

**To:** All Customers **From:** Flagstar Bank  
**Date:** 06/17/21 **Memo #:** 21079  
**Subject:** **New Fannie Mae RefiNow Program**

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Flagstar Bank is implementing the new *Fannie Mae RefiNow*, [Doc. #5367](#), program, effective Friday, June 18, 2021. Refer to [Fannie Mae Lender Letter LL-2021-10](#) and the [Desktop Underwriter/Desktop Originator Release Notes DU Version 11.0 June Update](#) for further program details.

### **FANNIE MAE REFINOW PROGRAM**

The Fannie Mae RefiNow program is a new rate/term refinance option for low-income borrowers with an existing Fannie Mae loan who may not have already taken advantage of refinancing in this historically low-rate environment. The maximum loan-to-value (LTV) ratio is 97%, except that loans with a non-occupant borrower or loans secured by a manufactured home (Flagstar-to-Flagstar only) are limited to 95% LTV. Borrowers may use the RefiNow option only one time.

#### PROGRAM HIGHLIGHTS

- Primary residence, one-unit only.
- The existing loan being refinanced:
  - Must be a conventional mortgage loan owned or securitized by Fannie Mae.
  - Must be seasoned at least 12 months but no more than 120 months (from the original note date to new loan note date).
  - Must not be subject to recourse, repurchase agreement, indemnification, outstanding repurchase demand, or credit enhancement (unless the new loan is also subject to the credit enhancement or it is no longer required).
  - Must not be an existing high LTV refinance loan, DU Refi Plus<sup>®</sup> loan, or Refi Plus<sup>®</sup> loan.
- The refinanced loan must provide both of the following benefits to the borrower:
  - A reduction in interest rate of at least 50 basis points, and
  - A reduction in the monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable) of at least \$50.00.
- Borrower income must be at or below 80% of the area median income (AMI)
  - In determining whether a loan is eligible under the borrower income limits, the lender must consider the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the new loan.
  - The lender must use the same methodology in determining income eligibility for a RefiNow loan as they use in reporting “Monthly Income” in Loan Delivery.
- The loan must have identical borrowers on the new loan as the existing loan. New borrowers cannot be added. One or more borrowers may only be removed if:
  - The remaining borrower(s) meet the payment history requirements and provides evidence that they have made at least the last 12 months of payments from their own funds, or
  - Due to death of a borrower (evidence of deceased borrower’s death must be documented in loan file).

- Condominium/PUD project requirements:
  - All project review requirements will be waived for properties located in a condo or PUD project except that the lender must confirm the project is not a condo hotel or motel, houseboat, timeshare or segmented ownership project.
  - The lender must confirm appropriate property and flood insurance is obtained. For non-delegated loans, condo master hazard insurance and HO-6 (if required) will be reviewed by Flagstar's Project Review team.
  - When entering the condo in Loantrac's Condo/PUD screen, search for and select "Fannie Mae RefiNow" from the project list, and enter the actual name of the project in the Condo Name field. Condo Status will default to Established, and it can be left as-is. Leave the remaining fields blank.
- All loans must have a minimum representative credit score of 620.
- Debt-to-income (DTI) ratios are limited to a maximum of 65%.
- Borrowers may finance no more than \$5,000 in closing costs, prepaid items and points into the new loan.
- Borrowers may not receive cash out at closing in excess of \$250. Excess proceeds may be applied as a curtailment on the new loan and must be clearly reflected on the Closing Disclosure.
- A \$500 credit must be applied to all loans that obtain an appraisal. This credit is not required to be disclosed on the Loan Estimate, but it must be entered as a negative number in the Payoffs and Payments section of the Closing Disclosure and labeled as "RefiNow Appraisal Credit."
  - Loans that are approved by the underwriter with a Property Inspection Waiver (PIW) on the findings of the last DU submission will not receive the credit because there will be no appraisal fee charged.
- Desktop Underwriter (DU) will automate the identification of loan casefiles that appear to be eligible for RefiNow based on the borrowers listed on the loan application, the property address, qualifying income, and several other factors. Refer to the [Desktop Underwriter/Desktop Originator Release Notes DU Version 11.0 June Update](#) for additional information.
  - All loans will be scored by DU and must receive an *Approve/Eligible* response.
  - Fannie Mae permits manual underwriting for RefiNow loans, but Flagstar will not originate or purchase manually underwritten RefiNow loans.
- Refer to the product description for income documentation requirements.
- The following additional documentation requirements apply:
  - Verbal verification of employment (employed or self-employment) is required as noted in the [Conventional Underwriting](#) and [Temporary COVID Guidelines](#).
  - Verification of funds to close are required. Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance.
  - Verification and consideration of recurring alimony and child support payments as a liability, if applicable, are required. Acceptable documentation includes a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation.
- Financed properties, including the subject property, must adhere to the mortgage history requirements per the [Temporary COVID Guidelines](#), including validation all mortgages are current up to the Note date. Missed payments resulting from a COVID-related forbearance must meet the eligibility requirements (e.g. reinstatement or approved servicer resolution) prior to consummation.

- Payment history requirements: For the loan being refinanced, the borrower cannot have had:
  - Any 30-day mortgage delinquencies in the most recent six-month period, AND
  - No more than one 30-day delinquency in months seven through 12.
- Significant derogatory credit: The borrower must comply with all applicable waiting periods following derogatory credit; refer to Significant Derogatory Credit Events in the [Conventional Underwriting Guidelines](#) (Exception: The LTV ratio limitation that applies to a previous foreclosure is not applicable – standard LTV ratios are permitted.)
- Loans that must be treated as Texas Section 50(a)(6) are not eligible under this program.
- All RefiNow loans require Special Feature Code 868.

## MORTGAGE INSURANCE

Standard mortgage insurance coverage requirements apply. Mortgage insurance providers may have additional restrictions not listed here or in the product description; check the provider’s website for completed details.

Prior to running an MI quote through the Mortgage Insurance screen in Loantrac, users will be asked to complete a new field to identify the existing MI provider on the loan.

MI Company	How They are Handling RefiNow Applications
Arch	Will insure only RefiNow loans if they currently insure the borrower’s existing loan
MGIC	
Radian	
Enact (f.k.a. Genworth)	Will insure any loan that meets RefiNow guidelines, regardless of the current MI provider
National	

## ADVERSE MARKET REFINANCE LLPA

The adverse market refinance loan-level price adjustment (LLPA) of 50 basis points will be waived for RefiNow loans with an original principal amount less than or equal to \$300,000.

The waiver of the adverse market refinance LLPA for RefiNow loans does not change the terms of the LLPA for non-RefiNow loans. That is, the LLPA continues to be waived for all loans with an original principal amount less than or equal to \$125,000.

## FANNIE MAE REFINOW SOLICITATION GUIDELINES

The Fannie Mae [Lender Letter](#) introducing the RefiNow program includes requirements customers must follow regarding solicitation of borrowers. Ensure these requirements are reviewed and incorporated into your consumer marketing plans.

## CUSTOMER SUPPORT

If you have questions, please email [underwritingsupport@flagstar.com](mailto:underwritingsupport@flagstar.com) or call the underwriting support desk at (866) 945-9872.