CMG Conventional Conforming Fannie Mae High LTV Refinance Loan Matrix & Guidelines

High Loan-to-Value Refinance Option - Loan Matrix

High LTV Refinance Limited Cash-Out Refinance [1], Fixed Rate & ARMs					
Minimum LTV Ratios – Fixed Rate and ARM Loans	**Number of Units**	**Minimum LTV**	**Maximum LTV [2]**	**Minimum Credit Score**	**Maximum DTI Ratio**
Principal Residence	1 Unit	97.01%	FRM: No limit ARM: 105%	620	No maximum, per AUS
	2 Units	85.01%			
	3-4 Units	75.01%			
Second Home	1 Unit	90.01%			
Investment Property	1-4 Units	75.01%			

1. High LTV Refinance: Loans are subject to a unique limited cash-out refinance definition, and other unique requirements. There is no maximum CLTV or HCLTV ratio limit. The loan being refinanced and the new loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the high LTV refinance transaction.

2. Maximum LTV Ratio

   - No maximum LTV, CLTV, or HCLTV ratios for fixed-rate loans.
   - 105% maximum LTV ratio for ARM loans, but no maximum CLTV or HCLTV ratio.

NOTE: The loan being refinanced and the new loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the high LTV refinance transaction.

Alternative Qualification Path, Manual Underwriting: Not Permitted

Overview & Compliance (HPCT)

Overview

The high LTV refinance option is designed for Fannie Mae borrowers who are making their mortgage payments on time, but whose LTV ratios exceed the maximum allowed for standard limited cash-out refinance transactions. Lenders are not required to evaluate borrower creditworthiness except for the requirements specifically stated.

- AUS approval required. CMG's minimum credit score must be met. CMG does not permit manual underwriting.
- The current servicer or a new servicer may refinance the existing loan.
- Mortgage insurance (MI) must be transferred to the new loan. If MI is not in place for the loan being refinanced, it is not required for the new loan if all other eligibility requirements are met.
- Simplified documentation requirements for employment, income, and assets.

Potential Material Change in Credit Risk or Higher Priced Mortgage Loans

CMG does not permit the Alternative Qualification Path. As a result, the following are not eligible

- the P&I payment increases by more than 20% based on the current P&I payment;
- a borrower on the loan being refinanced is being excluded from the new loan other than due to death, and the remaining borrower(s) cannot evidence making payments on their own for the prior 12 months; or
- the loan is a higher-priced mortgage loan or a higher-priced covered transaction under Regulation Z.

NOTE: Lenders must manually determine whether the loan being refinanced is a higher priced loan or a higher-priced covered transaction under Regulation Z because DU cannot do so.

HPML & Higher-priced Covered Transactions

As noted above, HPML loans are not permitted.

HPCT is not permitted. For principal residence and second home loan casefiles, DU will require that the lender determine if the high LTV refinance loan casefile is a higher-priced covered transaction under Regulation Z. If the lender does determine that the loan casefile is a higher-priced covered transaction, the loan is not eligible.

Part A – Borrower Eligibility, Borrower Benefit and Loan Eligibility

Borrower Eligibility

Generally, the borrower(s) on the loan being refinanced (or the current borrower(s) if the existing loan was assumed) must be identical to the borrower(s) on the new loan. However, an existing borrower may be excluded from the new loan for either of the following:

- the remaining borrower(s) meets the mortgage payment history requirements and provides evidence that they have been making the payments on the existing loan from their own funds for the most recent 12 months prior to the application of the new loan, or
- due to the death of a borrower. Evidence of the deceased borrower's death must be documented in the loan file.

If this criteria cannot be met, the new loan is not eligible.

New borrowers may not be added to the new loan refinanced via the high LTV refinance option. Additionally, if the loan being refinanced was assumed by the current borrower(s) prior to the refinance, the current borrowers must have been qualified for the existing loan in accordance with the requirements of the *Servicing Guide*.

Borrowers who have applied for or received a modification are eligible for refinancing provided the following:

- the borrower benefit provision is met using the prevailing payment, and
- the payment history requirement is met.

Borrower Benefit

Borrowers **must** benefit from the refinance in **at least one** of the following ways:

- Reduced monthly principal and interest payment
- Lower interest rate
- Shorter amortization term
- More stable mortgage product, such as moving from an adjustable-rate mortgage to a fixed-rate mortgage

Borrower Benefit & DU

When a loan casefile is underwritten according to the high LTV expanded eligibility guidelines, DU will remind the lender that by selling a high LTV loan to Fannie Mae, the lender represents and warrants that the borrower is receiving a benefit in the form of either a reduction in the monthly mortgage principal and interest payment, a reduction in the interest rate, a reduction in the amortization term, or movement to a more stable product.

Existing Loan Being Refinanced Requirements

Eligible Existing Loans

- The loan must be a first-lien, conventional mortgage loan, owned or securitized by Fannie Mae.
- The loan must have a note date on or after October 1, 2017. (For example, if the note date on the existing loan is January 1, 2018, the note date of the new loan must be no earlier than April 1, 2019.)
- Loans that are part of a risk-sharing structure (for example, credit risk transfers) are eligible to be refinanced.
- **Servicer**: The current servicer or a new servicer may refinance the existing loan.
- **Previously-Modified Mortgages**: Borrowers who have applied for or received a modification are eligible provided
  - the borrower benefit provision is met using the prevailing payment, and
  - the payment history requirement is met.
- **Seasoning**: At least 15 months have passed from the note date of the existing loan to the note date of the new loan. (For example, if the note date on the existing loan is January 1, 2018, the note date on the new loan can be no earlier than April 1, 2019.)

Ineligible Existing Loans

The following loans are ineligible to be refinanced:

- existing DU Refi Plus™ or Refi Plus™ loans;
- loans that are subject to outstanding repurchase demands; or
- loans that are subject to recourse, repurchase agreement, indemnification, or another negotiated credit enhancement required at origination for eligibility purposes are not eligible, unless
  - the new loan is also subject to a credit enhancement that meets eligibility requirements, or
  - such credit enhancement is not required for eligibility purposes on the new loan.

DU Existing Loan Eligibility Determination

When an existing loan is found (using an address and full or partial SSN match), DU will then determine if the loan is eligible to be refinanced using the high LTV refinance option. When one of the following exclusion reasons is found on the existing loan, DU will issue a message specifying the reason the existing loan is ineligible to be refinanced using the high LTV refinance option:

- origination date (mortgage note date is prior to Oct. 1, 2017),
- DU Refi Plus™ or manual Refi Plus™,
- subject to investor paid mortgage insurance,
- pledged asset loan,
- subject to negotiated credit enhancement,
- under review for repurchase,
- not a conventional loan,
- not a first lien, or
- existing loan has been liquidated.

When the existing loan is not seasoned 15 months based on the DU submission date, DU will not exclude the existing loan as being eligible to be refinanced using the high LTV refinance option. DU will issue a message that includes the note date of the existing loan and will remind the lender that the high LTV refinance loan may not close until the existing loan is seasoned at least 15 months.

New Loan Requirements

- The new loan must have an application date on or after November 1, 2018.
- A new executed Uniform Residential Loan Application (Form 1003/1003(S)) is required from the borrower(s) with all information completed, including borrower income, employment, and assets.
- The new loan must be either:
  - a fixed-rate loan (existing loan may be fixed-rate or ARM); or
  - an ARM that refinances an existing ARM, with the new ARM having a minimum five-year fixed rate term.
- The term of the new loan may not exceed 30 years.
- The new loan must meet current general or high-balance loan limits, as applicable, at the time of loan delivery.
- The new loan cannot be originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution.
- Temporary interest rate buydowns are not allowed.
- The standard limited cash-out refinance requirements are modified for high LTV loan transactions. The new loan amount is limited to
  - the payoff of the unpaid principal balance (UPB) of the existing first mortgage loan being refinanced (including accrued interest);
  - the financing of closing costs, prepaid items, and points (up to $5,000 total) for the new loan; and
  - cash back to the borrower up to $250. (Excess proceeds may be applied as a curtailment on the new loan.)
- Lenders are not required to evaluate borrower creditworthiness except for the requirements specifically stated in these guidelines.
- The new loan must provide a benefit to the borrower in the form of at least one of the following:
  - a lower P&I payment;
  - a lower interest rate;
  - a shorter amortization term; or
  - movement to a more stable product (for example, from an ARM or step-rate modification to a fixed-rate loan).

DU - New Loan Eligibility Determination

When the existing loan is eligible to be refinanced using the high LTV refinance option, DU will determine if the new loan meets the eligibility requirements. If the new loan includes any of the items below that are not eligible with the high LTV refinance option, DU will specify the reason the new loan is not eligible for the high LTV refinance option:

- adjustable rate mortgage (ARM) with a fixed-period less than five years,
- loan subject to a temporary interest rate buydown,
- HomeReady® loan,
- HFA Preferred® or HFA Preferred Risk Sharing loan,
- HomeStyle® Renovation loan,
- HomeStyle Energy loan,
- the amount of cash taken out of the subject property exceeds the limit of $250, or
- the mortgage being paid off with the transaction on the loan application cannot be matched to a credit report account in order to determine if the payment history requirements have been met.

There are eligibility guidelines that DU will not be able to confirm. DU will issue messages reminding lenders of these guidelines on specific transactions:

- On ARM loan casefiles, the DU message will require the lender to confirm that the loan being refinanced is also an ARM as a new ARM can only be used to refinance an existing ARM on a high LTV refinance loan.
- When the subject property is located in Texas, the DU message will require the lender to confirm that the new loan is not being originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution.
- When it appears the closing costs exceed $5,000, the DU message will require the lender to confirm that no more than $5,000 of these costs will be financed into the loan amount for this high LTV refinance transaction.
- When the loan application indicates new subordinate financing is being obtained, the DU message will remind the lender that the simultaneous refinance of existing subordinate financing is permitted as long as the new subordinate lien loan amount does not exceed the existing unpaid principal balance.

Part B – Appraisals & Valuation Requirements

For certain loan casefiles, DU will offer a property inspection waiver (PIW) – an option to waive the appraisal requirement. Otherwise, an appraisal with an interior and exterior inspection will be required. If an appraisal is obtained, it must be used for valuation even if a waiver is offered by DU. Lenders exercising the PIW must deliver Special Feature Code 807.

Note: When the lender is required by law to obtain an appraisal, the lender must comply with such requirements, but may still exercise the PIW.

The lender does not need to confirm the subject property is not listed for sale.

Part C – Occupancy & Multiple Financed Properties

Occupancy

Primary, second home and investment properties eligible per the ltv matrix. The loan being refinanced and the new loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the high LTV refinance transaction.

Multiple Financed Properties

There are no limits on the number of financed properties the borrower may own. DU will not apply the standard multiple finance properties guidelines or reserve requirements on high LTV refinance loans.

Fannie/DU - The additional eligibility requirements for borrowers with multiple financed properties in B2-2-03, Multiple Financed Properties for the Same Borrower do not apply.

Part D – Underwriting Documentation

Documentation Requirements

DU approval is required. DU will determine if the borrower(s) and subject property address on the loan casefile match an existing eligible Fannie Mae loan.

For income and employment documentation, DU will require the lender to obtain a verbal verification of employment for employment or self-employment income for at least one borrower, documentation of a non-employment income source, or documentation of liquid financial reserves equal to 12 months of the new monthly housing payment for the high LTV refinance loan.

DU will not require any assets to be verified on a high LTV refinance loan.

Maximum Debt-to-Income Ratio

- There is not a maximum debt-to-income ratio.

Alternative Qualification Path for the New Loan

Not permitted.

Issuing a DU Recommendation

When issuing the underwriting recommendation, DU will only ensure that the mortgage being paid off with the transaction meets the payment history requirements. The borrower cannot have had:

- any delinquencies in the most recent six-month period, and
- in months 7 through 12, no more than one 30-day delinquency and no delinquency greater than 30 days

DU must be able to match the mortgage being paid off with the transaction on the loan application to a mortgage on the credit report. This will be done by comparing the account numbers on the loan application to those on the credit report, and also comparing the creditor name and current payment on the loan application to those on the credit report.

If the payment history requirements are met on the mortgage, DU will issue an Approve recommendation. Otherwise, DU will issue a Refer with Caution recommendation. DU will specify the mortgage from the credit report that was used to determine if the payment history requirements were met.

When the mortgage on the credit report that was used to determine if the payment history requirements were met has not been reported in the past 90 days, DU will require the lender to verify the payment history for the mortgage. The lender must confirm that the mortgage has not had any delinquencies in the most recent six-month period; or in months 7 through 12, more than one 30-day delinquency or any delinquency greater than 30-days.

When the mortgage on the credit report is being disputed by the borrower, and the account meets the payment history requirements, the lender will not be required to investigate the dispute. If the payment history requirements are not met when using the disputed account, DU will issue a message stating that the lender should confirm the accuracy and completeness of the information on the account, and if the payment history is not accurate, the loan will not be eligible as CMG does not permit manual underwriting.

NOTE: DU will not apply a maximum debt-to-income ratio or minimum waiting period requirements for significant derogatory credit events. In addition, DU will not apply a minimum credit score requirement; however, the CMG minimum credit score of 620 must be met.

Part E – Application

- A new executed Uniform Residential Loan Application is required from the borrower(s) with all information completed, including borrower income, employment, and assets.
- The new loan must have an application date on or after November 1, 2018.
- DU must be able to match the mortgage being paid off with the transaction on the loan application to a mortgage on the credit report. This will be done by comparing the account numbers on the loan application to those on the credit report, and also comparing the creditor name and current payment on the loan application to those on the credit report.

Address and Borrower Matching to the Existing Loan

When a limited cash-out refinance loan casefile that meets the minimum LTV requirement for a high LTV refinance loan is underwritten in DU, internal data will be used to determine if Fannie Mae owns the loan on the property, and if that loan is eligible to be refinanced using the high LTV refinance option. When DU finds a loan for the subject property address using either the address provided on the DU loan application or the standardized address, DU will then confirm that the Social Security number(s) (SSN) for the borrower(s) on the new loan casefile match those on the existing loan. The result of the SSN matching will be specified in a DU message. When none of the borrower SSNs match, the loan casefile will not be underwritten as a high LTV refinance loan. DU will issue a message informing the lender that the SSN(s) does not match and remind the lender to confirm the property address. When there is an SSN match, DU will underwrite the loan casefile as a high LTV refinance loan. If the SSN for any of the borrowers on the loan casefile do not match using all nine digits, DU will advise the lender.

- When a borrower SSN is matched using 7 or 8 digits of the 9-digit SSN, the DU message will specify that the SSNs are one or two digits different and will require that the lender confirm the borrowers on the existing loan are the same borrowers that will be on the new loan.
- When there are two borrowers on the new loan and two borrowers on the existing loan, but only one borrower's SSN matches, the DU message will specify that not all of the borrower SSNs match and will require that the lender confirm the borrowers on the existing loan are the same borrowers that will be on the new loan.
- When one borrower is on the new loan casefile but more than one borrower is on the existing loan, the DU message will state that it appears that a borrower is being removed with the transaction and refer the lender to the Selling Guide for additional requirements on removing a borrower with a high LTV refinance transaction.
- When there is more than one borrower on the new loan casefile but there is only one on the existing loan, the DU message will state that it appears that a borrower is being added with the high LTV refinance transaction, and that if a new borrower is being added with the transaction, the high LTV refinance loan is not eligible for delivery.

Part F – Credit Requirements

AUS approval is required.

Minimum Credit Score

- CMG minimum credit score of 620 must be met. CMG does not permit loans qualified under the Alternative Qualification Path / manual underwriting.
- A new credit report is required in accordance with standard Selling Guide requirements for payment history, pricing purposes and CMG's minimum credit score eligibility.

Significant Derogatory Credit Events

- Lenders are not required to comply with the waiting period and re-establishment of credit requirements for significant derogatory credit events or the payoff or satisfaction of a judgment identified on the credit report.
- Lenders are not required to review or consider Form 1003 VIII, Declarations (a through f) in the underwriting evaluation.

Payment History Requirement

On 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 7 through 12.

Alternative Qualification Path for the New Loan

Not permitted. DU approval is required.

Part G – Income Documentation

Employment and Income Verification

- The lender must obtain one of the following:
  - a verbal verification of employment for employment or self-employment income for at least one borrower,
  - documentation of a non-employment income source, or
  - documentation of liquid financial reserves equal to 12 months of the new monthly housing payment.
- Lenders are not required to assess continuity of income.
- Lenders are not required to verify income amount or calculate the debt-to-income ratio.

Part H – Asset Documentation & Reserve Requirements

Asset Verification

Assets do not need to be verified.

Part I – Property Eligibility

Collateral Requirements

DU will determine if an appraisal is required for the transaction, or if the loan is eligible for delivery to Fannie Mae without an appraisal. When the loan casefile is eligible for an appraisal waiver, DU will inform the lender that DU accepts the value submitted as the market value for the subject property, and that the loan is eligible for the representation and warranty relief on the value, condition, and marketability of the subject property if the waiver is exercised by the lender at the time of delivery.

The following transactions are not eligible for the high LTV refinance appraisal waiver:

- properties located in a disaster-impacted area,
- two- to four-unit properties,
- leasehold properties,
- co-op units and manufactured homes, and
- DU loan casefiles that receive an Ineligible recommendation.

Furthermore, the lender may not exercise the high LTV refinance appraisal waiver offer and must order an appraisal if one or more of the following applies:

- the lender is required by law to obtain an appraisal,
- the lender is using rental income from the subject property to qualify the borrower; or
- the lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events, such as a natural disaster

On transactions secured by a condo or PUD, DU will require the lender to confirm the project is not a condo-hotel or motel, house boat project or a timeshare or segmented ownership project. The lender will not be required to perform any additional review of the project; however, confirmation of property and flood insurance coverage is required.

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Property Type

CMG does not permit co-ops. All other Fannie Mae-eligible property types are permitted for refinance under the high LTV refinance option.
For properties in condo or PUD projects, all project review requirements are waived with the exception that the lender must confirm the project is not a condo hotel or motel, houseboat project, timeshare, or segmented ownership project.

The lender must obtain property and flood insurance.

Condo & PUD Projects

- The project must not be a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project. The lender is not required to perform any additional review of the project.
- Confirmation of property, flood, and liability insurance coverage is required.

Leasehold Estates Eligibility
The term of the leasehold 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. The lender is not required to perform any additional review of the leasehold terms.

Property Listing Requirements

The lender does not need to confirm the subject property is not listed for sale.

Part J – Disaster Policy

Properties Affected by a Disaster
Repairs to a property damaged as the result of a disaster (as defined by the Selling Guide) will not be required prior to delivery as long as the loan meets the applicable property insurance requirements. An additional inspection and/or new appraisal of the property is not necessary after a disaster

Part K –Mortgage Insurance

Mortgage Insurance Coverage Requirements

- If the loan being refinanced does not have mortgage insurance, mortgage insurance will not be required on the new loan.
- If the loan being refinanced has existing mortgage insurance, the existing mortgage insurance coverage must be continued on the new loan. To accomplish this, the mortgage insurer will modify the existing mortgage insurance certificate and transfer it to the new loan. Such transfer may or may not include assignment of a new mortgage insurance certificate number. Lenders should check with the mortgage insurer for specific requirements.

Financed Mortgage Insurance

Existing loans with financed mortgage insurance are eligible for high LTV refinance loans. There should be no difference in how coverage is continued on the refinance of such loans versus existing loans that do not have financed mortgage insurance. The existing coverage can be continued on the new loan regardless of whether the financed premium on the existing loan was paid as a single premium or a split premium. Lenders should check with the mortgage insurer for specific requirements.

Life of Coverage

For high LTV refinance loans, mortgage insurance coverage must extend for the life of the new loan, or until cancellation or termination of coverage as required by law or Fannie Mae guidelines. For example, even if a 15-year loan that is 3 years old is refinanced into a 30-year loan, the mortgage insurance coverage should be extended for the full life of the new loan.

Cost to Transfer Certificate

A mortgage insurance company may charge a reasonable fee to transfer the certificate, and Fannie Mae permits such cost to be rolled into the unpaid principal balance of the new loan as a closing cost as long as the loan will still comply with Fannie Mae's and the mortgage insurance company's guidelines.

The lender is not responsible for standard representations and warranties related to the project eligibility with the exception that the lender must represent and warrant that the property is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project.

Part L – Transaction Types

Eligible refinance transactions only.

- The standard limited cash-out refinance requirements are modified for high LTV loan transactions. The new loan amount is limited to
  - the payoff of the unpaid principal balance (UPB) of the existing first mortgage loan being refinanced (including accrued interest);
  - the financing of closing costs, prepaid items, and points (up to $5,000 total) for the new loan; and
  - cash back to the borrower up to $250. (Excess proceeds may be applied as a curtailment on the new loan.)

Part M- Secondary/Subordinate Financing

Eligible Subordinate Financing

New subordinate financing is only permitted if it replaces existing subordinate financing. In addition, the existing subordinate financing

- may not be satisfied with the proceeds of the new loan, but
- may remain in place as long as it is resubordinated to the new loan, and
- may be simultaneously refinanced as long as the new subordinate lien loan amount does not exceed the existing UPB.

Other standard subordinate financing requirements will not apply.

Part N- Interested Party Contributions / Escrow Accounts

Interested Party Contributions - N/A

Escrows/Impounds:

- Impounds required when LTV exceeds 80%, as permitted by state law.
- Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed - escrows for these premiums may not be waived, regardless of LTV. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required.

CMG does not permit escrow for earthquake insurance

Part O – Special Feature Code (SFC) Requirements

Loans must be delivered with the applicable high LTV refinance option Special Feature Code.

DU will issue SFC 839 on all high LTV refinance loan casefiles, and will issue SFC 807 on those eligible for the high LTV refinance appraisal waiver.

Part Y – Product Codes

Fannie High LTV Refinance Product Codes

Standard Loan Amounts (Fixed Rate and ARMs	
Product Code	**Description**
101 DU High LTV	101 FNMA 30 Yr High LTV Streamlined Refi Fixed
125 DU High LTV	125 FNMA 25 Yr High LTV Streamlined Refi Fixed
103 DU High LTV	103 FNMA 20 Yr High LTV Streamlined Refi Fixed
102 DU High LTV	102 FNMA 15 Yr High LTV Streamlined Refi Fixed
1451 DU High LTV	1451 FNMA 5/1 ARM High LTV Streamlined Refi
1471 DU High LTV	1471 FNMA 7/1 ARM High LTV Streamlined Refi
1410 DU High LTV	1410 FNMA 10/1 ARM High LTV Streamlined Refi
High Balance Loan Amounts (30 & 15 Year Fixed Rate only)	
Product Code	**Description**
101 DU High LTV HB	101 FNMA 30 Yr High LTV Streamlined Refi Fixed HB
102 DU High LTV HB	102 FNMA 15 Yr High LTV Streamlined Refi Fixed HB

High Balance is available on fixed rate 30 & 15 year only.

Part Z - Recent Updates / 90 Day Lookback

12/24/2018 New product release.