



## FNMA HIGH LTV REFINANCE OPTION

The high LTV refinance option is designed for DU (Approve/Eligible) borrowers who are making their mortgage payments on time, but whose LTV ratios exceed the maximum allowed for standard limited cash-out refinance transactions.

Limited Cash-Out Refinance, Fixed Rate, ARMs with Initial Fixed Periods > 5 Years					
Transaction Type	Units	Minimum LTV	Maximum LTV	Min Credit Score	Max DTI
Principal Residence	1	97.01	FRM: No Limit ARM: 105%	620	No Maximum
	2	85.01			
	3-4	75.01			
Second Home	1	90.01			
Investment	1-4	75.01			

Existing Loan Requirements
<p><b>Existing Loans must meet the following criteria to qualify...</b></p> <ul style="list-style-type: none"> <li>- be a first lien, conventional mortgage loan owned or securitized by FNMA</li> <li>- Have a note date on or after October 1, 2017.</li> <li>- Have seasoning of at least 15 months- meaning at least 15 months have passed from the note date of the existing loan to the note date of the new loan. <ul style="list-style-type: none"> <li>o For example, if the note date on the existing loan is January 1, 2018, the note date of the new loan must be no earlier than April 1, 2019.</li> </ul> </li> </ul>

Note: Loans that are part of a risk-sharing structure (for example, credit risk transfers) are eligible to be refinanced under the high LTV refinance option.

Conversely, the following loans are not eligible for refinance under the high LTV refinance option:

- existing HARP loans;
- loans that are subject to outstanding repurchase demands; or
- loans that are subject to recourse, repurchase agreement, indemnification, or another negotiated credit enhancement required at origination for eligibility purposes are not eligible unless
  - o the new loan is also subject to a credit enhancement that meets eligibility requirements, or
  - o such credit enhancement is not required for eligibility purposes on the new loan



## New Loan Requirements

### Existing Loans must meet the following criteria to qualify...

- Have an application date on or after November 1, 2018.
- Be either:
  - o a fixed-rate loan; or
  - o An ARM that refinances an existing ARM, with the new ARM having a minimum five-year fixed rate term.
  - o have a term not to exceed 30 years
  - o Meet current general or high-balance loan limits, as applicable, at the time of loan delivery.
  - o have a newly executed Uniform Residential Loan Application (Form1003/1003(S)) for the borrower(s) with all information completed, including borrower income, employment, and assets.
  - o Provide a benefit to the borrower in the form of at least one of the following: *a lower P&I payment; a lower interest rate; a shorter amortization term or; movement to a more stable product (for example, from an ARM or step-rate modification to a fixed-rate loan).*

The new loan cannot be originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution. Temporary interest rate buydowns are not allowed.

The standard limited cash-out refinance requirements are modified for high LTV loan transactions. The new loan amount is limited to

- the payoff of the UPB of the existing first mortgage loan being refinanced (including accrued interest);
- the financing of closing costs, prepaid items, and points up to \$5,000 total for the new loan; and
- Cash back to the borrower up to \$250. Excess proceeds may be applied as a curtailment on the new loan.

Lenders may provide an incentive to the borrower(s) in the form of a payment to pay off a portion of the existing loan being refinanced provided the following:

- no repayment is required,
- the payment is reflected on the settlement statement as a lender credit, and
- Because any such reduction of the existing loan balance will impact the LTV ratio as it applies to the calculation of the new loan amount, lenders are advised to use caution as incentives have the potential to reduce the LTV ratio below the minimum allowed for this option.



Program Details	
<b>Borrower Eligibility</b>	<p>Generally, the borrower(s) on the loan being refinanced (or the current borrower(s) if the existing loan was assumed) must be identical to the borrower(s) on the new loan. However, an existing borrower may be excluded from the new loan for either of the following:</p> <ul style="list-style-type: none"><li>• the remaining borrower(s) meets the mortgage payment history requirements and provides evidence that they have been making the payments on the existing loan from their own funds for the most recent 12 months prior to the application of the new loan, or</li><li>• Due to the death of a borrower. Evidence of the deceased borrower's death must be documented in the loan file.</li></ul> <p>New borrowers may not be added to the new loan refinanced via the high LTV refinance option. Additionally, if the loan being refinanced was assumed by the current borrower(s) prior to the refinance, the current borrowers must have been qualified for the existing loan in accordance with Agency Requirements</p> <p>Borrowers who have applied for or received a modification are eligible for refinancing provided the following:</p> <ul style="list-style-type: none"><li>• the borrower benefit provision is met using the prevailing payment, and</li><li>• The payment history requirement is met.</li></ul>
<b>Property Eligibility</b>	<p>All eligible property types are permitted for refinance under the high LTV refinance option.</p> <p>For properties in condo, co-op, or PUD projects, all project review requirements are waived with the exception that the project is NOT a condo or co-op hotel or motel, houseboat project, timeshare, or segmented ownership project.</p> <p>See. FNMA <a href="#">Ineligible Project list</a> for details.</p> <p>Property and flood insurance will be required.</p>



<b>Minimum LTV requirements</b>	<p>For the new loan to be eligible, the following table provides the minimum LTV ratio requirements for both fixed-rate and ARM loans.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Occupancy Type</th> <th style="text-align: left;">Units</th> <th style="text-align: left;">Minimum LTV</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Principal Residence</td> <td>1</td> <td>97.01%</td> </tr> <tr> <td>2</td> <td>85.01%</td> </tr> <tr> <td>3-4</td> <td>75.01%</td> </tr> <tr> <td>Second Home</td> <td>1</td> <td>90.01%</td> </tr> <tr> <td>Investment Property</td> <td>1-4</td> <td>75.01%</td> </tr> </tbody> </table>			Occupancy Type	Units	Minimum LTV	Principal Residence	1	97.01%	2	85.01%	3-4	75.01%	Second Home	1	90.01%	Investment Property	1-4	75.01%
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<p>The loan being refinanced and the new loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the high LTV refinance transaction.</p>																			
<p>There are no maximum LTV, CLTV, or HCLTV ratios for fixed-rate loans. There is a maximum LTV ratio of 105% for ARM loans, but no maximum CLTV or HCLTV ratio.</p>																			
<p>New subordinate financing is only permitted if it replaces existing subordinate financing. In addition, the existing subordinate financing</p> <ul style="list-style-type: none"> <li>• may not be satisfied with the proceeds of the new loan, but</li> <li>• may remain in place as long as it is resubordinated to the new loan, and</li> <li>• May be simultaneously refinanced as long as the new subordinate lien loan amount does not exceed the existing UPB.</li> </ul>																			
<p>The term of the leasehold must run for at least five years beyond the maturity date of the mortgage, unless fee simple title will vest at an earlier date in the borrower. The lender is not required to perform any additional review of the leasehold terms.</p>																			
<p>There are no limits on the number of financed properties the borrower may own.</p>																			
<b>Program Code</b>	<p><b>HLTVC</b> (Conforming)  <b>HLTVB</b> (Hi-Balance)            Term numbers to follow – i.e. HLTVC30 (30 year fixed); HLTVB7/1 (7/1 High Balance ARM)...</p>																		



If the sum of all applicable LLPAs exceeds the caps listed below, the excess will be waived at delivery.								
Occupancy	Units	Low Range LTV (no LLPA Caps)	Mid-Range LTV			High Range LTV		
			LTV	LLPA Caps Term <=15yrs	LLPA Caps Term > 15yrs	LTV	LLPA Caps Term <=15yrs	LLPA Caps Term > 15yrs
Primary	1	97.01 – 105	105.01 – 115	0.75%	2.00%	>115%	0%	0.75%
	2	85.01 – 90	90.01 – 100	0.75%	2.00%	>100%	0%	0.75%
	3-4	75.01 – 80	80.01 – 90	0.75%	2.00%	>90%	0%	0.75%
2 <sup>nd</sup> Home	1	90.01 – 95	95.01 – 105	2.00%	3.00%	>105%	1.50%	2.00%
Investment	1-4	75.01 – 80	80.01 – 90	2.00%	3.00%	>90%	1.50%	2.00%

- LTV > 95% must refer to AGENCY > 95% LTV/FICO LLPA grid
- All AGENCY LLPAs are cumulative