



DU Refi Plus Overlay

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

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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. These 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 Agency Product Summary and guidelines and the FNMA High Balance Overlay, as applicable, unless specifically noted in this overlay.

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 and Credit Score Parameters

Parameters	LTV/CLTV maximum	Credit Score minimum	Condominium and Attached PUD requirements
Standard Parameters			
Applies to all loans not subject to restricted parameters, below	105%/105%	Standard Loan Limit: 620 FNMA High Balance: 680	Follow DU
Restricted Parameters			
Subject to change; currently applies to the following situations requiring exception processing and approval: <ul style="list-style-type: none"> Trusts where property is not listed as a Trust asset Rural properties where home <70% of value HELOCs using less than 1% of line for HELOCs Multiple O/O transactions in past 12 months 	95%/ 95%	Standard Loan Limit: 660 FNMA High Balance: 680	<i>Condominiums and attached PUDs must meet HSOA eligibility requirements for Detached Condominiums, 2-4 Unit condominiums, Established Projects, Limited Review (if allowed by DU findings and not exceeding \$417,000), or Attached PUDs, as applicable.</i>

<ul style="list-style-type: none"> • Condominium/PUD with litigation 			
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Subordinate Financing

All subordinate liens must either be subordinated or paid off by borrower's resources. Cannot use loan proceeds. 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

Mortgage Insurance

- If the existing loan does not have mortgage insurance, MI is not required on the new loan, regardless of its LTV.
- 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.

HSOA will obtain a Landsafe appraisal review completed at HSOA expense if LTV or CLTV exceeds 95% (applicable to all loan sizes.)

PIW – Property Inspection Waivers

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

- Borrowers must certify that subject property has not been listed for sale within the past 6 months, and 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, or for one year after the disaster declaration. Follow alternative DU message for appraisal requirements.*

Borrower Eligibility

Occupancy

Owner Occupied, Second Homes & Investment.

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 for the most recent 12-months prior to the origination of the new mortgage (the 12-month payment history must be on the existing mortgage), and

- The borrower(s) removed from the loan must also be removed from title. 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.

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)

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 those products.

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 (refinancing an ARM into fixed rate or a longer initial-term hybrid ARM, or shortening the term of the loan). HSOA’s Net Tangible Benefit form is required. For loans not switching from an ARM to a fixed rate, the cost to recoup the transaction costs must be within 60 months.

Financed Properties

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

Refinances of Texas 50(a)(6) loans

If the loan being paid off was a cash back owner occupied loan in Texas made under the 50(a)(6) regulations, the following restrictions apply:

- maximum 80 percent LTV and CLTV
- minimum 12 months seasoning
- one-unit principal residences only
- new full appraisal is required (Fannie Mae Form 1004 or 1073, as applicable)
- All Texas Cashout Refinance criteria, including title insurance requirements for Texas Section 50(a)(6) loans, must be met

Ineligible Transactions

- Cash out refinances
- Deleting borrowers
- 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 any time during the past 6 months

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
- **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 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.*
- *Child support and spousal income requires 12 months proof of receipt, 6 months if the support income $\leq 30\%$ of the gross qualifying income.**
- *Foster Care income requires 24 month proof of receipt, 12 months if foster care income $\leq 30\%$ 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 12 months 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.

3. Credit

Credit and Credit Scores

All borrowers must 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.

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.

4. Process Requirements

Submissions

DU will determine if an appraisal is not be 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”