

**Table of Contents**

1. Eligible Mortgage Product-Existing Loan..... 2

2. Eligible Mortgage Product-New Loan ..... 2

3. Maximum Loan Amount..... 2

4. Maximum LTV/CLTV..... 2

5. MIP Requirements ..... 2-4

6. Assets ..... 4

7. Appraisal Requirements..... 5

8. Bankruptcy ..... 5

9. Borrower(s) ..... 5

10. CAIVRS ..... 5

11. Cash Out ..... 5

12. Credit Requirements ..... 5

13. Mortgage Payment History ..... 5

14. Demand ..... 6

15. Documentation Required ..... 6

16. Employment Verification ..... 6

17. FICO ..... 6

18. LDP/GSA ..... 6

19. Loan Modification ..... 6

20. Net Tangible Benefit ..... 6-7

21. Property Requirements/Types ..... 7

22. Ratios ... ..... 7

23. Seasoning..... 7

24. **PACE/HERO**..... 7

25. Title Policy ..... 7

# FHA STREAMLINE REFINANCE



<b>ELIGIBLE MORTGAGE PRODUCT-EXISTING LOAN</b>	FHA To FHA Refinance																								
<b>ELIGIBLE MORTGAGE PRODUCT-NEW LOAN</b>	<ul style="list-style-type: none"> <li>• Fixed Rate 30 and 15 year</li> <li>• Change in terms <b>MUST</b> meet the Net Tangible Benefits</li> <li>• The maximum term of a streamline refinance without an appraisal is limited to the lesser of:                         <ul style="list-style-type: none"> <li>○ The remaining term of the existing mortgage, plus 12 years, <b>OR</b> <ul style="list-style-type: none"> <li>➢ <b>EXAMPLE:</b> (original loan term 15 years + 12 years = 27 years and would not qualify on a 30 year term)</li> </ul> </li> <li>○ 30 years</li> </ul> </li> <li>• Application can be taken prior to the 7<sup>th</sup> month; however, the Underwriter cannot approve the loan until the 7<sup>th</sup> month.                         <ul style="list-style-type: none"> <li>○ <b>Example:</b> June 01, 2015 was the 6 month payment; however, the Underwriter cannot approve the loan until July 01, 2015.</li> </ul> </li> <li>• <b>NEW CASE ASSIGNMENT SEE SEASONING SECTION PAGE 4</b></li> </ul>																								
<b>MAXIMUM LOAN AMOUNT</b>	Current outstanding principal balance plus demand interest NOT to Exceed 60 days: <b>MINUS</b> current refund of UFMIP; <b>PLUS</b> new UFMIP charged on new refinance. <ul style="list-style-type: none"> <li>• Current demand is used to determine current outstanding principal balance</li> <li>• Plus current financed interest not to exceed 60 days.                         <ul style="list-style-type: none"> <li>○ <b>Financed interest &gt;30 days will require a Lender Specific approval from Corporate Underwriting.</b></li> <li>○ <b>FHA Streamlines with financed interest &gt;30 days <u>MUST fund/record 3 business days prior to the last business day of the month</u></b></li> <li>○ <b>Any daily interest due on the new loan <u>MUST</u> be paid from the borrower's own funds or with Lender Credit; the daily interest cannot be part of the 60 day financed interest.</b></li> </ul> </li> <li>• Plus maximum of 2 months MIP if including payoff of 60 days interest (If only including the payoff of 30 days interest, only 1 month MIP can be included)</li> </ul> <p><b>NOTE-</b> New loan may not include delinquent interest, late charges or escrow shortages</p>																								
<b>MAXIMUM LTV/CLTV</b>	<ul style="list-style-type: none"> <li>• LTV (with financed MIP) <b>CANNOT</b> exceed original loan amount</li> <li>• CLTV up to 100% of the original appraised value                         <ul style="list-style-type: none"> <li>○ CLTV 100.01% up to 105.00% requires Investor Specific Exception</li> </ul> </li> </ul> <p><b>NOTE-</b> Subordinate Open End HELOC will have a limited 97.75% CLTV on maximum HELOC</p>																								
<b>MIP REQUIREMENTS</b>	<p><b>New MIP Amounts set forth in this table are effective for case numbers assigned on or after January 26, 2015</b></p> <ul style="list-style-type: none"> <li>• <b>Case Cancellations may be allowed so borrowers can obtain the reduced MIP Rates as noted in the Mortgagee Letter 15-01. These "Temporary" cancellations will only be available for active FHA case numbers within 30 days of the Mortgagee Letter Effective date January 26, 2015. Temporary cancellation request after January 15, 2015 until February 25, 2015.</b></li> <li>• <b>FHA Case Cancellations will be completed by Corporate ONLY. "No Exceptions"</b></li> </ul> <table border="1" data-bbox="441 1745 1523 1942"> <thead> <tr> <th colspan="4">Term &gt; 15 years</th> </tr> <tr> <th>Base Loan Amount</th> <th>LTV</th> <th>Previous MIP</th> <th>New MIP</th> </tr> </thead> <tbody> <tr> <td>≤ \$625,500</td> <td>≤ 95.00%</td> <td>130bps</td> <td>80bps</td> </tr> <tr> <td>≤ \$625,500</td> <td>&gt; 95.00%</td> <td>135bps</td> <td>85bps</td> </tr> <tr> <td>&gt; \$625,500</td> <td>≤ 95.00%</td> <td>150bps</td> <td>100bps</td> </tr> <tr> <td>&gt; \$625,500</td> <td>&gt; 95.00%</td> <td>155bps</td> <td>105bps</td> </tr> </tbody> </table>	Term > 15 years				Base Loan Amount	LTV	Previous MIP	New MIP	≤ \$625,500	≤ 95.00%	130bps	80bps	≤ \$625,500	> 95.00%	135bps	85bps	> \$625,500	≤ 95.00%	150bps	100bps	> \$625,500	> 95.00%	155bps	105bps
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# FHA STREAMLINE REFINANCE



**MIP REQUIREMENTS  
CONTINUED**

Terms ≤ 15 Years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤\$625,500	78.01%-90.00%	45bps	45bps
≤\$625,500	>90.00%	70bps	70bps
>\$625,500	78.01%-90.00%	70bps	70bps
>\$625,500	>90.00%	95bps	95bps

All MIPs in this table are effective for case numbers assigned on or after April 1, 2013

Term > 15 years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤ \$625,500	≤ 95.00%	120bps	130bps
≤ \$625,500	> 95.00%	125bps	135bps
>\$625,500	≤95.00%	145bps	150bps
>\$625,500	>95.00%	150bps	155bps

Terms ≤ 15 Years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤\$625,500	78.01%-90.00%	35bps	45bps
≤\$625,500	>90.00%	60bps	70bps
>\$625,500	78.01%-90.00%	60bps	70bps
>\$625,500	>90.00%	85bps	95bps

The new annual MIP for these loans is effective for case numbers assigned on or after June 3, 2013

Term ≤ 15 years			
Base Loan Amount	LTV	Previous MIP	New MIP
Any Amount	≤78.00%	0bps	45bps

For loans with FHA case numbers assigned on or after June 3, 2013, FHA will collect the annual MIP:

- For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP) less than or equal to 90 percent LTV, the annual MIP will be assessed until the end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first.
- For any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent, FHA will assess the annual MIP until the end of the mortgage term or for the first 30 years of the term, whichever occurs first.

Note: FHA calculates LTV as a percentage by dividing the loan amount (prior to the financing of any UFMIP) by lesser of the purchase price (if applicable) or the appraised value of the home. For streamline refinances with appraisals, FHA uses the original appraised value of the property to calculate the LTV.

The table below shows the previous and the new duration of annual MIP by amortization term and LTV ratios at origination.

# FHA STREAMLINE REFINANCE



## MIP REQUIREMENTS CONTINUED

TERM	LTV(%)	PREVIOUS	NEW
≤ 15 yrs	≤ 78	No annual MIP	11 years
≤ 15 yrs	> 78-90.00	Cancelled at 78% LTV	11 years
≤ 15yrs	> 90.00	Cancelled at 78% LTV	Loan Term
> 15 yrs	≤ 78	5 years	11 years
> 15yrs	> 78-90.00	Cancelled at 78% LTV & 5 years	11 years
> 15 yrs	> 90.00	Cancelled at 78% LTV & 5 years	Loan Term

### HPML Impact on FHA Streamlines

The new MIP requirements apply to all case assignments ordered on or after 6/3/2013. The new MIP change extends monthly MIP for the life of the loan when the LTV exceeds 90%. This change has a negative impact on the APR calculation that is used to determine when High-Priced Mortgage Loan (HPML) requirements apply.

**The new MIP requirements will cause some FHA loans to exceed HPML thresholds.** The Loan Operating System will provide a warning message when a loan is deemed to be HPML.

We can make FHA loans that are deemed to be HPML, however certain additional requirements apply.

- Escrow must be maintained for a minimum of 5 years (this is not an issue because escrows on government loans are mandated and cannot be removed).
- Ability to Repay: We must verify borrower's ability to repay with verified income, assets and liabilities.

The ability to repay is a concern for Streamline transactions that previously did not require credit qualification.

### Effective Immediately:

**If a streamline application exceeds the HPML threshold, the loan will be required to undergo a full **Credit Qualification** underwrite to comply with the ability to repay and verification requirements under TILA/HPML.**

**In order for an HPML FHA Streamline Loan to advance through LOS the loan purpose code must reflect – (FHA) Refinance - Streamline Credit Qualify.**

**You may receive an HPML warning on other FHA loans – however, no modification to the loan purpose code will be required.**

Please review Mortgage Letter 2013-04 for complete guidance. If you have any questions, contact the Government Loan Administrator.

## ASSETS

For Borrower(s) that are required to bring in funds to close:

- Provide a written Verification of Deposit (VOD) **and** the most recent bank statement for each account **or**
- If a VOD is not obtained, a statement showing the *\*previous month's ending balance* for the most recent month is required. If the previous month's balance is not shown, obtain statement(s) for the most recent two months.

\*The statement must clearly indicate the "beginning" balance was the previous month's **ending balance**.

If Bank Statements show payroll deposits the Bank Statements are still **Acceptable**.

# FHA STREAMLINE REFINANCE



<b>APPRAISAL REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>No appraisal required</li> </ul>
<b>BANKRUPTCY</b>	<p>If the Mortgage Rating on the Credit Rating Report or 1003 states mortgage was in a Bankruptcy, follow the guidelines below;</p> <ul style="list-style-type: none"> <li>If it discharged after the existing loan funded <b>and</b>, was at least 2 full years ago <b>and</b>, it has any mortgage lates showing on the mortgage history after the discharge, you'll need to do a credit qualifying loan instead of the non-qualifying one.</li> <li>If it was discharged within the last 2 years <b>and</b>, was discharged <b>after</b> the existing loan was funded, the application would not be eligible for financing under FHA guidelines.</li> </ul>
<b>BORROWER(S)</b>	<ul style="list-style-type: none"> <li>US Citizens</li> <li>Permanent Resident Aliens, with proof of lawful permanent residence</li> <li>Non-Permanent Resident Alien immigrants</li> <li>All borrower(s) must have a valid Social Security Number</li> <li>Borrower(s) can be added as long as the existing borrower(s) remain on the note &amp; deed</li> </ul>
<b>CAIVRS</b>	<p>Not required on Streamlines</p>
<b>CASH OUT</b>	<ul style="list-style-type: none"> <li>Max cash back to borrower is \$500 (excluding any lender credit) and is derived from the BASE loan amount or borrowers own funds.</li> <li>When a lender credit exceeds total closing cost, any excess credit <b>MUST BE</b> applied towards principal reduction.             <ul style="list-style-type: none"> <li>Borrower <b>CANNOT</b> receive any funds back from excess Lender's Credit at closing.</li> </ul> </li> </ul>
<b>CREDIT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>Mortgage Rating Only with scores from all three repositories " Experian, TransUnion and Equifax.             <ul style="list-style-type: none"> <li>Note: Borrower must have a minimum of one credit score.</li> </ul> </li> <li>The loan being refinanced must have a mortgage history of <b>0 x 30 in the last 12 months</b></li> <li>Mortgage rating must be through month prior to loan closing. (Example-if rating on credit report is as of 12/15 and closing date is 3/16. Underwriter must prove both January and February payments were paid within month due; with cancelled checks, or payment history with months paid noted on credit supplement.)</li> <li>If the loan being refinanced has less than 12 month payment history, but not less than 6 months, borrower(s) <b>MUST</b> have a mortgage history of <b>0 x 30 day lates</b> during the life of the loan.</li> <li>Bankruptcy – See Bankruptcy requirements</li> </ul>
<b>MORTGAGE PAYMENT HISTORY</b>	<p><b>MANUAL</b></p> <ul style="list-style-type: none"> <li>The current mortgage must have 6 full months of payments paid as agreed prior to the case number assignment date.</li> <li>If the Mortgage on the subject Property is not reported in the Borrower's credit report, the underwriter must obtain a verification of Mortgage to evidence payment history for the previous 12 months.</li> <li>For all mortgages on all properties with less than six months of Mortgage Payment history, the borrower must have made all payments within the month due.</li> <li>For all mortgages on all properties with greater than six months history, the Borrower must have made all Mortgage Payments within the month due for the six months prior to case number assignment and have no more than one 30-Day late payment for the previous six months for all mortgages</li> <li>The borrower must have made the payment for all Mortgages secured by the subject Property for the month prior to mortgage Disbursement.</li> </ul>

# FHA STREAMLINE REFINANCE



<b>DEMAND</b>	<ul style="list-style-type: none"> <li>Payoff must reflect current loan balance and not more than 60 days interest. If there is any escrows impound credit, it <b>CANNOT</b> be applied to reduce the payoff per HUD.</li> <li>Borrower to pay all late charges, escrow shortage, delinquent taxes &amp; delinquent interest at closing with Borrower(s) <b>own funds</b>.</li> </ul>																			
<b>DOCUMENTATION REQUIRED</b>	<ul style="list-style-type: none"> <li>Completed FHA Streamline Worksheet- See worksheet for additional documentation</li> <li>DE Underwriter will be required to manually underwrite the loan. The LT and page 3 of the 92900-A must include underwriter's signature, date and CHUMS #.</li> <li>Copy of fully executed Note and Deed of Trust on existing mortgage</li> <li>All Borrowers must provide evidence of a Valid Social Security Number. (i.e. Social Security Card or print out from Social Security Admin.) A printed copy of the Inco Check or Interthinx is also acceptable.</li> <li>Underwriter must obtain utility bills to evidence that the borrower currently occupies the property as their principal residence. (example- phone bill, electric bill or gas/water bill)</li> </ul>																			
<b>EMPLOYMENT VERIFICATION</b>	<ul style="list-style-type: none"> <li>Underwriting Employment Certification(s) are required for all Non Credit Qualifying Streamlines to verify borrower is employed and has income at the time of loan application.</li> <li>Verbal Verification of Employment (VVOE) dated within 10 days of funding. (VVOE may be obtain the day of funding)</li> </ul>																			
<b>FICO</b>	<b>640-</b> High Balance <b>620-</b> Conforming																			
<b>LDP/GSA</b>	Required for all parties																			
<b>LOAN MODIFICATION</b>	<ul style="list-style-type: none"> <li>The outstanding balance of a modified loan may reflect amounts that were previously added to the loan balance to facilitate loss mitigation</li> <li>This is acceptable as long as the new loan amount is calculated as required for streamline refinance transactions (may not exceed the lesser of the original loan amount or outstanding principal) and all other streamline refinance criterion is met.</li> </ul>																			
<b>NET TANGIBLE BENEFIT</b>	<ul style="list-style-type: none"> <li>All Streamlines must meet a Net Tangible Benefit (reduced Combined Rate, a reduced term, and/or a change from an ARM to a fixed rate Mortgage that results in a financial benefit to the borrower.)</li> <li>Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate.</li> </ul> <p style="text-align: center;">Example:</p> <ul style="list-style-type: none"> <li>Old note rate 3.75% plus old MIP rate 1.75% = 5.5%</li> <li>New note rate 3.25% plus new MIP rate 1.75% = 5.00%</li> <li>Either rate or MIP rate <b>MUST</b> drop by .50% to meet NTB.</li> </ul> <p>Combined Rate Reduction NTB table:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: center;">FROM</th> <th colspan="3" style="text-align: center;">TO</th> </tr> <tr> <th style="text-align: center;">Fixed Rate New Combined Rate</th> <th style="text-align: center;">One-Year ARM New Combined Rate</th> <th style="text-align: center;">Hybrid ARM New Combined Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Fixed Rate</td> <td>At least 0.5% percentage points below the prior Combined Rate</td> <td>At least 2 percentage points below the prior Combined Rate.</td> <td>At least 2 percentage points below the prior Combined Rate.</td> </tr> <tr> <td style="text-align: center;">Any ARM With Less Than 15 Months to Next Payment Change Date</td> <td>No more than 2 percentage points above the prior Combined Rate</td> <td>At least 1 percentage point below the prior Combined Rate</td> <td>At least 1 percentage point below the prior Combined Rate</td> </tr> <tr> <td style="text-align: center;">Any ARM with greater than or equal to 15 months to next payment change date</td> <td>No more than 2 percentage points above the prior Combined Rate</td> <td>At least 2 percentage points below the prior Combined Rate</td> <td>At least 1 percentage point below the prior Combined Rate.</td> </tr> </tbody> </table>	FROM	TO			Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate	Fixed Rate	At least 0.5% percentage points below the prior Combined Rate	At least 2 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	Any ARM With Less Than 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate	At least 1 percentage point below the prior Combined Rate	At least 1 percentage point below the prior Combined Rate	Any ARM with greater than or equal to 15 months to next payment change date	No more than 2 percentage points above the prior Combined Rate	At least 2 percentage points below the prior Combined Rate	At least 1 percentage point below the prior Combined Rate.
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# FHA STREAMLINE REFINANCE



<p><b>NET TANGIBLE BENEFIT, CONTINUED</b></p>	<p>Reduction in Term NTB (all of the following apply)</p> <ul style="list-style-type: none"> <li>• The mortgage term is reduced</li> <li>• The new interest rate does not exceed the current interest rate; and</li> <li>• The combined principal, interest and MIP payment of the new mortgage does not exceed the combined principal, interest and MIP of the refinanced mortgage by more than \$50</li> </ul>
<p><b>PROPERTY REQUIREMENTS/TYPES</b></p>	<ul style="list-style-type: none"> <li>• SFR detached &amp; attached units</li> <li>• PUDs</li> <li>• Condominiums (condo approval not required)</li> <li>• Must be currently owner occupied             <ul style="list-style-type: none"> <li>○ Non-Owner Occupied subject properties <b>NOT ALLOWED</b></li> </ul> </li> <li>• 2-4 Owner Occupied <u>ONLY</u></li> <li>• Owner-occupied Manufactured Home (Manufactured and Streamline pricing adjustments apply)</li> </ul>
<p><b>RATIOS</b></p>	<ul style="list-style-type: none"> <li>• Do <b>NOT</b> run thru DU</li> </ul>
<p><b>SEASONING</b></p>	<p><b>On the date of the FHA Case Number Assignment:</b></p> <ul style="list-style-type: none"> <li>• The borrower must have made at least six payments on the FHA-insured mortgage being refinanced.</li> <li>• At least six full months must have passed since the first payment due date of the refinanced mortgage, and</li> <li>• At least 210 days must have passed from the closing date of the mortgage being refinanced.             <ul style="list-style-type: none"> <li>○ <b>Note: IE</b>...The original loan closed with an interest credit the 210 days requirement outlined above must be calculated.</li> </ul> </li> </ul> <p><b>EXAMPLE:</b> The FHA case number on the mortgage being refinanced was closed on or before December 1st and the borrower's first payment on that mortgage was due on January 1<sup>st</sup>. The Branch may request assignment of an FHA Case number for the refinancing mortgage no earlier than July 1<sup>st</sup>.</p>
<p><b>PACE/HERO</b></p>	<p><b>Effective January 5, 2018, HUD will cease to allow PACE loans to remain on the property if FHA financing is obtained.</b></p> <ul style="list-style-type: none"> <li>• Case Numbers assigned after January 5, 2018 are required to pay off PACE loans.</li> <li>• See FHA 4000.1 Rate &amp; Term Refinance and Cash Out for payoff guidelines.</li> </ul>
<p><b>TITLE POLICY</b></p>	<p><b>Standard ALTA Title Insurance Policy OR ALTA Short Form Policy</b> – must be issued by the title company that issued the Standard ALTA policy on the loan being paid in full with streamline refinance. If current loan was not issued a standard title policy, a Short Form title policy is not allowed. (Original title company can be found on the recorded Deed of Trust for the existing loan being paid off).</p> <ul style="list-style-type: none"> <li>• The loan file must contain a copy of the Warranty or Grant Deed (existing or new, based upon loan purpose)</li> <li>• Contains Property Address and Legal Description in Paragraph 4 of Schedule A</li> <li>• Contains a 24-month chain of title</li> <li>• Always includes ALTA Form 100, Comprehensive Endorsement Form 9 for affirmative coverage and ALTA 8.1 Environmental Lien Endorsement</li> </ul> <p>Policy Endorsements:</p> <ul style="list-style-type: none"> <li>• All applicable ALTA endorsements are included</li> <li>• For Condominium use ALTA Endorsement Form 4- Condominium</li> <li>• For PUD use ALTA Endorsement Form 5 – PUD</li> <li>• For an Adjustable Rate (ARM) Loan use ALTA Endorsement Form 6 – Variable Rate</li> <li>• For Restrictions, Encroachments and Minerals, use ALTA Form 9</li> <li>• For Manufactured Housing use ALTA Form 7.0, 7.1, or 7.2</li> </ul>