

## HARP2 Fannie Mae: Refi Plus and Du Plus

The Federal Housing Finance Agency (FHFA) recently announced changes to the Home Affordable Refinance Program (HARP) in an effort to attract more eligible borrowers who can benefit from refinancing their mortgage loan.

The HARP program has been extended with the note date on or before **December 31, 2013**.

### Maximum LTV Ratios and Eligible Products for Refi Plus

Fannie Mae is removing the maximum LTV ratio limit for Refi Plus mortgage loans secured by fixed-rate mortgages with terms up to 30 years. This includes loans with terms of 15 years, which were previously restricted to a maximum LTV ratio of 105%. There continue to be no limits on the CLTV or HCLTV ratios.

The maximum LTV ratio limits for all occupancy and property types are:

no maximum for fixed-rate mortgages with terms **up to 30 years**,

105% for fixed-rate loans with terms **greater than 30 years** up to 40 years, and

105% 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).

Refer to the Whole Loan Committing and MBS Pool Information sections of this Announcement for information about new committing and delivery options for loans with LTV ratios that exceed 105%. The updated *Eligibility Matrix* has also been posted on eFannieMae.com.

### ***Effective Date***

The expansion of the LTV ratio limits is effective for Refi Plus mortgage loans with **application dates on or after December 1, 2011**.

### Changes to Underwriting Requirements for Refi Plus

A number of changes are being made to the manual underwriting requirements for Refi Plus, including:

**Mortgage payment history requirements:** The borrower has **no delinquencies** on the existing mortgage in the most **recent six month** period, and **no more than one 30-day delinquency** in **months 7 – 12**.

**Requalification requirements for large payment increases:** A new policy is being introduced that requires the borrower to be re-qualified for the new loan if there is a large payment increase.

The following requirements must be met when the **principal and interest payment increases by more than 20%** of the current contractually obligated payment under the note:

**minimum representative credit score of 620;**

**maximum DTI ratio 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 if the borrower is required to bring funds to closing in accordance with Chapter B3-4, Asset Assessment.

In the event that the note provides for more than one payment option, the lender must use the lowest payment option to determine whether the increase exceeds 20%. If the borrower's payment is increasing by 20% or less, the standard Refi Plus guidelines continue to apply.

**Removal of bankruptcy and foreclosure policy:** Fannie Mae is removing the requirement that the borrower (on the new loan) meet the standard waiting period and re-establishment of credit criteria in the *Selling Guide* following a bankruptcy or foreclosure. The requirement that the original loan must have met the bankruptcy and foreclosure policies in effect at the time the loan was originated is also being removed.

**Borrower benefit requirement:** The borrower must receive a benefit in the form of either a **reduced monthly mortgage payment** (principal and interest) or **a more stable product**, such as a move to a fixed-rate mortgage from an ARM. Fannie Mae is updating the borrower benefit criteria to also include a **reduction in the interest rate or a reduction in the loan amortization term** as eligible borrower benefits.

#### ***Effective Date***

The changes to the Refi Plus underwriting requirements are effective for mortgage loans with **application dates on or after December 1, 2011.**

**For more detail visit**

**<https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2011/sel1112.pdf>**