage is owned or securitized by Fannie Mae or Freddie Mac.

Lenders must apply the same advertising and solicitation activities to all mortgage loans with LTV ratios greater than 80% and 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.

If lender's solicitation or advertising material includes a reference to a GSE, then the communication must include the following language:

- "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.freddie.com/mymortgage](http://www.freddie.com/mymortgage) or [www.fanniemae.com/loanlookup/](http://www.fanniemae.com/loanlookup/)."

**The Announcement can be viewed at the following AllRegs link:**

<http://www.allregs.com/ao/main.aspx?did2=af84a1f05f3441ea8a4dd6082368e944>