# High LTV Refinance Option

## FAQs

**High LTV Refinance Option Temporarily Paused**

Due to the low volume and impact of the Revised QM Rule, we are temporarily pausing the acquisition of high LTV refinance loans. We will communicate any changes to the terms of this product in a future *Selling Guide* update.

*Effective dates:* All DU and manually underwritten high LTV refinances must have application dates on or before **June 30, 2021** and must be purchased or securitized on or before **Aug. 31, 2021**.

Read the Lender Letter

The high loan-to-value (LTV) refinance option provides refinance opportunities to borrowers with existing Fannie Mae mortgages who are making their mortgage payments on time but whose LTV ratio for a new mortgage exceeds the maximum allowed for standard limited cash-out refinance transactions.

These FAQs address questions about high LTV refinance option underwriting.

### General

**Q1. Is there a limit on the number of times a mortgage can be refinanced under the high LTV refinance option?**

No, there is no limit on the number of times a mortgage may be refinanced using the new option, provided the mortgage meets the eligibility criteria, including seasoning, for each refinance.

**Q2. Will any Fannie Mae look-up tool be available to indicate if the loan is already owned by Fannie Mae?**

Yes. To determine if Fannie Mae owns a loan, please visit: https://www.knowyouroptions.com/loanlookup.

**Q3. Does Fannie Mae permit new borrowers through assumptions as long as those borrowers are the ones refinancing with the high LTV refinance option?**

Yes. Borrower(s) may not be added to the new loan; however, if the loan being refinanced was assumed by the current borrower(s) before the refinance of the new loan, the current borrowers must have been qualified for the existing loan per the *Servicing Guide*.

**Q4. Are Community Seconds® permitted with the high LTV refinance option?**

We allow existing Community Seconds to remain in place in accordance with the eligible subordinate financing requirements outlined in *Selling Guide* B5-7-01, High LTV Refinance Loan and Borrower Eligibility.

**Q5. Are lenders permitted to provide an incentive to the borrower in the form of a payment to pay off a portion of the existing loan using the high LTV refinance option?**

We allow the following lender incentives for borrowers:

- cash or cash-like (e.g., gift cards) incentives that are not part of the refinance transaction in an amount not to exceed $500; and
- a payment to pay off a portion of the mortgage loan being refinanced not to exceed $2,000.

Refer to *Selling Guide* B3-4.1-02, Interested Party Contributions (IPCs), Lender Incentives for Borrowers, for additional requirements that apply to lender incentives.

NOTE: Any such reduction of the existing loan balance will impact the LTV ratio as it is applied to the calculation of the new loan amount. (Lenders should be careful in that incentives have the potential to reduce the LTV ratio to below the minimum allowable for this program.)

## Underwriting

**Q6. Will Desktop Underwriter® (DU®) be able to identify if a loan is active under the DU Refi Plus™ or Refi Plus program and therefore ineligible for the high LTV refinance option?**

Yes, DU will be able to determine if the borrower's existing loan is a DU Refi Plus or Refi Plus loan and will provide a message informing the lender that the loan casefile was not underwritten using the high LTV refinance option because the existing loan is a DU Refi Plus or Refi Plus loan.

**Q7. How will DU message eligibility?**

DU will use internal data to determine if Fannie Mae owns an open/active loan on the property. DU will then confirm the Social Security number(s) for the borrower(s) on the new loan casefile match those on the existing loan.

- Once DU determines a match to the borrower's existing loan, it will confirm the existing loan is eligible to be refinanced using the High LTV refinance option and will also confirm that the new loan meets the High LTV refinance eligibility requirements.
- If the existing loan is ineligible, or if the new loan does not meet the requirements for the high LTV refinance option, DU will issue a message specifying the reason the loan is not eligible.
- If the existing loan is not seasoned 15 months based on the DU submission date, DU will issue a message that includes the note date and will remind the lender that a high LTV refinance loan may not close until the existing loan is seasoned at least 15 months.

**Q8. Will the credit report come through DU directly for the high LTV refinance option?**

When using DU to underwrite a high LTV refinance, the process for ordering or reissuing credit into DU will work the same as it does for any other DU loan.

**Q9. If a lender obtains income, assets, or liabilities either in error or as a result of originally obtaining that data as part of a traditional refinance, is it their responsibility to deliver that data, and could it affect a borrower's eligibility for the high LTV refinance option?**

It is always the lender's responsibility to investigate any contradictory and conflicting information, regardless of the source, and to ensure that the information delivered and used to underwrite the file is complete and accurate. See *Selling Guide* B5-7-04, High LTV Refinance Representations and Warranties, for more information.

## Appraisals

**Q10. Will value acceptance (appraisal waiver) offers be eligible with the high LTV refinance option?**

DU will offer value acceptance (appraisal waiver) in certain situations, though never for manually underwritten loans. For details, refer to *Selling Guide* B5-7-02, High LTV Refinance Underwriting, Documentation, and Collateral Requirements for the New Loan.

**Q11. If a lender gets an appraisal and the valuation makes a loan ineligible, is the lender required to use that appraisal or can they get a value acceptance (appraisal waiver), provided that the borrower meets all other criteria?**

The lender must use the appraisal if one is obtained. More information regarding valuation requirements can be found in the *Selling Guide* B5-7-02, High LTV Refinance Underwriting, Documentation, and Collateral Requirements for the New Loan.

## Mortgage Insurance

**Q12. When transferring mortgage insurance (MI) from an existing loan to a new loan, if the borrower has lender-paid MI (LPMI), may they change to a borrower-paid MI (BPMI) plan?**

No, a borrower may not change the MI from LPMI to BPMI.