FANNIE MAE DU REFI PLUS

POLICY	GUIDELINE
GENERAL DESCRIPTION	The program was designed to assist some homeowners in refinancing their mortgages, even if they owe more than the home's current value. The primary expectation is that refinancing will put responsible borrowers in a better position by reducing their monthly principal and interest payments 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. DU automatically determines if the borrower(s) and property address are associated with an existing Fannie Mae loan, and applies the DU Refi Plus expanded eligibility guidelines, when applicable.
PRODUCT TYPE & TERMS	• Fixed rate with amortization of 10, 15, 20 and 30 years. Temporary buydowns are not permitted.
THIRD PARTY FEES	Third party processing fees as a separate fee paid by the borrower, property seller, or other third party is not allowed.
ELIGIBLE LOANS	• The existing lien must be a mortgage loan with a Note date on or before May 31, 2009. • Must be run through DU and receive an Approve/Eligible finding in addition to the DU Refi Plus eligibility message(refer to *Automated Underwriting* section) • The new refinance mortgage must have an application date on or before December 31, 2018. • Grant-like unsecured financing through a Housing Finance Agency (HFA) Hardest Hit Funds (HHF) program is not eligible at this time.
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. • Reverse mortgage loans • Second mortgage loans • Government mortgage loans
OCCUPANCY	• Primary Residence • Second Home • Investment Property
MINIMUM FICO / CREDIT HISTORY	• No minimum credit score, however, loan must receive an Approve/Eligible recommendation through DU. • Mortgage History: 0x60 late pays in the past 12 months for ALL mortgages • Significant Derogatory Credit Events – it is not required to comply with the waiting period and re-establishment of credit requirements for significant derogatory credit events for DU Refi Plus loans. DU will not require to investigate judgments, bankruptcies, foreclosures, or lawsuits declared by the borrower in the Declarations section of the loan application on DU Refi Plus loans.
MAX LTV / CLTV	(see table below)
SUBORDINATE FINANCING	• New subordinate financing is only permitted if it replaces existing subordinate financing. • Existing subordinate financing may not be satisfied with the proceeds of the new Refi Plus mortgage loan. *Continued on next page*

MAXIMUM LTV/CLTV/HCLTV				
Occupancy	**Units**	**LTV**	**CLTV**	**HCLTV**
Primary	1-4	125%	125%	125%
Second Home	1	125%	125%	125%
Investment	1-4	125%	125%	125%

SUBORDINATE FINANCING (continued)	• Existing subordinate financing can remain in place as long as it is resubordinated to the new Refi Plus mortgage loan. • Existing subordinate financing may be simultaneously refinanced as long as the new subordinate lien loan amount does not exceed the existing unpaid principal balance. Broker must comply with Subordinate financing requirements and resubordination requirements outlined in Fannie Mae Selling Guide B2-1.1-04. The remaining provisions related to existing subordinate financing, including acceptable subordinate financing types, do not apply to Refi Plus transactions.
MAXIMUM LOAN AMOUNT	Standard conforming loan limits apply. The eligibility parameters for DU Refi Plus supersede those for the High Balance feature. The new loan may have a High Balance feature, subject to current loan limits.
LOAN PURPOSE and LOAN PROCEEDS	Limited cash-out refinances only **The new loan amount can include:** • Payoff the unpaid principal balance on the existing first mortgage: • The financing of the payment of closing costs, prepaid items, and points; • Cash back to the borrower in an amount of no more than $250. Any excess cash must be applied as a principal curtailment to the new mortgage or a reduction in the actual loan amount. Please consider the impact to the borrower when considering a large curtailment. It may be in their best interest to lower the loan amount. Existing purchase money subordinate financing may not be satisfied with the proceeds of the Refi Plus transaction. **Note: all other guidelines for limited cash-out refinance transactions apply.**
ELIGIBLE PROPERTY TYPES	All eligible Fannie Mae property types except: • Manufactured Homes • Co-ops Condos and PUDs • No condo review is required, except the broker must confirm that the property is not a condotel or any other ineligible property type. • Standard insurance coverage applies (hazard, flood and liability), including HO-6 requirements Leasehold Estates – FNMA no longer requires verification that the terms of the leasehold estate comply with the requirements in the Selling Guide. Broker will need to confirm that the term of the leasehold estate runs for at least 5 years beyond the maturity date of the mortgage, unless fee simple title will best at an earlier date.
ELIGIBLE BORROWERS	• An existing borrower(s) may be removed from the new loan provided at least one of the original borrower(s) is retained on the new loan. • Borrower(s) may be added to the new loan, provided at least one of the existing borrowers is retained. • A borrower who has applied for or received a loan modification is eligible to refinance under DU Refi Plus. Please note the following: o The borrower benefit provision must be met. The terms of the modified loan (trial or permanent) must be used for comparison. If the borrower was previously in a trial period plan, but denied a permanent modification, the current terms of the loan must be used for this purpose. o The borrower must meet DU's mortgage delinquency policy.

REQUIRED BORROWER BENEFIT	DU Refi Plus transaction must provide a benefit to the borrower in the form of either: • A reduced monthly mortgage principle and interest payment; • A more stable mortgage product (for example, ARM to Fixed Rate); • A reduced interest rate; OR • A reduced amortization term Note: DU does not make the determination that the DU Refi Plus transaction will benefit the borrower. Broker must determine this outside of DU.
MULTIPLE MORTGAGES	• No limit on the number of financed properties • The additional eligibility requirements for borrowers with multiple financed properties (Fannie Mae section B2-2-03) do not apply to DU Refi Plus loans.
AUTOMATED UNDERWRITING	All mortgage loans originated under DU Refi Plus must be underwritten through DU and are not eligible for manual underwriting or underwriting under any other automated system. Findings must reflect the loan was underwritten by DU as a DU Refi Plus and receive an Approve/Eligible recommendation. **Submission to DU –** An accurate address is critical to determining if the subject property on the loan casefile matches a subject property address for an existing Fannie Mae loan. Incomplete and/or inaccurate property address data may prevent a loan casefile from being underwritten according to DU Refi Plus underwriting guidelines. **DU Recommendation –** must receive an Approve / Eligible recommendation **Underwriting Findings Report** – DU will issue the following message when the loan is identified as being eligible for DU Refi Plus. Loans must receive this message to be eligible for this process type: *"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."*
QUALIFYING RATIOS	Subject to the maximum allowable debt-to-income ratio in DU.
RESERVES	Determined by DU.

MORTGAGE INSURANCE	Mortgage Insurance may or may not be required depending on the current MI coverage on the existing loan, as follows:

Original Loan LTV	Existing MI Coverage	MI Coverage for New Loan
80% or less	None	Not required
Over 80%	None (previously cancelled or terminated per FNMA Selling Guide requirements)	Not required
	Yes	**Required see restrictions below**

If the current mortgage loan does not have mortgage insurance, then the new DU Refi Plus mortgage will not require mortgage insurance, even if the new LTV exceeds 80%.

If mortgage insurance is required for the new loan, the following restrictions apply:

- The MI company must approve the modification;
- New rates and modification fee may apply;
- Lender-paid MI is not permitted on new loan, unless LPMI on existing loan was a single premium that has been paid in full. Monthly LPMI may be able to be converted to BMPI;
- MI company may require the borrowers be identical to those on the existing loan;
- Occupancy may need to remain the same as original insured loan unless change decreases risk on the loan (i.e. any change in occupancy must be to owner occupied);
- The MI coverage must extend for the life of the new loan, or until cancellation or termination of coverage as required by law or FNMA guidelines
- The terms of the new mortgage note should be used to calculate the MI cancellation/termination date.
- The level of coverage is equal to the level of coverage in force on the existing loan or standard coverage in accordance with Fannie Mae Selling Guide.
- Must successfully continue coverage on the new loan, either by modification of the existing MI certificate or by issuance of a new MI certificate.
- Mortgage insurance company may have additional restrictions.

Refer to the *MI Modification Matrix for HARP Loans* chart for assistance with MI guidelines.

<table>
<tr><td>DOCUMENTATION</td><td>

A new completed and executed 1003, URAR.
A new tri-merge credit report
All applicable disclosures
Income Documentation and Asset Documentation

Streamlined income documentation – follow DU Findings
All income and asset sources must be eligible sources and verified per the minimum documentation requirements listed in the DU Findings
All income and asset documents must follow FNMA standard requirements for age of documents.
It is not required to verify or assess the borrower’s history of receipt of income or the anticipated continuity of the income.
FNMA’s standard requirements regarding IRS Form 4506-T.
FNMA’s standard requirements for verbal verifications of employment apply.
It is not required to investigate large deposits that appear on bank or other asset statements.
Proof of liquidation of assets (e.g., sale of stock) is not required even if those assets are used by the borrower to pay closing costs.

Property Valuation

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<tr><td>PROPERTY VALUATION</td><td>
Accurate property value must be received before loan can be locked with Secondary Marketing. Accurate value is defined as either: 1) the value based on the appraisal, or 2) if the loan is eligible for a Property Fieldwork Waiver, the value submitted to DU when the waiver was received.
Comply with the property fieldwork requirements of DU:

Full interior/exterior
Property Fieldwork Waiver - <u>No fee associated with this waiver. DU MUST SPECIFICALLY ALLOW THIS WAIVER.</u>
For Property Fieldwork Waiver, the borrower must sign the Notice About Appraisal of your Property (titled Notice of No Appraisal in Mortgage Builder) and Property Not Listed Certification.

For properties affected by disaster, re-inspection is required (this is an internal overlay). The Broker may exercise the waiver as long as the waiver is not more than 4 months old on the date of the note and mortgage.
For loans that were originally evaluated as a standard rate/term refinance and the appraisal was received (and value came in low, therefore loan switched from standard rate/term refinance to DU Refi Plus), the appraisal should be utilized for the DU Refi Plus transaction in lieu of a property fieldwork waiver.
When a new appraisal is obtained:
It is not required to make any representations or warranty as to the value, marketability, or condition of the subject property.
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PROPERTY VALUATION (continued)	• Broker may deliver loans on properties with a condition rating of C6 and/or a quality rating of Q6 completed on an "as-is" basis. There is no requirement for the appraisal to be completed "subject to" repairs being made. • Broker is not responsible for the following requirements in the Selling Guide, B4-1.1-01: o Accuracy and completeness of the appraisal and its assessment of the marketability of the property; o Underwriting the completed appraisal report to determine whether the subject property presents adequate collateral for the mortgage; o Ensuring that the appraiser uses sound reasoning and provides evidence to support the methodology used for developing the value opinion, particularly in cases that are not covered by FNMA guidelines; and o Ensuring that the appraiser provides an accurate opinion, an adequately supported value, and an accurate description of the property. **When the Broker <u>does not</u> obtain a new appraisal:** • The Broker must advise the borrower not to rely on the lack of an appraisal as assurance about the condition or value of the property. • The Broker 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 Broker cannot charge the borrower a fee for an appraisal, a collateral review, or any similar service as part of the new mortgage transaction. • The Broker 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. Certain borrower rights and Broker obligations are based on the LTV ratio at the time of origination and at later dates. Brokers are advised to consult with their legal counsel with regard to establishing the "original value" as defined by the Act.
ESCROW WAIVERS	Allowed on loans when the LTV is less than or equal to 80%. Exception: If the borrower currently has an escrow waiver on the existing mortgage and the LTV on the new loan is greater than 80%, an escrow waiver will be permitted. Loan cannot have Mortgage Insurance. HPML loans must still comply with all regulations in regard to escrow waivers, regardless of whether escrows were waived for the existing account.
DOCUMENT AGE	• Credit Docs, **120 Days** • Appraisal, **120 Days**