

Table of Contents

1. Eligible Existing Mortgage Loan Types 2

2. Ineligible Existing Mortgage Loan Types 2

3. Ineligible New Mortgage Loan Types 2

4. **Program Expiration** 2

5. Incentives for Borrowers..... 2

6. Borrower Eligibility 2

7. Program Codes 3

8. Underwriting and Documentation Requirements 3

9. Credit 4

10. **Credit (Derogatory)** 4

11. LTV/CLTV 4

12. **DTI Ratio** 5

13. Mortgage Modifications 5

14. Maximum Loan Amounts 5

15. Loan Purpose 5

16. Subordinate Financing 6

17. Occupancy 6

18. **Property Eligibility** 6

19. **Condo and PUD** 7

20. **Mortgage Insurance Requirements** 7

21. Escrow Accounts 9

22. **Asset Documentation** 9

23. **Income Documentation** 9

24. **Higher-Priced Loan Requirements** 11

25. Financing of Closing Costs 11

26. Properties Affected by Disaster 11

27. Appraisal Options: Option One - Property Fieldwork Waiver 11

28. **Appraisal Options: Option Two - New Appraisal** 12

29. Single Family Comparable Rent Schedule (Form 1007)..... 12

30. Borrower Benefit Requirement..... 13

31. Hardest Hit Fund Programs..... 13

32. Additional Requirements..... 14

33. Documentation Loan File Contents..... 14

34. Title Requirements..... 15

DU Refi Plus



<p>ELIGIBLE EXISTING MORTGAGE LOAN TYPES</p>	<ul style="list-style-type: none"> • Mortgage loans with note dates prior to June 1, 2009 • Jumbo-conforming mortgages and high-balance mortgage loans • The eligibility parameters for DU Refi Plus supersede those for the high-balance feature. The new loan may have a high-balance feature, subject to current loan limits • Available to all Fannie Mae approved lenders using DU. PBM does not have to be the current servicer of the mortgage loan • Available across all origination types – retail, broker, and correspondent.
<p>INELIGIBLE EXISTING MORTGAGE LOAN TYPES</p>	<ul style="list-style-type: none"> • Mortgage loans that are currently subject to any outstanding repurchase demand from Fannie Mae • Reverse mortgage loans • Second mortgage loans • Government mortgage loans • Existing mortgage loans with credit enhancement
<p>INELIGIBLE NEW MORTGAGE LOAN TYPES</p>	<ul style="list-style-type: none"> • ARM loans with initial fixed periods of less than five years • HomeStyle Renovation mortgage loans prior to the completion of the property; • HomeReady mortgage loans; and • Mortgage loans with temporary interest rate buydowns, unless dated before July 1, 2009, and delivered to Fannie Mae prior to December 1, 2009
<p>PROGRAM EXPIRATION</p>	<p>DU Refi Plus mortgage loans must have application dates on or before September 30, 2017. All DU Refi Plus whole loans must be purchased by Fannie Mae on or before June 30, 2018, or in MBS pools with issue dates on or before June 1, 2018.</p>
<p>INCENTIVES FOR BORROWERS</p>	<p>PBM may provide borrowers with the following incentives to refinance through DU Refi Plus:</p> <ul style="list-style-type: none"> • Cash or cash-like (e.g., gift cards) incentives that are not part of the refinance transaction in an amount not to exceed \$500; and • A payment to pay off a portion of the mortgage loan being refinanced not to exceed \$2,000. <p>Refer to B3-4.1-02, Interested Party Contributions (IPCs) (Lender Incentives for Borrowers), for additional requirements that apply to lender incentives.</p>
<p>BORROWER ELIGIBILITY</p>	<ul style="list-style-type: none"> • An existing borrower(s) may be removed from the new loan provided that at least one of the original borrower(s) is retained on the new loan • Borrower(s) may be added to the new loan, provided the existing borrower(s) is retained <p>As a reminder, each person who has an ownership interest in the security property, even if the person's income is not being used in qualifying for the mortgage loan, must sign the security instrument.</p>

DU Refi Plus



<p>PROGRAM CODES</p>	<p>PF10DR – Conforming 30 year fixed CF25DR – Conforming 25 year fixed PF20DR – Conforming 15 year fixed PF06DR – Conforming 10 year fixed</p> <p>PF58DR – Conventional Conforming High Balance 30 year fixed CF25HBDR – Conventional Conforming High Balance 25 year fixed PF57DR – Conventional Conforming Agency Jumbo 15 year fixed</p>
<p>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</p>	<ul style="list-style-type: none"> • Mortgage loans originated under DU Refi Plus must be underwritten through DU, and are not eligible for underwriting through any other automated underwriting system <ul style="list-style-type: none"> ○ No Exceptions • When a loan is delivered as a DU Refi Plus loan, the DU Refi Plus message must be issued on the final submission to DU • The DU Underwriting Findings report will clearly indicate that the recommendation received was for a DU Refi Plus • A new executed Form 1003 of Form 1003(S) is required from the borrower(s) with all information completed including borrower income, employment and assets • An accurate property address is critical to determining if the subject property address on the loan casefile matches a subject property address for an existing Fannie Mae loan. Incomplete or inaccurate property address data may prevent a loan casefile from being underwritten according to the DU Refi Plus underwriting flexibilities • Evidence from the FNMA Website that the loan being refinanced is currently owned by FNMA must be provided in the file behind the payoff demand. <p>https://www.knowyouroptions.com/loanlookup</p> <ul style="list-style-type: none"> ➤ Click on the link above ➤ Complete the name, address and last four digits of the borrower’s social security number and click “get results” ➤ Print a copy for the loan file. <ul style="list-style-type: none"> • If DU is unable to match the subject property address on the loan casefile with an existing eligible Fannie Mae loan, the DU Underwriting Findings report will issue one or more messages, and the loan casefile will be underwritten according to the standard DU eligibility guidelines and documentation requirements. <p><u>All Rate/Term Refinance Transactions</u></p> <ul style="list-style-type: none"> • Underwriter to condition “UTR” the Borrower(s) “Certificate of Reasonable Tangible Net Benefit for Refinance Loans” Disclosure prior to funding. • “Borrower(s) Certificate of Reasonable Tangible Net Benefit for Refinance Loans” Disclosure <ul style="list-style-type: none"> ○ Disclosure is generated with closing package and must be fully completed and executed by the borrower and returned with loan documents.

DU Refi Plus



<p>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</p>	<ul style="list-style-type: none"> • Borrower(s) Benefit Worksheet <ul style="list-style-type: none"> ○ Underwriter to review the complete/executed “Borrower(s) Certificate of Reasonable Tangible Net Benefit” Disclosure and complete the “Borrower(s) Benefit Worksheet” based on the information provided by the borrower. ○ To be completed by the Underwriter prior to funding. ○ Copy of both executed forms to be placed in loan file behind the 1008. <p>Forms are located in the PBM Manual under Policy and Procedures in the “Forms” Folder</p>								
<p>CREDIT</p>	<ul style="list-style-type: none"> • DU performs its standard credit risk assessment for DU Refi Plus loans, which includes a comprehensive review of the borrower’s credit and mortgage payment history. • A new merged credit report with the borrower’s credit score is required • No minimum credit score is required to establish eligibility. The representative credit score will be used for pricing purposes 								
<p>CREDIT (DEROGATORY)</p>	<ul style="list-style-type: none"> • Underwriters are not required to comply with the waiting period and re-establishment of credit requirements for significant derogatory credit events for DU Refi Plus loans. • DU will issue a message when a significant derogatory credit event is identified that indicates the loan is eligible for delivery regardless of when the event occurred. • DU will not require the payoff or satisfaction of a judgment shown on the credit report. • In Addition, DU will not require Form 1003 (or 1003 (s)) VIII, Declarations a through f to be reviewed or DU will not consider them in the underwriting evaluation. • The borrower must meet DU’s mortgage delinquency policy <ul style="list-style-type: none"> ○ All mortgages must be paid current prior to the funding month. (i.e. credit supplement for all mortgages) ○ No mortgage tradeline 60 days late or more within the 12 months prior to the credit report date. ○ Borrowers may not bring past-due mortgage accounts current prior to closing in order to circumvent Fannie Mae’s policy regarding past-due mortgages 								
<p>LTV/CLTV</p>	<p>The following table provides maximum LTV, CLTV, and HCLTV ratios, loan type, and amortization requirements for DU Refi Plus mortgage loans.</p> <table border="1" data-bbox="526 1457 1412 1801"> <thead> <tr> <th colspan="2">DU Refi Plus Maximum LTV, CLTV, and HCLTV Ratios by Loan Type and Term</th> </tr> </thead> <tbody> <tr> <td>Maximum LTV Ratio</td> <td>For all occupancy and property types: <ul style="list-style-type: none"> • No maximum for fixed-rate loans • 105% for ARMs with initial fixed periods greater than or equal to 5 years </td> </tr> <tr> <td>Maximum Term</td> <td>The term of the mortgage may not exceed 30 years</td> </tr> <tr> <td>Maximum CLTV/HCLTV ratio</td> <td>No maximum</td> </tr> </tbody> </table> <p>All DU Refi Plus mortgage loans must be fully amortizing and must meet Fannie Mae’s current loan limit requirements</p>	DU Refi Plus Maximum LTV, CLTV, and HCLTV Ratios by Loan Type and Term		Maximum LTV Ratio	For all occupancy and property types: <ul style="list-style-type: none"> • No maximum for fixed-rate loans • 105% for ARMs with initial fixed periods greater than or equal to 5 years 	Maximum Term	The term of the mortgage may not exceed 30 years	Maximum CLTV/HCLTV ratio	No maximum
DU Refi Plus Maximum LTV, CLTV, and HCLTV Ratios by Loan Type and Term									
Maximum LTV Ratio	For all occupancy and property types: <ul style="list-style-type: none"> • No maximum for fixed-rate loans • 105% for ARMs with initial fixed periods greater than or equal to 5 years 								
Maximum Term	The term of the mortgage may not exceed 30 years								
Maximum CLTV/HCLTV ratio	No maximum								

DU Refi Plus



<p>DTI RATIO</p>	<p>Du Refi Plus loan casefiles are subject to the maximum allowable debt-to-income ratio (DTI) currently applied to DU Refi Plus loan casefiles. DU Refi Plus loan casefiles that exceed the maximum allowable debt-to-income ratio will receive an Ineligible recommendation.</p> <p>For DU Refi Plus loans – if the results of these changes causes the DTI ratio to increase by 3 or more percentage points the loan casefile must be resubmitted to DU:</p> <ul style="list-style-type: none"> • Discrepancies between the credit report payments and balances and those listed on the application, including the presence of debt that is on the credit report but is not on the application or • Additional debt(s) disclosed by the borrower or identified by the underwriter during the mortgage process
<p>MORTGAGE MODIFICATIONS</p>	<ul style="list-style-type: none"> • A borrower who has applied for or received a loan modification is eligible to refinance under DU Refi Plus. Note the following: <ul style="list-style-type: none"> ○ The borrower benefit provision must be met. ○ The terms of the modified loan (trial or permanent) must be used for this comparison. <ul style="list-style-type: none"> ▪ If the borrower was previously in a trial period plan, but denied a permanent modification, the current terms of the loan must be used for this purpose. ○ The borrower must meet DU's mortgage delinquency policy
<p>MAXIMUM LOAN AMOUNTS FOR CONFORMING AND HIGH BALANCE</p>	<ul style="list-style-type: none"> • Conforming loan limits (for loans delivered on/after 1/1/2017): <ul style="list-style-type: none"> ○ 1 unit \$424,100 ○ 2 units \$543,000 ○ 3 units \$656,350 ○ 4 units \$815,650 • Maximum High Balance loan amounts differ by county. • Refer to Fannie Mae Loan Limit Geocoder tool for high balance loan limits https://onlinegeocoder.fanniemae.com/loanlimitgeocoder/pages/HomePage.aspx
<p>LOAN PURPOSE</p>	<ul style="list-style-type: none"> • The standard limited cash-out refinance requirements are modified as follows for DU Refi Plus loan transactions. All other guidelines for limited cash-out refinances continue to apply • DU Refi Plus loans must be originated according to the following limited cash-out refinance requirements: <ul style="list-style-type: none"> ○ The new loan can include: <ul style="list-style-type: none"> ▪ Payoff of the unpaid principal balance on the existing first mortgage ▪ The financing of the payment of closing costs, prepaid items, and points; ▪ Cash back to the borrower in an amount of no more than \$250. If the borrower is receiving more than \$250 cash back, as reflected in the Details of Transaction section of the loan application, the loan casefile will not be underwritten as a DU Refi Plus transaction. Any excess funds at closing must be applied as a principal curtailment ○ Subordinate financing is permitted. See the Eligible Subordinate Financing section below for additional requirements

<p>SUBORDINATE FINANCING</p>	<p>The following policies apply to subordinate financing:</p> <ul style="list-style-type: none"> • New subordinate financing is only permitted if it replaces existing subordinate financing • Existing subordinate financing may not be satisfied with the proceeds of the new DU Refi Plus mortgage loan. • Existing subordinate financing can remain in place as long as it is resubordinated to the new DU Refi Plus mortgage loan • Existing subordinate financing may be simultaneously refinanced as long as the new subordinate lien loan amount does not exceed the existing unpaid principal balance <p>Underwriters must comply with the following provisions outlined in B2-1.1-04, Subordinate Financing, related to any subordinate financing for DU Refi Plus transactions</p> <ul style="list-style-type: none"> • Subordinate financing requirements, and; • Re-subordination requirements for Refinance Transactions <p>The remaining provisions related to existing subordinate financing, including acceptable subordinate financing types, do not apply to DU Refi Plus transactions.</p> <p>Re-subordination</p> <ul style="list-style-type: none"> • Any existing subordinate liens that are not simultaneously refinanced with a new subordinate lien must be re-subordinated. • If Fannie Mae owns the loan secured by the subordinate lien, the servicer of that loan must cooperate fully with the originator of the refinance to effect a re-subordination as quickly as possible..
<p>OCCUPANCY</p>	<ul style="list-style-type: none"> • Primary Residence • Second Homes • Investment Properties <p>Note: the existing mortgage and the new DU Refi Plus mortgage loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the new mortgage transaction. Because the loan represents existing Fannie Mae risk, there is no requirement that the occupancy has stayed the same.</p>
<p>PROPERTY ELIGIBILITY</p>	<ul style="list-style-type: none"> • One- to four-unit principal residences, • One-unit second homes; and • One-to four-unit investment properties <p>All property types are eligible including detached, attached, and units in a PUD or condo. See Leasehold Estates Eligibility (below) for leasehold estate requirements and B5-5.2-03, DU Refi Plus Property Valuation and Project Standards (12/06/2016) for project standards requirements.</p> <p>Leasehold Estates Eligibility</p> <p>For DU Refi Plus loans that are secured by leasehold estates, the term of the leasehold estate 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. If the term of the leasehold estate does not extend five years beyond the maturity date of the mortgage, PBM should consider offering the borrower a product with a shorter term as a remedy. The underwriter is not required to perform any additional review of the leasehold terms.</p>

<p>CONDO AND PUD</p>	<ul style="list-style-type: none"> The underwriter is not required to perform a review of condo projects or PUDs The underwriter must represent and warrant that the property is not in a condo or co-op hotel or motel, houseboat project, or a timeshare or segmented ownership project Confirmation of property flood, and liability insurance coverage is required <p>Project Types Codes For DU Refi Plus, the following project type codes must be used at the time of underwriting for loans secured by a property in a condo project or PUD:</p> <table border="1" data-bbox="524 527 1349 625"> <thead> <tr> <th>Project Type Code</th> <th>Project Type</th> </tr> </thead> <tbody> <tr> <td>V</td> <td>Properties in a condo project</td> </tr> <tr> <td>E</td> <td>Properties in a PUD</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Underwriter must make sure Section I of the 1008 under Borrower and Property Information is correctly checked based on the property type above. 			Project Type Code	Project Type	V	Properties in a condo project	E	Properties in a PUD						
Project Type Code	Project Type														
V	Properties in a condo project														
E	Properties in a PUD														
<p>MORTGAGE INSURANCE REQUIREMENTS</p>	<p>For DU Refi Plus new refinance transactions with LTV ratios exceeding 80%, mortgage insurance may or may not be required depending on the current mortgage coverage on the existing loan. New refinance transactions with an LTV ratio less than 80% do not require mortgage insurance. The following additional mortgage insurance requirements apply:</p> <table border="1" data-bbox="524 947 1422 1929"> <thead> <tr> <th>Original LTV of Existing Loan</th> <th>MI in Force on Existing Loan?</th> <th>MI Required for New Refinance Loan?</th> </tr> </thead> <tbody> <tr> <td>≤ 80%</td> <td>No</td> <td>No</td> </tr> <tr> <td>>80%</td> <td>No</td> <td> <p>DU will require the underwriter to determine that the existing loan does not have mortgage insurance.</p> <p>If the underwriter determines the existing loan</p> <ul style="list-style-type: none"> Does not have mortgage insurance, no mortgage insurance is required. Has mortgage insurance, the underwriter may either obtain the existing amount of mortgage insurance coverage in effect on the loan or obtain standard mortgage insurance </td> </tr> <tr> <td>>80%</td> <td>Yes</td> <td> <p>Yes</p> <ul style="list-style-type: none"> Underwriters may either obtain the level of mortgage insurance coverage in force on the existing mortgage loan or the standard mortgage insurance coverage required in accordance with the provisions in Mortgage Insurance/Loan Guaranty Overview. </td> </tr> </tbody> </table>			Original LTV of Existing Loan	MI in Force on Existing Loan?	MI Required for New Refinance Loan?	≤ 80%	No	No	>80%	No	<p>DU will require the underwriter to determine that the existing loan does not have mortgage insurance.</p> <p>If the underwriter determines the existing loan</p> <ul style="list-style-type: none"> Does not have mortgage insurance, no mortgage insurance is required. Has mortgage insurance, the underwriter may either obtain the existing amount of mortgage insurance coverage in effect on the loan or obtain standard mortgage insurance 	>80%	Yes	<p>Yes</p> <ul style="list-style-type: none"> Underwriters may either obtain the level of mortgage insurance coverage in force on the existing mortgage loan or the standard mortgage insurance coverage required in accordance with the provisions in Mortgage Insurance/Loan Guaranty Overview.
Original LTV of Existing Loan	MI in Force on Existing Loan?	MI Required for New Refinance Loan?													
≤ 80%	No	No													
>80%	No	<p>DU will require the underwriter to determine that the existing loan does not have mortgage insurance.</p> <p>If the underwriter determines the existing loan</p> <ul style="list-style-type: none"> Does not have mortgage insurance, no mortgage insurance is required. Has mortgage insurance, the underwriter may either obtain the existing amount of mortgage insurance coverage in effect on the loan or obtain standard mortgage insurance 													
>80%	Yes	<p>Yes</p> <ul style="list-style-type: none"> Underwriters may either obtain the level of mortgage insurance coverage in force on the existing mortgage loan or the standard mortgage insurance coverage required in accordance with the provisions in Mortgage Insurance/Loan Guaranty Overview. 													

<p>MORTGAGE INSURANCE REQUIREMENTS</p> <p>CONTINUED</p>			<ul style="list-style-type: none"> • Best effort to obtain mortgage insurance coverage that provides the lowest cost option available to the borrower. • Comply with all requirements of the mortgage insurance provider
<p>For DU Refi Plus, if mortgage insurance is current in effect on the existing Fannie Mae loan, the underwriter must confirm the amount of mortgage insurance coverage in effect prior to</p> <ul style="list-style-type: none"> • Obtaining new mortgage insurance at that specified level of coverage, or • Modifying the existing mortgage insurance certificate <p>Acceptable types of mortgage insurance</p> <ul style="list-style-type: none"> • Borrower-paid primary mortgage insurance (including financed premiums) • Lender-purchased primary mortgage insurance <p>Note: When the existing loan has mortgage insurance, PBM may obtain the existing amount of mortgage insurance coverage in effect on the loan or obtain standard mortgage insurance.</p> <p>Loans that require mortgage insurance to be transferred are eligible with the following companies;</p> <ul style="list-style-type: none"> • Genworth (Note: FNMA AUS finding may still refer to GE or GEMICO as existing insurer. These are predecessor companies to Genworth. Final MI Certification must be confirmed with Genworth MI Certificate. • MGIC • Radian • RMIC • United Guaranty (UG) • PMI • CMG • Genworth <p>Eligible coverage must be as follows:</p> <ul style="list-style-type: none"> • Financed MI • LPMI single premium already paid • Single Premium already paid • Split Premium initial already paid with monthly MI • Borrower paid monthly <p>Ineligible Coverage</p> <ul style="list-style-type: none"> • Lender paid pool coverage (referred to as GSE pool insurance) • Investor – paid pool coverage • Loans covered by recourse and/or indemnification agreements • Secondary market coverage agreements • MI coverage from any other company than those listed above is INELIGIBLE. 			

<p>ESCROW ACCOUNTS</p>	<ul style="list-style-type: none"> • Generally, escrow accounts are not required. However, loans requiring private mortgage insurance premiums must have the MI premium escrowed unless there is a single premium. • Property taxes and insurance may be waived when LTV requirements are as follows: <ul style="list-style-type: none"> ○ <=90% LTV 										
<p>ASSET DOCUMENTATION (all types)</p>	<ul style="list-style-type: none"> • The amount of assets (which may include reserves) must be verified to the extent that the DU Underwriting Findings report requires such verification. • Assets must be verified in accordance with the Asset Documentation Requirements below. Underwriters are not required to investigate large deposits that appear on account statements. • Proof of liquidation of assets is not required even if those assets are used by the borrower to pay closing costs • Furthermore, Fannie Mae’s standard policy regarding “discounting” of certain assets applies if the assets are required to satisfy DU reserve requirements. • One recent statement (monthly, quarterly, or annual) showing asset balance 										
<p>INCOME DOCUMENTATION</p>	<ul style="list-style-type: none"> • Income must be verified in accordance with the Income Documentation Requirements table below. Underwriters are not required to verify or assess the borrower’s history or receipt of income or the anticipated continuity of the income. • Each borrower must complete and sign a separate IRS Form 4506-T at or before closing. • Documenting rental Income from Subject Property: In the event a PIW is executed and no appraisal is obtained, borrower must provide a fully executed lease agreement in order to use rental income to qualify. If no lease agreement is available; <ul style="list-style-type: none"> ○ The borrower must provide an estimated rental income, OR ○ Provide an estimate of monthly rental income with a verification from “Rentometer, Zillow etc., documentation must be retained in the loan file, AND ○ Underwriter MUST document the estimated monthly rents in the comments section of the 1008. <table border="1" data-bbox="526 1365 1414 1917"> <thead> <tr> <th data-bbox="526 1365 729 1520">INCOME TYPE/ ELIGIBLE INCOME SOURCES</th> <th data-bbox="729 1365 1414 1520">DOCUMENTATION REQUIREMENTS</th> </tr> </thead> <tbody> <tr> <td data-bbox="526 1520 729 1575">All Employment income</td> <td data-bbox="729 1520 1414 1575"> <ul style="list-style-type: none"> • Verbal Verification of employment within 10 days of the Note date </td> </tr> <tr> <td data-bbox="526 1575 729 1743">Base Pay (salary or hourly) Bonus & overtime income</td> <td data-bbox="729 1575 1414 1743"> <ul style="list-style-type: none"> • One paystub • Applies to primary employment, secondary employment (second job and multiple jobs), and seasonal income </td> </tr> <tr> <td data-bbox="526 1743 729 1856">Commission Income</td> <td data-bbox="729 1743 1414 1856"> <ul style="list-style-type: none"> • One paystub or one year personal tax return • Applies with regard to the percentage of commission earnings </td> </tr> <tr> <td data-bbox="526 1856 729 1917">Self-Employment</td> <td data-bbox="729 1856 1414 1917"> <ul style="list-style-type: none"> • One year personal tax return • Applies to primary and secondary self-employment </td> </tr> </tbody> </table>	INCOME TYPE/ ELIGIBLE INCOME SOURCES	DOCUMENTATION REQUIREMENTS	All Employment income	<ul style="list-style-type: none"> • Verbal Verification of employment within 10 days of the Note date 	Base Pay (salary or hourly) Bonus & overtime income	<ul style="list-style-type: none"> • One paystub • Applies to primary employment, secondary employment (second job and multiple jobs), and seasonal income 	Commission Income	<ul style="list-style-type: none"> • One paystub or one year personal tax return • Applies with regard to the percentage of commission earnings 	Self-Employment	<ul style="list-style-type: none"> • One year personal tax return • Applies to primary and secondary self-employment
INCOME TYPE/ ELIGIBLE INCOME SOURCES	DOCUMENTATION REQUIREMENTS										
All Employment income	<ul style="list-style-type: none"> • Verbal Verification of employment within 10 days of the Note date 										
Base Pay (salary or hourly) Bonus & overtime income	<ul style="list-style-type: none"> • One paystub • Applies to primary employment, secondary employment (second job and multiple jobs), and seasonal income 										
Commission Income	<ul style="list-style-type: none"> • One paystub or one year personal tax return • Applies with regard to the percentage of commission earnings 										
Self-Employment	<ul style="list-style-type: none"> • One year personal tax return • Applies to primary and secondary self-employment 										

INCOME DOCUMENTATION CONTINUED	Alimony or Child Support	<ul style="list-style-type: none"> • Copy of divorce decree, separation agreement, court order or equivalent documentation, and • one month documentation of receipt.
	Employment related assets as qualifying income	<ul style="list-style-type: none"> • Underwriter must obtain standard documentation for this type of income as described in FNMA Selling <u>Guide B3-3.1-09, Other Source of income</u> • The maximum LTV, CLTV, HCLTV ratio and minimum credit score requirements are not applicable to DU Refi Plus transactions
	Rental Income	<ul style="list-style-type: none"> • Lease or one year personal tax return (1007 is not required) • Applies to rental income from subject or other properties owned by the borrower <p>Note: if the borrower is not using any rental income from the subject property (and/or investment properties) to qualify, the gross monthly rent must still be documented for reporting purposes.</p>
	Retirement & Pension	<p>One of the following:</p> <ul style="list-style-type: none"> • Award letter, • one year personal tax return, • W-2 or 1099 form or • one month bank statement reflecting direct deposit
	Social Security	<p>One of the following:</p> <ul style="list-style-type: none"> • Award letter, • one year personal tax return, • Form SSA-1099, or • one month bank statement reflecting direct deposit.
	Temporary Leave Income	<p>Borrower to provide:</p> <ul style="list-style-type: none"> • The borrower's written confirmation of his or her intent to return to work, and • No evidence or information from the borrower's employer indicating that the borrower does not have the right to returns to work after the leave period. <p>NOTE: regardless of the date of return, the amount of the "regular employment income" the borrower received prior to the temporary leave must be used to qualify.</p>
	All Other Income Types	<p>Underwriter will determine appropriate documentation.</p> <p>Examples include, but are not limited to: and award letter or equivalent documentation or agreement, one paystub or equivalent documentation, one year personal tax return, IRS 1099 Form, or one month bank statement reflecting direct deposit.</p>

NOTE: For refinance transactions, PBM may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MCC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file.

NOTE: Borrowers **MUST** begin employment **Prior to Funding**. PBM must obtain a **current** paystub from the borrower that includes sufficient information to support income used to qualify the borrower.

<p>HIGHER-PRICED LOAN REQUIREMENTS</p>	<ul style="list-style-type: none"> • Because DU is unable to determine if a DU is Refi Plus loan casefile is either a higher-priced mortgage loan or a higher-priced covered transaction under Regulation Z, PBM must make this determination. • If the underwriter does determine that the loan casefile is a higher-priced mortgage loan, the loan casefile must have a representative credit score of 620 or more and a debt-to-income ratio of 50% or less in order to be eligible.
<p>FINANCING OF CLOSING COSTS</p>	<p>All closing costs, financing costs and prepaids/escrows can be financed. (no Limit)</p>
<p>PROPERTIES AFFECTED BY A DISASTER</p>	<ul style="list-style-type: none"> • Fannie Mae will not require a property secured by a DU Refi Plus mortgage that was damaged as a result of a disaster to be repaired prior to delivery as long as the loan meets the property insurance requirements described in Chapter B7-3, Property and Flood Insurance. • Therefore, an additional inspection and/or new appraisal of the property is not necessary after a disaster.
<p>Appraisal Options</p>	
<p>OPTION ONE: PROPERTY FIELDWORK WAIVER</p>	<p><u>DU Refi Plus Property Valuation Requirements</u></p> <ul style="list-style-type: none"> • The underwriter must comply with the property fieldwork requirements issued by DU. For certain DU Refi Plus loan casefiles, DU offers to waive the requirement for property fieldwork. • For loan casefiles that are not eligible for a DU Refi Plus property field work waiver, DU will require an appraisal based on an interior and exterior inspection reported on the appropriate appraisal report form for the type of property being appraised. • If PBM exercises a property fieldwork waiver, PBM is not responsible for the standard representations and warranties related to the value, marketability, and condition of the property. <p><u>DU Refi Plus Property Fieldwork Waiver</u></p> <ul style="list-style-type: none"> • When PBM exercises the DU Refi Plus property fieldwork waiver, Fannie Mae accepts the property value estimate submitted to DU as the market value for the subject property and as noted above, the underwriter is not required to make any representation or warranty as to value, marketability, or condition of the subject property • The underwriter is required to represent and warrant that all of the information and data submitted to DU is complete and accurate. • The property value the underwriter enters in DU may be based on: <ul style="list-style-type: none"> ○ The underwriter’s estimate of value, determined at the discretion of the underwriter, or ○ The borrower’s estimate of value • If DU does not offer a property fieldwork waiver, PBM must obtain an appraisal on the form specified in the DU Underwriting Findings report. <p>Note: DU will issue a message on DU Refi Plus loan casefiles when the subject property address cannot be standardized, or Fannie Mae’s databases do not have sufficient information about the property to determine eligibility for the DU Refi Plus property fieldwork waiver. This message will state that based on the address and other information available to DU, the property is not eligible for a DU Refi Plus property fieldwork waiver.</p>

<p>OPTION ONE: PROPERTY FIELDWORK WAIVER</p> <p>CONTINUED</p>	<ul style="list-style-type: none"> • The DU Refi Plus property fieldwork waiver may only be exercised if: <ul style="list-style-type: none"> ○ The final submission of the loan casefile to DU resulted in a property fieldwork waiver offer, and ○ The property fieldwork waiver offer is not more than four months old on the date of the note and the mortgage. • Fannie Mae specifically does not warrant that the estimated value used in the determination of eligibility for the DU Refi Plus property fieldwork waiver represents the actual value of the subject property • If exercised, the DU Refi Plus property fieldwork waiver must include <u>SFC 807</u> at delivery <ul style="list-style-type: none"> ○ A \$75.00 fee will no longer be charged for each exercised waiver. <p><u>DU Refi Plus: No New Appraisal Obtained</u> When PBM does not obtain a new appraisal</p> <ul style="list-style-type: none"> • PBM must advise the borrower not to rely on the lack of an appraisal as assurance about the condition or value of the property • PBM will not represent to the borrower or to any third party to the transaction that Fannie Mae or any third party performed a property review, appraisal, or valuation of any sort. <ul style="list-style-type: none"> ○ When using a field waiver you must not have any valuation information in the file. • PBM cannot charge the borrower a fee for an appraisal, a collateral review, or any similar service as part of the new mortgage transaction <ul style="list-style-type: none"> ○ If the loan is initially disclosed with a full appraisal charge on the LE and a field waiver is then used, you may reduce the fee without a new LE or re disclosure. ○ If the loan is initially disclosed with a field waiver charge on the LE and a full appraisal is then required you must do a change of circumstance to increase the fee to the actual appraisal fee on the LE and this may cause a need for re disclosure.
<p>OPTION TWO: NEW APPRAISAL</p>	<ul style="list-style-type: none"> • For loan casefiles that are not eligible for a DU Refi Plus property fieldwork waiver, DU will require an appraisal based on an interior and exterior inspection reported on the appropriate appraisal report form for the type of property being appraised. • When using a full appraisal the appraiser must confirm that the property is not currently listed. • If PBM obtains an appraisal for the subject property, PBM is not responsible for the standard representations and warranties related to the value, marketability, and condition of the property as reflected in the property valuation. <ul style="list-style-type: none"> ○ Properties with a condition rating of C6 and/or a quality rating of QC are acceptable as long as the appraisal is completed on an “as-is” basis. There is no requirement for the appraisal to be completed “subject to” repairs being made. ○ PBM must verify that the property is not a condotel or co-op hotel or motel, houseboat project, or a timeshare or segmented ownership project.
<p>SINGLE FAMILY COMPARABLE RENT SCHEDULE (FORM 1007)</p>	<ul style="list-style-type: none"> • For DU Refi Plus refinances of an investment property, the underwriter is not required to obtain a Form 1007 if the borrower is using rental income to qualify. • Underwriters may disregard the DU message that requires this form • Note: Underwriters must report gross monthly rent in the loan delivery data for all investment properties and two-to four-unit principal residence properties, regardless of whether the borrower is using rental income to qualify for the mortgage loan.

<p>BORROWER BENEFIT REQUIREMENT</p>	<p>At least one of the following benefits is required:</p> <ul style="list-style-type: none"> • A reduced monthly mortgage principal and interest payment • A more stable mortgage product • A reduction in the interest rate, or • A reduction in the amortization term <p><i>Example:</i> The amortization term is extended (for example, from 15 to 30 years) resulting in a reduction in the principal and interest payment</p> <p>Note: an extension of the amortization term is not considered movement to a more stable product</p> <p><i>Example:</i> The mortgage loan type changes from a fixed-rate to an ARM provided there is a reduction in the principal and interest payment</p> <p>Note: Movement from a fixed-rate mortgage to an ARM is not considered a movement to a more stable mortgage product. The borrower should be encouraged to refinance to a fixed-rate mortgage whenever possible. Fixed-rate mortgages are required if the LTV ratio exceeds 105%</p> <p><i>Example:</i> the principal and interest payment is staying the same or increasing provided the borrower is moving to a shorter term mortgage or more stable mortgage product</p> <p>Note: DU does not make the determination that the DU Refi Plus transaction will benefit the borrower. The underwriter must determine this outside of DU</p>
<p>HARDEST HIT FUND PROGRAMS</p>	<ul style="list-style-type: none"> • Housing Finance Agencies (HFAs) have established programs utilizing Hardest Hit Fund (HHF) programs, which provide funding for various purposes, including funds for principal curtailment, to help homeowners obtain more affordable mortgages or to help homeowners retain their homes. Each participating HFA establishes its own eligibility guidelines for borrower participation and approves the provision of the funds • Fannie Mae permits grant-like unsecured financing provided to the borrower through an HFA's HHF program for the purpose of paying down the unpaid principal balance at the time of closing resulting in a lower new loan amount. The HHFs may also be sued for the payment of closing costs. The following requirements apply to HHFs: <ul style="list-style-type: none"> ○ The funds must be reflected in the <i>Uniform Residential Loan Application</i> (Form 1003 or 1003(S)) (and in the online loan application for DU Refi Plus) in Section VII, Details of Transaction as an Other Credit ○ The loan file must be documented with a copy of the promissory note or other documentation specifying the terms and conditions of the loan. If the promissory note (or other documentation) indicates that repayment of the HHF funds is expected, the monthly payment must be included in the debt-to-income (DTI) ratio, unless repayment is only due upon sale or default ○ The transfer of the loan proceeds must be reflected on the settlement statement

<p>ADDITIONAL REQUIREMENTS</p>	<ul style="list-style-type: none"> • The underwriter does not need to confirm the subject property is not currently listed for sale. • There are no limits on the number of financed properties the borrower may own. <ul style="list-style-type: none"> ○ The additional eligibility requirements for borrowers with multiple financed properties do not apply. ○ Special Feature Code 150 must not be delivered even if the Refi Plus mortgage loan otherwise meets the requirements of SFC 150 • If using field waiver no other valuation tool can be included in the loan package. • Hazard Insurance and Flood Insurance must be paid current. • All loans must be registered with MERS. (new loan) • Loans with Multiple DU Runs that exceed 12 or for loans where the DU is run after funding require a letter of explanation from the underwriter.
<p>DOCUMENTATION LOAN FILE CONTENTS</p>	<ul style="list-style-type: none"> • Must be delivered with Special Feature Code 147 “DU Refi Plus Loan” • A new executed, complete Uniform Residential Loan Application (Form 1003) • A new merged credit report with the borrowers “representative” credit score • A new mortgage note, security instrument, and applicable riders and addenda are required for each new mortgage loan. • Subordination agreement, if required along with a copy of the note of subordinate financing. • Title policy and applicable Endorsements • <u>Tax transcripts are required for each borrower whose income is utilized as a source of repayment. The most recent available tax transcripts are required to support the income used to qualify the borrower. If only W2 income is used to qualify, W2 transcripts may be obtained as long as the tax returns are not included in the loan file. When documentation used to verify income is from the same calendar period as the tax transcripts, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from the prior year, there can be acceptable variances to qualifying income. If this variance exceeds 20%, provide documentation and/or commentary for the rational for using current income. If tax transcripts are not available (due to a recent filing) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous year’s tax transcript</u>

<p>TITLE REQUIREMENTS</p>	<ul style="list-style-type: none">• The newly originated refinance loan must remain in first lien position• Ensure all real estate taxes and assessments that could become a first lien are current including property taxes, condominium and homeowner's association dues, utility assessments and the personal property tax on manufactured homes• Obtain any Subordination Agreements, if needed• The title insurance policy must be written on an American Land and Title Association (ALTA) 2006 Form with appropriate endorsements• The title insurance policy must protect the mortgagee up to at least the current principal balance• The title policy must have correct information regarding the insured's name, loan number and amount of coverage• Property Reports, Ownership and Encumbrance Reports, Attorney's Opinions are not acceptable• Any existing tax or mechanic's liens must be paid in full through escrow. Proceeds from the new loan may not be used to pay liens• Taxes must be collected if due within 30 days of closing, regardless of the establishment of an impound account.
----------------------------------	---