

Attention: **Mortgage Brokers**

Re: **Revised Streamline Refinance Transactions**

Streamline Refinance transactions guidelines are effective for [new case numbers assigned on or after Tuesday, November 17, 2009](#):

Revisions for ALL Streamline Refinance Transactions

Seasoning

At the time of loan application, the borrower must have made at least 6 payments on the FHA-insured mortgage being refinanced.

Payment History

At the time of loan application, the borrower must exhibit the following acceptable payment history:

For mortgages with less than a 12 months payment history: Must have made all mortgage payments within the month due.

For mortgages with a 12 months payment history or greater: Must have experienced no more than *one* 30 day late payment in the preceding 12 months and made all mortgage payments within the month due for the three months prior to the date of loan application.

Net Tangible Benefit

HLS must determine that there is a net tangible benefit as a result of the streamline refinance transaction, with or without an appraisal. Net tangible benefit is defined as one of the following:

1. Reduction in the total mortgage payment (principal, interest, taxes and insurances, homeowners' association fees, ground rents, special assessments and all subordinate liens)
 - The new total mortgage payment is 5 percent lower than the total mortgage payment for the mortgage being refinanced. For example, the total mortgage payment on the existing FHA-insured mortgage is \$895; the total mortgage payment for the new FHA-insured mortgage must be \$850 or less. This requirement is applicable when refinancing from a Fixed Rate to Fixed Rate, from an ARM to ARM. Note: HLS only offers FHA fixed rate transactions at this time.
2. Refinancing from an adjustable rate mortgage (ARM) to a fixed rate mortgage
 - The interest rate on the new fixed rate mortgage will be no greater than 2 percentage points above the current rate of the one-year ARM. For hybrid ARMs, the total mortgage payment on the new fixed rate mortgage may not increase by more than 20 percent. Example: total mortgage payment on the hybrid ARM is \$895; the total mortgage payment for the new fixed rate mortgage must be \$1,074 or less.
3. Reducing the term of the mortgage.
 - For transactions that include a reduction in the mortgage term, that loan must be underwritten and closed as a rate and term (no cash-out) refinance transaction.



Maximum Combined Loan to Value

If subordinate financing is remaining in place, the maximum combined loan-to-value ratio is 100 percent.

For streamline refinance transactions WITHOUT an appraisal: CLTV is based on the original appraised value of the property.

For streamline refinance transactions WITH an appraisal: CLTV is based on the new appraised value.

TOTAL Scorecard

Brokers should not use TOTAL on streamline refinance transactions. If Brokers uses TOTAL, that loan must be underwritten and closed as a rate and term (no cash-out) refinance transaction, and can no longer continue as a Streamline Refinance.

Maximum Mortgage Amount Calculation

1) For Revised Streamline Refinance Transactions WITHOUT an Appraisal:

The maximum insurable mortgage cannot exceed the total of the following:

- The outstanding principal balance * minus the applicable refund of the UFMIP,
- The new UFMIP that will be charged on the refinance.

* The outstanding principal balance may include interest charged by the servicing lender when the payoff is not received on the first day of the month but may not include delinquent interest, late charges or escrow shortages.

2) For Revised Streamline Transaction WITH an Appraisal:

The maximum insurable mortgage is the lower of the following:

- Outstanding principal balance minus the applicable refund of UFMIP, plus closing costs, prepaid items to establish the escrow account and the new UFMIP that will be charge on the refinance
- 97.75 percent of the appraised value of the property plus the new UFMIP that will be charged on the refinance

Discount points may not be included in the new mortgage. If the borrower has agreed to pay discount points, the lender must verify the borrower has the assets to pay them along with any other financing costs that are not included in the new mortgage amount.

The other guidelines for streamline refinance transactions remain unchanged.

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