

# FHA STREAMLINE REFINANCE GUIDELINES

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## Maximum Mortgage Amount Calculations

- ***Streamline With Appraisal*** – The maximum FHA insurable mortgage is the lesser of 97.75% of the appraiser’s estimate of value plus the new UFMIP **or** the sum of the outstanding principal balance minus the applicable refund of UFMIP, plus related closing costs and prepaid expenses for the refinance (as shown below) plus the new UFMIP (subject to HUD/FHA County limits).
  - LTV Ratio applied to Appraised Value: Multiply the appraised value of the property by 97.75% and add the new UFMIP.
  - Outstanding principal balance: Add together the amount of the outstanding balance on the existing FHA-insured first lien, closing costs, prepaid expenses, and then subtract any refund of the UFMIP and add the new UFMIP. **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.

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.

Prepaid expenses may include the per diem interest to the end of the month on the new loan, hazard insurance premium deposits, monthly mortgage insurance premiums and any real estate tax deposits needed to establish the escrow account regardless whether the mortgagee refinancing the existing loan is also the servicing lender for that mortgage.

- **Streamline Without Appraisal** - The maximum FHA insurable mortgage is the outstanding principal balance minus the applicable refund of the UFMIP plus the new UFMIP (subject to HUD/FHA County limits):
- Outstanding principal balance: Take the amount of the outstanding principal balance on the existing FHA-insured first lien and then subtract any refund of the UFMIP and add the new UFMIP. Closing Costs, Prepaids and Discount points, if any, **may not** be included in the new mortgage. If the borrower has agreed to pay Closing Costs, Prepaids and discount points, the assets to pay these costs must be verified.

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.

Prepaid expenses may include the per diem interest to the end of the month on the new loan, hazard insurance premium deposits, monthly mortgage insurance premiums and any real estate tax deposits needed to establish the escrow account regardless whether the mortgagee refinancing the existing loan is also the servicing lender for that mortgage.

**Note:** On Streamlines without appraisals the appraised value reflected on the Refinance Netting Authorization must be used to determine LTV/CLTV as well as the remaining monthly MIP term and in order that the TIL is calculating the monthly payment stream accurately.

## Underwriting and Eligibility Criteria

- **Seasoning** - 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.
- **Credit/Income Qualifying Required** – All streamlines (with or without an appraisal) will be credit/income qualified (see documentation requirements below).
- **Funds to close:** Borrowers **are now required** to provide evidence of funds to close (see documentation requirements below).
- **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 mortgage being refinanced must be current for the month due (e.g. a refinance of a mortgage anytime in January must have the December payment made. In addition if the loan closing in January disburses in February then the January payment must be made).
- No 30-day or greater mortgage late payments in the most recent 12 months will be allowed. If the loan is seasoned less than 12 months, the mortgage payment history must show no 30-day or greater mortgage late payments since the inception of the loan.
- **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.
- **Net Tangible Benefit:** 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. Net tangible benefit is defined as:
  - **Fixed Rate to Fixed Rate** - The new total mortgage payment is 5% lower than the total mortgage payment for the mortgage being refinanced. Total mortgage payment includes principal, interest, taxes and insurances, homeowners' association fees, special assessments and all subordinate liens.
  - **ARM to ARM** - The new total mortgage payment is 5% lower than the total mortgage payment for the mortgage being refinanced. Total mortgage payment includes principal, interest, taxes and insurances, homeowners' association fees, special assessments and all subordinate liens.
  - **203k to 203b** - The new total mortgage payment is 5% lower than the total mortgage payment for the mortgage being refinanced. Total mortgage payment includes principal, interest, taxes and insurances, homeowners' association fees, special assessments and all subordinate liens.
  - **ARM (One-Year) to Fixed Rate:** The interest rate on the new fixed rate mortgage will be no greater than 2 percentage points (2%) above the current rate of the one-year ARM.
  - **Hybrid ARMs (3/1, 5/1, etc.) to Fixed Rate:** The total mortgage payment on the new fixed rate mortgage may not increase by more than 20 percent (20%).
  - **Reduction in Term/Fixed Rate to Hybrid ARM:** For transactions that include a reduction in the mortgage term or fixed Rate to Hybrid ARM (3/1, 5/1, etc.),

that loan must be underwritten and closed as a FHA to FHA rate & term (no cash-out) refinance transaction (cannot be underwritten and closed as a streamline transaction).

➤ **Maximum Term:**

- The maximum term of any refinance *with an appraisal* is 30 years.
- The maximum term of a streamline refinance *without an appraisal* is limited to **the lesser of:**
  - a. The remaining term of the existing mortgage, plus 12 years, or
  - b. 30 years

- The mortgage being refinanced must be FHA insured as evidenced by a FHA Connection "Case Query" on the current mortgage.
- "No Cost" Refinances in which the broker charges a premium interest rate to defray the borrower's closing costs and/or prepaid items **are permitted**.
- Adding Individuals to title/mortgage: individuals may be added to title/mortgage on a streamline refinance (with or without an appraisal) and must credit qualify.
- **Deleting a borrower from title/mortgage:** all remaining borrower's must credit qualify.
- At closing, the borrower may not receive cash back in excess of \$500.
- FHA Secure to Streamline is not eligible for streamline refinance (must go full credit/income qualify no cash-out (rate/term) refinance).
- **Section 203K to Section 203B** (including condominiums):
  - All work must be complete, there is a fully executed certificate of completion and the rehabilitation escrow account has been closed with a final release (as evidenced by a case query/case status in the FHA Connection and/or Neighborhood Watch).
  - The Upfront MIP and monthly (annual) MIP will be applied to the new loan.
- The borrower(s) cannot have more than four properties financed including the subject property.
- **Maximum Qualifying Ratios:** For manually underwritten loans maximum ratios of 31/43 apply however may be exceeded with compensating factors.
- A CAIVRS check is required with credit qualifying.

## Documentation Requirements

All Streamlines are credit/income qualified (with or without an appraisal) and as such are **manually underwritten**. The below documentation **must be provided** at time of submission to underwriting (see FHA Streamline Refinance Submission Form found on our website)

➤ **Application Documents:**

- FHA Loan Underwriting Transmittal Summary (HUD92900-LT).
- Uniform Residential Loan Application (URLA) reflecting all employment (include full name, address and phone number), income, liability and assets (if funds needed to close) fully completed.
- FHA Addendum to URLA HUD 92900-A

➤ **Credit Documents:**

- Tri-merged credit report for all borrowers. Borrower(s) must have a minimum middle credit score of 640 (non-traditional credit is not allowed)
- Mortgage payment history if not provided on credit report
- Mortgage payoff statement reflecting the mortgage is current (must have in order to calculate the new mortgage amount – loans **cannot** be underwritten without the payoff statement)

- Copy of the original Note for the current mortgage to verify the borrowers and the terms/conditions of the mortgage being paid off. If the current Note cannot be provided similar documentation with the same information must be provided (such as a mortgage statement).
- Evidence of social security number for all borrowers.
- **Income Documents:**
  - Employee: one full month's paystubs (i.e. 2 bi-weekly paychecks, 2 semi-monthly checks, etc.), W-2's from the previous two years and fully executed 4506T. (Verbal VOE will be obtained by MMI) Note: If commission (and/or overtime/bonus >25% of borrower's base pay) is used to qualify or the borrower is employed by a family member the most recent two years personal tax returns with all schedules (all pages) are required. (For other income/employment requirements see our FHA Guidelines).
  - Self-Employed: The most recent two years personal and corporate tax returns with all schedules (all pages), Year-to-Date Profit and Loss Statement and a fully executed 4506T. In addition provide W-2 and recent paystubs if the borrower pays himself/herself a base wage. (For other income/employment requirements see our FHA Guidelines).
- **Assets:**
  - Acceptable VOD (must include current balance and 2 month average balance) **or** the most recent two month's consecutive bank statements (if the asset statement does not reflect the previous month's balance then 3 months statements will be required). Any/all large deposits must be documented. (For other asset requirements (such as gift funds, etc. see our FHA Guidelines).
- **FHA Documents:**
  - New FHA Case Number assignment w/Clear CAIVRS. Must reflect the loans as a streamline refinance with or without an Appraisal and also reflect the old FHA Case Number.
  - Refinance Netting Authorization reflecting the MIP credit on the current mortgage **is** required. Note: For Streamlines without appraisals the appraised value reflected on the Refinance Netting Authorization must be used to determine LTV/CLTV as well as the remaining monthly MIP term and in order that the TIL is calculating the monthly payment stream accurately.
  - Document LDP/GSA checked to verify all parties associated with the transaction are not listed.
- **Miscellaneous Documents:**
  - Title commitment with 12 month chain of title, closing protection letter & wiring instructions.
  - Homeowner's Insurance Policy.
  - All RESPA/Federal/State/HUD/FHA disclosures
  - Flood Certification (to be obtained by MMI).

Please note: HUD has further indicated that brokers/lenders should not 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.

## Appraisal Requirements

- If transaction is a Streamline with appraisal provide a new FHA appraisal performed by a certified residential or certified general appraiser (appraisals cannot be reused from one closed transaction to the next per HUD guidelines).

Appraisals are valid for 6 months. Effective for all case numbers assigned on/or after January 1, 2010, the validity period for all appraisals will be 120 days.

- Individual inspections/repairs are not required unless deficiencies are noted and/or observed (i.e. lead based paint, termite and well/septic).
- Condominium requirements apply only to Streamlines with Appraisal. Spot Loan approvals are acceptable with FHA Case Number assignments issued on/or before December 7, 2009. (Condo requirements do not need to be applied to Streamlines w/out Appraisal).
- If approval of a condominium project has been withdrawn, FHA will insure only Streamline Refinances without appraisals for the condominium project.

### **MIP CHART FOR STREAMLINE REFINANCES**

<b>REFERENCE CHART FOR UP-FRONT AND ANNUAL MIP WITH TERMS &gt;15 YEARS</b>		
Up-front	LTV Ratio	Premium
1.50%	>95	.55%
1.50%	≤95	.50%

<b>REFERENCE CHART FOR UP-FRONT AND ANNUAL MIP WITH TERMS ≤15 YEARS</b>		
Up-front	LTV Ratio	Premium
1.50%	>90	.25%
1.50%	≤90	-None-

For CASE NUMBERS ASSIGNED On/After October 1, 2008