



Selling Notice

Dec. 8, 2021

Considerations for Assisting Borrowers with Refinance Transactions

As interest rates continue to remain low, refinances are an attractive option for many borrowers. There are many reasons a borrower may be seeking to refinance – lowering the interest rate, lowering monthly payments, shortening the loan term, moving to a fixed-rate from an ARM, moving to a different ARM index, or taking equity out of the property. We offer several refinance options. These options and some key features are summarized in the table below.

Refinance type	Key Features
RefiNow™	<ul style="list-style-type: none"> ▪ Limited to borrower income of 100% of area median income (AMI) ▪ Permits debt-to-income ratios up to 65% ▪ Requires borrower benefit (monthly payment and interest rate reduction) ▪ Provides \$500 credit when an appraisal is obtained ▪ Limited to one-unit, principal residence properties ▪ Limited to existing Fannie Mae loans ▪ Cash back limited to \$250
HomeReady®	<ul style="list-style-type: none"> ▪ Limited to borrower income of 80% of AMI ▪ Standard loan-level price adjustments (LLPAs) are waived for loans with LTV ratios greater than 80% and representative credit scores equal to or greater than 680 ▪ Reduced standard mortgage insurance coverage levels for loans with LTV ratios greater than 90% ▪ Permits use of boarder and accessory dwelling unit income in some cases ▪ Not limited to existing Fannie Mae loans, except for loans with LTV ratios greater than 95% ▪ Limited to one- to four-unit principal residence properties ▪ Cash back limited to the lesser of 2% of the new refinance loan amount or \$2,000
Standard limited cash-out refinance	<ul style="list-style-type: none"> ▪ No borrower income limits ▪ Permits all occupancy types ▪ Not limited to existing Fannie Mae loans, except for loans with LTV ratios greater than 95% ▪ Cash back limited to the lesser of 2% of the new refinance loan amount or \$2,000
Cash-out refinance	<ul style="list-style-type: none"> ▪ No limit on the amount of cash back to the borrower ▪ Permitted for all occupancy types ▪ Additional LLPA applies ▪ Maximum LTV ratios are lower than other refinance types
HomeStyle® Renovation	<ul style="list-style-type: none"> ▪ Provides financing for property improvements, renovations and repairs up to 75% of the as-complete appraised value of the property ▪ Special lender approval required if loan delivered before renovation is completed ▪ No borrower income limits ▪ Not limited to existing Fannie Mae loans, except for loans with LTV ratios greater than 95% ▪ No cash back permitted



Considerations

Lenders should work with borrowers to ensure they understand what refinancing opportunities exist, and the potential benefits and costs associated with each. Given that each borrower's situation is different, the criteria used to select an option includes, but is not limited to, the following:

Borrower income: Borrowers with qualifying income less than or equal to 100% of AMI may be eligible for certain refinance options that offer other flexibilities. Some sources of income are limited to certain refinance types (accessory unit income or boarder income).

LTV ratio: The maximum LTV ratio varies depending on many factors including (but not limited to) the number of units, occupancy, the type of property, loan type (fixed or ARM), whether Fannie Mae owns the loan, and refinance type (cash-out refinances have a lower LTV ratio). Consideration should be made as to whether the LTV ratio results in higher, lower, or no mortgage insurance on the new loan, which can impact the monthly payment.

Amortization term: Most transactions permit a 30-year term (except for cash-out on manufactured housing). Depending on the remaining term of the borrower's existing loan being refinanced, refinancing to a new 30-year term may decrease a borrower's monthly payment, but increase the total cost of the refinance over the life of the loan. Decreasing the loan term may reduce the borrower's interest rate and help them build equity faster, but it may also increase their monthly payment.

Cost of refinancing: All refinance options allow the borrower to include the closing costs (including prepaid escrows) in the new loan amount, subject to maximum LTV ratios. However, a borrower should consider how long they intend to remain in the property and whether they recoup the costs of refinancing based on the savings in the monthly payment. Consideration should also be given to the total cost of the refinance over the life of the loan.

Pricing: LLPAs may apply, and vary depending on the refinance type, LTV ratio, credit score, and other factors.

Debt-to-income ratio: A higher debt-to-income ratio may be permitted based on the refinance type. A borrower should consider their ability to make the mortgage payment, especially if the mortgage payment is increasing on the new mortgage loan.

Risk factors: Several risk factors must be considered when qualifying a borrower. Those risk factors may vary depending on the refinance type.

Resources

Because every borrower's situation is different, lenders should help them understand the benefits, tradeoffs, and the overall costs of refinancing so that they can make an informed decision based on their reason(s) for refinancing. Key considerations include monthly payment, closing costs, amount of interest paid over the life of the loan, loan term, and the borrower's ability to qualify for a new loan. The following resources may be helpful:

For borrowers

[Know Your Options - Refinance](#) provides an overview of refinance options, a refinance calculator, and much more
[Should I Refinance](#) provides guidance for consumers from the Consumer Financial Protection Bureau on how to evaluate the benefits and tradeoffs of refinancing

For lenders

[Eligibility Matrix](#) provides the comprehensive LTV ratio requirements for loans we will purchase
[Loan-Level Price Adjustment Matrix](#) provides the comprehensive list of all LLPAs and policies that may apply
[RefiNow](#) page on our website provides a Fact Sheet, Product Matrix, Frequently Asked Questions, and more
For all refinance options, refer to the [Selling Guide](#) for complete underwriting and eligibility requirements