

To: All Customers **From:** Flagstar Bank
Date: 08/30/21 – Update 09/01/21 **Memo #:** 21118
Subject: **New Freddie Mac Refi Possible Program**

REFI POSSIBLE PROGRAM LAUNCH DELAYED UNTIL THURSDAY, SEPTEMBER 2, 2021

Due to an unforeseen technical issue, we are delaying the launch of the Freddie Mac Refi Possible program until Thursday, September 2, 2021.

Flagstar Bank is implementing the new *Freddie Mac Refi Possible* program, Doc# 5368, effective Wednesday, September 1, 2021. Refer to [Freddie Mac Bulletin 2021-17](#), Introducing Freddie Mac Refi Possible for further program details. The Refi Possible is Freddie Mac's version of the Fannie Mae RefiNow introduced in June of this year.

FREDDIE MAC REFI POSSIBLE PROGRAM

The Freddie Mac Refi Possible program is a new rate/term refinance option for low-income borrowers with an existing Freddie Mac 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 Refi Possible option only one time.

PROGRAM HIGHLIGHTS

- Primary residence, one-unit only.
- The existing loan being refinanced:
 - Must be a conventional mortgage loan currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac.
 - Must be seasoned at least 12 months and no more than 120 months (i.e., the note date of the loan being refinanced must be at least 12 months prior to, but no more than 120 months prior to, the note date of the Refi Possible loan).
 - Must not be:
 - An existing high LTV refinance loan.
 - A Freddie Mac Relief Refinance loan.
 - A Freddie Mac Enhanced Relief Refinance loan.
 - A Refi Possible loan.
 - A loan subject to an outstanding repurchase request.
 - A loan subject to recourse, indemnification, or other credit enhancement other than mortgage insurance (unless the new loan is also subject to credit enhancement or it is no longer required).
- The refinanced loan must result in both of the following:
 - A first lien mortgage interest rate reduction of at least 50 basis points, **and**
 - A reduction in the first lien mortgage monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable) of at least \$50.00.

- Borrower's qualifying income converted to an annual basis must not exceed **80% of the area median income (AMI)** for the location of the subject property.
 - For purposes of determining eligibility, the lender must include the income from all borrowers who will sign the note to the extent that the income is considered in evaluating creditworthiness for the loan; for example: if there are two borrowers on a loan application, the lender will use the combined total qualifying income amount to determine whether the 80% AMI limit has been met.
 - Loan Product Advisor will determine the income eligibility of the loan.
- Loan Product Advisor (LPA) will return a feedback message identifying all loan casefiles that appear to be eligible for Refi Possible regardless of the product. If a Refi Possible loan is desired, loans will need to be changed to a Refi Possible product and resubmitted to LPA to ensure the loan is fully assessed by LPA as a Refi Possible loan.
 - All loans will be scored by LPA and must receive an *Accept* response.
 - Freddie Mac permits manual underwriting for Refi Possible loans, but Flagstar will not originate or purchase manually underwritten Refi Possible loans.
- Borrowers obligated on the note for the Refi Possible loan must be the same as the borrowers obligated on the note for the loan being refinanced, except that a borrower obligated on the note for the loan being refinanced may be omitted from the note for the Refi Possible loan provided that:
 - The loan file contains evidence that the remaining borrower has been making the mortgage payments, including the payments for any secondary financing, for the most recent 12-month period from their own funds; or
 - In the case of death, evidence of deceased borrower's death must be documented in loan file.
- Condominium project requirements:
 - Lenders are not required to evaluate if the condominium project meets the project eligibility requirements, provided that the lender must confirm the project is not a condominium hotel, or a houseboat, timeshare or segmented ownership project; and
 - The project has insurance that meets the applicable property and flood insurance requirements. Master hazard insurance and HO-6 (if required) will be reviewed by Project Review team.
- All loans must have a minimum representative credit score of 620.
- Debt-to-income (DTI) ratios are limited to a maximum of 65%.
- There are no limitations on fees or closing costs outside of Flagstar and regulatory standards. However, no more than \$5,000 in closing costs can be financed into the new loan. Any additional costs must be paid by the borrower from their own funds or from another source acceptable to Freddie Mac.
- 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/Refi Possible Appraisal Credit.”

- Loans that are approved by the underwriter with an Alternative Collateral Evaluation (ACE) on the feedback report of the last LPA submission will not receive the credit because there will be no appraisal fee charged.
- 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 Guidelines](#) and [Temporary COVID Guidelines](#).
 - Verification of funds to close (only if more than \$500) are required. Acceptable asset documentation includes one-month account statement or direct account verification.
 - 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.
- Significant derogatory credit: For Freddie Mac loans with an Accept response from LPA, the significance of the derogatory event (bankruptcy, foreclosure, deed-in-lieu, or short sale) has been considered in the risk assessment and the borrower’s credit reputation has been deemed acceptable. No further documentation or recovery time period must be met.
- Loans that must be treated as Texas Section 50(a)(6) are not eligible under this program.
- All Refi Possible loans require Special Feature Code/Investor Feature Identifier J05.

PAYMENT HISTORY REQUIREMENTS

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.

The credit report can be relied on for determination of the payment history up to the date last reported on credit. Additional due diligence is required to review the payment history between the date last reported and 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.

For the loan being refinanced, the loan must not have been:

- 30 days delinquent in the most recent six months.
- 30 days delinquent more than once in the most recent 12 months.
- 60 or more days delinquent in the most recent 12 months.

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 are asked to identify the existing MI provider on the loan.

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

FREDDIE MAC REFI POSSIBLE SOLICITATION GUIDELINES

The Freddie Mac [Bulletin](#) introducing the Refi Possible program includes requirements lenders must follow regarding solicitation of borrowers. Ensure these requirements are reviewed and incorporated into your consumer marketing plans.

RESOURCES

- [Freddie Mac Bulletin 2021-17, Introducing Freddie Mac Refi Possible](#)
- [Freddie Mac Refi Possible Mortgage Requirements Update](#)
- [Refi Possible FAQ](#)
- [Loan Product Advisor Feedback Message Updates](#), June 30, 2021
- [Freddie Mac Refi Possible Product Highlights Grid](#), June 16, 2021

CUSTOMER SUPPORT

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