

ANNOUNCEMENT.....09-30, November 13, 2009

To: All Michigan Mutual, Inc. Brokers

Re: Revised FHA Streamline Refinance Transactions – Mortgagee Letter 2009-32

This guidance provides revised procedures regarding FHA Streamline Refinance Transactions.

The below criteria is effective for all case assignments issued on or after November 17, 2009. MMI will require that all loans not meeting the new guidelines must be submitted by November 30, 2009 and close by December 31, 2009.

Key Revisions:

- Change in definition of Outstanding Principal Balance
- Change in Maximum Mortgage Amount Calculation WITHOUT Appraisal
- Discount Points no longer eligible for inclusion in new mortgage amount regardless if with or without an appraisal
- New Seasoning Requirement
- New Net Tangible Benefit Requirement
- New Maximum Combined CLTV Requirement
- Verification of Assets needed to close Requirement
- Credit/Income qualifying Requirement

Change in definition of Outstanding Principal Balance: The amount of the outstanding principal balance may include the interest charged by the servicing lender when the payoff is not received on the first day of the month (as is typically assessed on FHA-insured mortgages) but may not include delinquent interest, fax fees, late charges or escrow shortages (previously were allowed to include late charges and escrow shortages).

Change in Maximum Mortgage Amount Calculation WITHOUT Appraisal: The maximum FHA insurable mortgage is the outstanding principal balance minus the applicable refund of the UFMIP, plus the new UFMIP. Closing Costs, Prepays and Discount points, if any, may not be included in the new mortgage. If the borrower has agreed to pay Closing Costs, Prepays and discount points, the assets to pay these costs must be verified (previously were allowed to include closing costs, prepays, discount up to original Note amount of existing mortgage).

Discount Points: Streamline with an appraisal - Discount points, if any, may not be included in the new mortgage. If the borrower has agreed to pay discount points, the assets to pay the discount points must be verified along with any other financing costs that are not included in the new mortgage amount.

New Seasoning Requirement: At the time of loan application the borrower(s) must have made at least 6 payments on the FHA-insured mortgage being refinanced. If the borrower(s) has not made 6 payments on the current mortgage the loan is not eligible for a Streamline Refinance (previously no seasoning requirement).

New Net Tangible Benefit Requirement: It must be determined that there is a net tangible benefit as a result of the streamline refinance transaction, with or without an appraisal. If there is not a Net tangible benefit the loan may not be refinanced.

New Maximum Combined CLTV Requirement: Subordinate liens, including credit lines, regardless of when taken, may remain outstanding, but subordinate to the FHA-insured mortgage, with a maximum combined loan-to-value ratio of 100 (**100% max CLTV**). For streamline refinances *without* an appraisal, the CLTV is based on the original appraised value of the property (see refinance netting authorization). For streamline refinance transactions *with* an appraisal, the CLTV is based on the new appraised value.

Verification of Assets needed to close Requirement: Borrowers are now required to provide evidence of funds to close.

Credit/Income qualifying Requirement: All streamlines (with or without an appraisal) will be credit/income qualified and as such are **manually underwritten**. The required documentation **must be provided** at time of submission to underwriting (attached is a copy of our FHA Streamline Refinance Submission Form and a copy may be found on our website)

Please note: HUD has further indicated that brokers/lenders **cannot use Total Scorecard/DU/LP: DO NOT run loans through an AUS** on streamline refinance transactions regardless if credit qualifying. If a streamline is run through DU or LP that loan is no longer eligible for a streamline refinance and will be underwritten and closed as a rate and term refinance transaction (no cash-out). This will include the increased UFMIP.

The Streamline Refinance Guidelines, Maximum Mortgage Calculation Worksheets (with and without an appraisal) and Streamline Submission Form have been updated to reflect these changes and are attached posted on our website.

Please contact your account executive, customer support, or underwriting if you have any questions.