



DU Refi Plus Overlay

Note: *Items in italics represent areas where HSOA requirements differ from HSOA investors.*

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1. Eligibility

Product Information

Product Description

A program of 30 year fully amortizing mortgage, fixed rate or Hybrid ARM, which are specifically designed for Rate/Term refinances when all applicants are obligors on the existing loan that is financed through FNMA. To be eligible for his product, as determined by DU, the loans must have been purchased by FNMA prior to 6/1/2009 or in an MBS pool with an issue date prior to 6/1/2009. Eligible transactions will be identified by FNMA with the following DU findings comment:

This loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower's existing loan is identified by DU as a Fannie Mae loan. This loan casefile must be delivered with Special Feature Code 147.

Overlay Requirements

All loans must follow Conforming Fixed and LIBOR ARM Product Summary and guidelines and the FNMA High Balance Overlay, as applicable, unless specifically noted in this overlay. **However, no investor exceptions are available.**

Program Codes

HSA-CF30DRP	30YR FIXED DU REFI PLUS
HSA-CF15DRP	15YR FIXED DU REFI PLUS
HSA-C51LDRP	5/1 ARM DU REFI PLUS
HSA-C71LDRP	7/1 LIBOR ARM DU REFI PLUS
HSA-C101LDRP	10/1 LIBOR ARM DU REFI PLUS
HSA-CF30JDRP	30YR JUMBO FIXED DU REFI PLUS
HSA-CJ51LDRP	5/1 JUMBO LIBOR ARM DU REFI PLUS

LTV/CLTV-HCLTV and Credit Score Parameters

Parameters	Standard Loan limits		High Balance Loans	
	LTV/CLTV-HCLTV maximum	Credit Score Minimum	LTV/CLTV-HCLTV maximum	Credit Score Minimum
Owner Occupied 1 Unit	105%/105%	620	105%/105%	: 660
Owner Occupied 2-4 Unit	105%/105%	620	Not offered	N/A
Second Home 1 unit Investment properties 1-4 units	105%/105%	680	Not offered	N/A

Subordinate Financing

All subordinate liens must either be subordinated at closing or paid off before closing from borrower's resources (gifts allowed on OO and SH transactions); cannot use loan proceeds, and cannot be paid off at closing.

The subordinate lien may be paid off prior to closing, with documentation showing source of funds and evidence of the lien being satisfied.

If the subordinate financing is to be paid off prior to closing, choose 'omit' to remove the subordinate lien from qualifying; choosing 'pay-off at close' will not give DU Refi Plus eligibility findings.

Subordinate financing originated after the origination of the existing first mortgage with the following terms, which is typically unacceptable for subordinate financing, is allowed under the DU Refi Plus program:

- Subordinate financing that does not require regular monthly payments in an amount sufficient to pay the principal and interest or interest-only payment due
- Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years
- Subordinate financing with prepayment penalties

Subordinate financing originated concurrently with the original first mortgage that met FNMA's requirements at that time, but now have a maturity or balloon date in less than five years, are also accepted.

The following subordinate financing conditions also apply:

- When subordinating an existing HELOC where the maximum line amount has been reduced, a modification agreement evidencing the line reduction is required. **"Freeze Letters" are not accepted.** See Ratios (section 6 of the base Product summary) for DTI calculations on HELOCs.

Mortgage Insurance

- New Loans with <=80% LTV do not require MI
- If the existing loan does not have mortgage insurance, MI is not required on the new loan, regardless of its LTV on the new loan.
- DU accurately determines if MI is required on new loans exceeding 80% LTV.
 - If the DU findings say "Mortgage insurance is not required on this loan," the loan may be accepted as DU Refi Plus loan without MI, and without requiring any additional information as to MI.
 - *If DU findings say "Mortgage insurance is required" the loan is not eligible for HSOA financing.*

Property Eligibility

Property and Appraisals

FNMA High Balance DU Refi Plus loans are limited to one ~~or two~~ unit properties.

Corelogic review required when an appraisal is required (does not apply to PIWs or 2075s).

Recently listed for sale

Refinances on properties currently listed for sale are not permitted. Properties previously listed for sale must have been off the market and the listing agreement canceled at least one day prior to the date the application. A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.

Condominium and Attached PUD Requirements

Condominium

~~A Limited Project review is allowed on~~

- ~~○ owner occupied transactions <= 90% LTV/CLTV-HCLTV~~
- ~~○ Second Homes <= 75% LTV/CLTV-HCLTV.~~

~~Project review is not required; lender must warrant that the property is not in a condo hotel/motel or co-op hotel/motel.~~

- ~~Reminder: When reviewing condo projects where there is commercial space, the maximum commercial usage is 20%.~~
- ~~Site condos are eligible as long as the project consists of detached SFRs and have no common improvements other than greenbelts, private streets and parking areas.~~

~~An Established Project Review is required on all investment properties and on O/O and SH that exceed the LTV/CLTV-HCLTV limits above.~~

Attached PUD

~~Attached PUD questionnaire is required.~~ Project review is not required.

PIW – Property Inspection Waivers

HSOA will accept PIW waivers as allowed by DU, subject to the following:

- Borrowers must certify that subject property is not currently for sale.
- Fee for a PIW is \$75.00
- Not allowed if the last transaction was as a purchase of a foreclosed property
- Properties in disaster areas are subject to standard disaster requirements, as indicated in the Conforming Product summary
- ~~PIW waivers for West Virginia and Texas properties not allowed. A minimum 2055 or greater is required for WV. A full 1004 is required for TX.~~

Borrower Eligibility

Occupancy

Owner Occupied, Second Homes & Investment. Non-occupant co-borrowers are not allowed.

Borrower Requirements

A borrower may be removed from a new loan subject to the following requirements:

- The remaining borrower must provide evidence that he or she has been making payments on the existing mortgage from his or her own funds (account only in the remaining borrower's name) for the most recent 12-months prior to the origination (application date) of the new mortgage (the 12-month payment history must be on the existing mortgage), and
- If a borrower is removed as the result of a death, the 12-month payment history and removal of the borrower from title is not required, although the remaining borrower must provide evidence of the previous borrower's death.
- The borrower(s) removed from the loan must also be removed from title.

Additional borrowers may be added to the DU Refi Plus loan as long as if the original borrowers on the loan being refinanced is retained, and DU findings continue to reflect acceptance as a DU Refi Plus transaction.

Trusts: If the existing loan was closed in the name of the individual borrowers, but has been transferred to an inter vivos revocable trust, the loan is eligible provided the borrowers on the existing mortgage are the only trustees to the trust. ~~and the trust otherwise meets all HSOA Trust eligibility requirements-~~ At closing, title vesting must be transferred back to the individual borrower name(s); closing in a trust is not allowed.

Social Security Number (SSN) Verification

If the Social Security numbers on the existing Fannie Mae loan associated with the subject property do not match those entered on the loan application for one of the borrowers, the following documentation from the existing loan will be accepted to confirm that the borrowers are the same on the new loan:

- A recent mortgage statement
- The existing mortgage note or security instrument
- The most recent Form 1098 (Mortgage Interest Statement)

Note: this acceptance is subject to DU Refi Plus findings that allow for this option; if the DU is unable to recognize the loan as being eligible for DU Refi Plus, it cannot be used.

Transaction Requirements

Rate/Term Refinance

~~Pay-off of first lien closing costs, discount points, and any prepaid items, such as hazard insurance and property taxes for the current year. Incidental cash back may not exceed \$250, under any circumstances (CANNOT get additionally reimbursed for previously paid fees, including appraisal or credit report fees). Owner-occupied properties located in Texas—borrower must receive no cash back at closing. Principal curtailments to reduce the amount of cash back at closing are not allowed.~~

~~Note: If the anticipated amount of cash back exceeds \$250, or if the Product Description field is “Standard LCOR”, DU will analyze the loan as a standard FNMA R/T transaction, not as a DU Refi Plus loan. Refer to standard Product Summaries for these products.~~

DU Refi Plus may only include:

- Paying off the outstanding balance of the existing first mortgage, including any prepayment penalty.
- Financing of closing costs, including pre-paid items and points.
- The borrower may not receive **any** cash back at closing. Any excess cash representing the difference between the estimated and the actual payoff of the original loan plus closing costs and prepaid fees must be applied as a principal curtailment to the new mortgage (or a reduction in the actual loan amount).
- Loan amounts are to be calculated from an estimated HUD-1, or like document to ensure loan amount is correct. Principal curtailment is only allowed to cure **minimal** differences between the estimated HUD-1 and final HUD-1, not preplanned or padded loan amounts. Note that TILA regulations will only permit principal curtailment on LENDER paid compensation plans; principal curtailments are not permitted on BORROWER paid compensation plans.
- Existing subordinate liens may be subordinated to the new first lien. Paying off existing subordinate liens is **not** permitted.

Benefit to Borrower

DU Refi Plus loans must provide a benefit to the borrower in the form of a reduced P&I payment or a more stable program. DU cannot determine if the following requirement is met, so the underwriter must confirm that the borrower is receiving a benefit from refinancing in the form of either:

- A reduced monthly mortgage principal and interest payment; or
- A more stable mortgage product, such as:
 - Refinancing an ARM product to a Fixed Rate
 - Refinancing an Interest only product to a fully amortizing product
 - Refinancing a short-term ARM to a longer term ARM product (i.e., 3/1 to 5/1)
 - Refinancing a 30-year term to a 15-year term, whereby amortization is accelerated and equity is built up faster
 - Refinancing from a shorter term to a longer term (i.e., 20-year fixed to a 30-year fixed) would only be considered a benefit if there is also a payment reduction.

The required borrower benefit must be noted in the Underwriter approval rationale on the 1008.

Principal and interest payment for the new loan must be lower than the existing loan, unless the loan is being refinanced into a more stable product (example, ARM to fixed rate) and the P&I payment doesn't increase more than 20%. If the P&I payment increase exceeds 20%, the loan is not eligible.)

HSA's Net Tangible Benefit form is required. For loans not switching to a more stable product, the cost to recoup the transaction costs must be within 60 months. (Note: deleting borrowers due to a divorce is NOT an eligible benefit to the borrower).

Financed Properties

Standard restrictions apply; see applicable Product Summary or High Balance Overlay.

Ineligible Transactions

- Cash out refinances

- Interest only transactions
- Loans not benefitting the borrower
- Work escrow/completion holdback
- Temporary buydowns
- Loans with new subordinate financing
- Loans requiring MI to be transferred from existing loan to new loan
- Properties listed for sale as of the application date or anytime after.
- Refinances of Texas 50(a)(6) loans.
- HPML fixed rate transactions with >45% DTI
- HPML transactions on 5/1 ARMS (at any DTI)

2. Documentation

Underwriting Decision

All loans must be run through an automated underwriting engine (DU) and receive an Approve/Eligible recommendation. EA findings are not accepted. FNMA requires that loans with both a Flex 97 and DU Refi Plus message are eligible as Flex loans, not DU Refi Plus.

Fannie Mae Guidelines

All loans must meet Fannie Mae and HSOA guidelines. Loans that are underwritten using DU must be documented according to the requirements of the findings report.

Exceptions:

- **Salary/Bonus/Overtime:** ~~Minimum of one current paystub and a verbal VOE~~ **A year to date Pay Stub and W-2 is required regardless of DU findings.**
- **Commission/Self-Employed:** One year's federal income tax returns.
- See credit section for credit scores, minimum trade lines, bankruptcy and foreclosure
- A 4506-T **tax transcript** must be executed before closing, with findings acceptably validated. An additional 4506-T must also be signed at closing. Transactions determined to be Higher Priced Mortgage Loans are not eligible for any documentation relief. Files must have traditional income documentation covering two years, all assets verified and a full appraisal.
- ~~Foster Care income requires 24 month proof of receipt, 12 months if foster care income <=30% of the gross qualifying income.*~~
- YTD P&L and balance sheets for applicable year(s) are required on self-employed borrowers whenever the closing date is more than 90 days after the most recent tax returns.

Documents required from existing loan

Purpose	Documentation options or requirements
Confirm terms of existing loan	If payment coupon does not indicate loan type, provide the Note – to confirm the proposed refinance is providing a benefit to the borrower
PIW - Property Inspection waiver eligibility	If the last financing transaction was a purchase, HUD-1 or property recording information to confirm seller was not a foreclosing lender. Confirm from FEMA disaster list that the subject property county was not added as a disaster area within the last 120 days or since the subject property first lien financing, whichever is the most recent.

Reserves

As required by DU.

Qualifying Ratios

~~Maximum qualifying ratios are determined by DU.~~ **Maximum 50% DTI (45% for High Balance Loans) regardless of DU findings.**

HPML loan restrictions

Loans determined to be Higher Priced Mortgage Loans, must have income (minimum a YTD paystub for wage earners) and assets verified (sufficient for funds needed for closing), and are limited to 45% DTI

3. Credit

Credit and Credit Scores

Unless otherwise specified below, all borrowers must meet the credit parameters of the applicable base Product Summary, and have a minimum representative credit score as indicate in Product Eligibility section.

Minimum trade lines

~~HSOA minimum trade line requirements apply, see conforming Product Summary.~~
Follow DU

Mortgage History

Borrower must be 0X30 in the past 12 months on all mortgages.

Bankruptcy

- 48 months since discharge.
- If multiple bankruptcies, 84 months since discharge.

Foreclosure

- ~~Includes Short Sales or Pre-Foreclosures, Short Pay-offs or Re-Structured Debt, Deed-in-Lieu of Foreclosures~~
- 84 months since discharge or final action.

Short Sales, Short Pay-offs or Re-Structured Debt and Deed-In-Lieu

For borrowers who sold or refinanced (or are selling or refinancing) a property for less than the amount owed on the mortgage (as agreed to by the lender, investor, and mortgage insurer), the minimum time since the completion of the event to the application date is based on LTV/CLTV-HCLTV:

- Prior preforeclosure sale/short sale waiting periods:
 - 2 years: Maximum 75% LTV/CLTV/HCLTV allowed, limited to 1 unit owner occupied only.
 - 4 years: Maximum 90% LTV/CLTV/HCLTV allowed, limited to 1 unit owner occupied only.
 - 7 years: standard eligibility applies.
- Purchase transactions may not include gift funds.
- Cash out refinances are not permitted.
- Documentation of extenuating circumstances (job loss, reduction of income, medical) leading to the event required, as well as documentation that the borrower's situation has improved. A LOE from the borrower describing these events is also required.
- Please note that this must be manually applied, as DU does not recognize preforeclosure sales/short sales

4. Process Requirements

Submissions

DU will determine if an appraisal is not required by this program, by including the verbiage listed below. DU will also include the appraisal requirements if the PIW waiver is not chosen.

If the DU findings include the PIW verbiage, and the PIW will be utilized, the submission form should indicate **“Property Inspection Waiver”**

“Desktop Underwriter accepts the value submitted as the market value for the subject property on this limited cash-out refinance transaction where the borrower’s existing loan is identified as a Fannie Mae loan. This loan is eligible for delivery to Fannie Mae without an appraisal or exterior-only property inspection if the DU Refi Plus property fieldwork waiver is exercised by the lender at the time of loan delivery to Fannie Mae. To exercise this waiver and be eligible for representation and warranty relief on the value, condition and marketability of the subject property, Special Feature Code 807 and the DU Casefile ID must be included in the loan delivery file. A fee will be charged to exercise this waiver. If the waiver is not exercised, at least the minimum level of fieldwork recommended for this transaction must be obtained. “

Underwriting

PIW – Property Inspection Waiver

Underwriting will include a loan condition; “Loan has a PIW waiver. \$75 PIW fee to be charged at closing, Borrower to sign Property Inspection Waiver form” and will internally add as a comment in DataTrac: “Loan has Property Inspection Waiver”