



FHA STREAMLINE REFINANCE

POLICY	GUIDELINE
CORE PROGRAM	Unless specifically modified here, all requirements under the FHA program applies.
PRODUCT TYPE & TERMS	Fixed Rate Only – 30, 15 year <i>Note: Refinance not permitted for transactions in Texas</i>
CURRENT SERVICER	The existing FHA mortgage can be serviced by any institution.
THIRD PARTY FEES	Third party processing fees as a separate fee paid by the borrower, property seller, or other third party is not allowed.
OCCUPANCY	Primary Residence ONLY <ul style="list-style-type: none"> • Occupancy of a former investment property – Streamline refinances are not permitted if the borrower has occupied the property securing the refinance mortgage for less than 12 months prior to the loan application date.
MINIMUM FICO / PAYMENT HISTORY	<ul style="list-style-type: none"> • 620 minimum credit score • The borrower must have made all mortgage payments within the month due for the 6 months prior to case number assignment and have no mortgage late payment for the previous 6 months for all mortgages. The borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement. • Tri-merged credit report is required. <p>FICO Scores down to 600 are allowed when the following criteria is met:</p> <ul style="list-style-type: none"> • No major derogatory credit in the last 12 months (i.e. more than 3 x 30 on installment or revolving accounts; charges offs or judgements or public records in excess of \$1,000) • No more than 3 mortgage inquires shown on credit report
SEASONING OF THE EXISTING MORTGAGE	<ul style="list-style-type: none"> • The mortgagor must have made at least six consecutive payments on the FHA-insured mortgage that is being refinanced (initial loan) beginning on the first payment due, and • At least six full months must have passed since the first payment due date of the refinanced mortgage, AND • The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the initial loan.
MAX MORTGAGE AMOUNT CALCULATION	STREAMLINE REFINANCE (WITHOUT APPRAISAL): <ul style="list-style-type: none"> • Complete the attached FHA Streamline Refinance Worksheet to calculate the maximum mortgage • Upload completed Worksheet in the Encompass e folder.
HIGH BALANCE LOANS	High Balance Loans <ul style="list-style-type: none"> • FHA loans that exceed \$510,400 located in a high cost area (as specified by the FHFA) are considered High Balance • Standard FHA LTV requirements apply. The maximum CLTV is capped at the maximum LTV. Non-traditional credit is not allowed.

SUBORDINATE FINANCING/ MAX CLTV	<p>Subordinate financing may remain in place in a streamline refinance transaction provided it is clearly subordinate to the FHA mortgage and meets all other FHA requirements. If there is an existing subordinate lien on the property, such as a HELOC, the entire lien/line amount must be subordinate to the FHA first line mortgage. The maximum credit line must be used to determine CLTV.</p> <p>Maximum CLTV is 125%, except for loans identified below.</p> <ul style="list-style-type: none"> • Since there is no appraisal, the CLTV is based on the original appraised value. • Loans containing a Partial Claim Note are limited to maximum 100% CLTV.
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 1-2 Unit, detached and attached (2 unit property not permitted in New Jersey) • Site Condos, do not need condo project approval • PUDs • Condos – FHA Approved Projects are acceptable with the exception of Florida Condominiums which are ineligible • Modular Homes <p>MANUFACTURED HOMES AND CO-OPS ARE INELIGIBLE</p> <p>PROPERTY IS <u>NOT</u> ELIGIBLE FOR FHA INSURANCE IF THE BUILDING AND RELATED IMPROVEMENTS TO THE PROPERTY ARE LOCATED WITHIN A SFHA (ZONE A, A “SPECIAL FLOOD ZONE AREA”, OR ZONE V, A “COASTAL AREA”) AND INSURANCE UNDER THE NATIONAL FLOOD INSURANCE PROGRAM (NFIP) IS NOT AVAILABLE IN THE COMMUNITY. A PROPERTY IS NOT ELIGIBLE FOR FHA MORTGAGE INSURANCE IF THE IMPROVEMENTS ARE, OR ARE PROPOSED TO BE LOCATED, WITHIN THE COASTAL BARRIER RESOURCE SYSTEM (CBRS).</p>
DU/LP TOTAL SCORECARD	<ul style="list-style-type: none"> • DU and LP cannot be run on any FHA Streamline Refinance transaction. • Loans manually underwritten by MLS Underwriters.
BORROWER ELIGIBILITY	<p>Non-Credit Qualifying Refinance: A borrower is eligible for a Streamline Refinance without credit qualification if all borrowers on the existing mortgage remain as borrowers on the new mortgage. Mortgages that have been assumed are eligible provided the previous borrower was released from liability.</p> <p>Exception – A borrower on the mortgage to be paid may be removed from title and new mortgage in cases of divorce, legal separation or death when:</p> <ul style="list-style-type: none"> • The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining borrower, if applicable; and • The remaining borrower can demonstrate that they have made the mortgage payments for a minimum of 6 months prior to case number assignment. <p>Credit Qualifying Refinance: At least one borrower from the existing mortgage must remain as a borrower on the new mortgage. Full credit report, including income documentation is necessary</p>
MAXIMUM RATIOS	Ratios are not calculated on FHA Streamline Refinances.

<p>NET TANGIBLE BENEFITS</p>	<p>The Broker must determine that there is a net tangible benefit to the borrower as a result of the streamline refinance transaction.</p> <p>Definition of Net Tangible Benefit – a net tangible benefit is a reduced combined rate, a reduced term, and/or a change from an ARM to a fixed-rate mortgage that results in a financial benefit to the borrower. Combined Rate refers to the interest rate on the mortgage plus the mortgage insurance premium (MIP) rate.</p> <p><u>Reduction in Term</u></p> <p>The net tangible benefit test is met if:</p> <ul style="list-style-type: none"> • the mortgage term is reduced; • the new interest rate does not exceed the current interest rate; and • the combined principal, interest and MIP payment of the new mortgage does not exceed the combined principal, interest and MIP of the refinanced mortgage by more than \$50. <p><u>Reduction in Combined Rate</u></p> <p>As follows:</p> <table border="1" data-bbox="414 655 1437 951"> <thead> <tr> <th colspan="2">Reduction in Combined Rate</th> </tr> <tr> <th>Current Mortgage Product</th> <th>Reduction in Combined Rate for New Fixed Rate Mortgage Product</th> </tr> </thead> <tbody> <tr> <td>Fixed Rate</td> <td>At least 0.5 percentage points below the prior Combined Rate</td> </tr> <tr> <td>Any ARM</td> <td>No more than 2percentage points above the prior Combined Rate</td> </tr> </tbody> </table> <p>Net Tangible Benefit Worksheet must be included in the underwriting submission package.</p>	Reduction in Combined Rate		Current Mortgage Product	Reduction in Combined Rate for New Fixed Rate Mortgage Product	Fixed Rate	At least 0.5 percentage points below the prior Combined Rate	Any ARM	No more than 2percentage points above the prior Combined Rate
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<p>DOCUMENTATION</p>	<p>Employment (non-credit qualifying refinance): A verbal VOE will be completed on all employed borrowers.</p> <p>Assets: If assets are needed to close, assets must be documented.</p>								
<p>CREDIT QUALIFYING REFINANCE</p>	<p>CREDIT QUALIFYING REFINANCE – the Broker must: 1) verify the borrower’s income; 2) compute debt-to-income ratios; and 3) determine that the borrower will continue to make mortgage payments.</p> <p>Requirements:</p> <ul style="list-style-type: none"> • Full credit report (documentation -2 months bank statements, 1 month paystub, 2 years W2 statements) • 2 year tax transcripts • No need to verify and document who has made the payments just the ability to continue making the payments. • Like non-credit qualifying streamline refinances - no appraisal; no DU. • No letter of explanation regarding why an existing borrower is being removed is required. • Verbal VOE required. 								
<p>APPRAISAL REQUIREMENTS</p>	<p>An appraisal is not required. However, if the property is located in a Federally Declared Disaster Area, an exterior inspection performed by an FHA-approved inspector is required in order to ensure the property has not been damaged.</p> <p>Repairs not required to be completed on a streamline refinance with appraisal, with the exception of lead-based paint repairs.</p>								

MORTGAGE INSURANCE PREMIUMS

IF EXISTING FHA MORTGAGE WAS ENDORSED ON OR BEFORE MAY 31, 2009:

UP-FRONT MORTGAGE INSURANCE PREMIUM Streamline Refinance when existing mortgage was endorsed ON OR BEFORE May 31, 2009
.01%

ANNUAL MORTGAGE INSURANCE Streamline Refinance when existing mortgage was endorsed ON OR BEFORE May 31, 2009		
Loan to Value	Annual MIP	Duration
> 90 LTV	.55%	Mortgage Term
≤ 90 LTV	.55%	11 Years

IF EXISTING FHA MORTGAGE WAS ENDORSED AFTER MAY 31, 2009:

UP-FRONT MORTGAGE INSURANCE PREMIUM Streamline Refinance when existing mortgage was endorsed AFTER May 31, 2009
1.75%

MORTGAGE INSURANCE PREMIUMS			
1.75% Up-Front MIP Premium (UFMIP) for all loan types			
Term	LTV	Annual MIP	Duration of Annual MIP
Greater than 15 year	>95%	.85%	Mortgage term
	> 90% but ≤95%	.80%	Mortgage term
	≤90%	.80%	11 years
15 year or less	> 90%	.70%	Mortgage term
	≤90%	.45%	11 years

RESERVES

Not calculated on FHA Streamline Refinance transactions

ESCROW WAIVERS

Not allowed on FHA regardless of LTV.

DOCUMENT AGE

Credit Documents – 120 Days
Appraisal – 120 Days