



**TO: Freddie Mac Sellers**

September 8, 2017 | 2017-17

**SUBJECT: RELIEF REFINANCE**

In our [Single-Family News Center article dated August 17, 2017](#), we notified Sellers that the FHFA has directed Freddie Mac and Fannie Mae to implement a new high loan-to-value (LTV) refinance offering and extend the implementation of the Home Affordable Refinance Program® (HARP®).

This Bulletin contains a high-level summary of some of the requirements for our new, high LTV refinance offering, [Freddie Mac Enhanced Relief Refinance<sup>SM</sup>](#), as well as details and Guide updates related to the extension of the current [Relief Refinance](#) offerings, our business implementation of HARP.

**NEW ENHANCED RELIEF REFINANCE OFFERING**

**Effective for Mortgages with Application Received Dates on and after November 1, 2018**

**Overview**

Enhanced Relief Refinance Mortgages provide refinance opportunities to Borrowers with existing Freddie Mac Mortgages who are making their Mortgage payments on time but cannot take advantage of the Freddie Mac “no cash-out” refinance offering because the LTV ratio of the new Mortgage exceeds the maximum limits.

**Requirements for the Mortgage being refinanced**

For the Mortgage being refinanced to be eligible for the Enhanced Relief Refinance offering, the requirements of Guide Section 4304.1(a) must be met. The table below highlights some of these requirements:

Mortgage Being Refinanced as an Enhanced Relief Refinance Mortgage	
<b>Mortgage eligibility</b>	<p>The Mortgage being refinanced must:</p> <ul style="list-style-type: none"> <li>• Be owned or securitized by Freddie Mac</li> <li>• Have a Note Date on or after October 1, 2017</li> <li>• Not be a Freddie Mac Relief Refinance Mortgage</li> </ul>
<b>Seasoning</b>	<p>At least 15 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the Enhanced Relief Refinance Mortgage.</p>
<b>Mortgage payment history</b>	<p>The Mortgage being refinanced must have a Mortgage payment history that indicates the following:</p> <ul style="list-style-type: none"> <li>• The Mortgage has not been 30 days delinquent in the most recent six months; and</li> <li>• The Mortgage has not been 30 days delinquent more than once in the most recent 12 months</li> </ul>

**Requirements for the Enhanced Relief Refinance Mortgage**

Detailed requirements for the Enhanced Relief Refinance Mortgage are provided in Chapter 4304. The following table highlights some requirements for the new Enhanced Relief Refinance Mortgage:

**Enhanced Relief Refinance Mortgage**

<p><b>Mortgage eligibility</b></p>	<p>The Enhanced Relief Refinance Mortgage must be:</p> <ul style="list-style-type: none"> <li>• A conventional fixed rate Mortgage; or</li> <li>• A conventional 5-year, 5/1, 7/1 or 10/1 ARM, provided that the Mortgage being refinanced is an ARM, except that a Mortgage secured by a Manufactured Home must not be a 5-year or a 5/1 ARM</li> </ul> <p>Additionally, the Enhanced Relief Refinance Mortgage:</p> <ul style="list-style-type: none"> <li>• May be a super conforming Mortgage</li> <li>• Must not be a Mortgage with a temporary subsidy buydown plan</li> <li>• Must not be a Texas Equity Section 50(a)(6) Mortgage</li> </ul>																				
<p><b>Borrower benefit</b></p>	<p>The Enhanced Relief Refinance Mortgage must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> <li>• A reduction in the interest rate of the First Lien Mortgage</li> <li>• To replace an ARM with a fixed-rate Mortgage</li> <li>• A reduction in the amortization term of the First Lien Mortgage</li> <li>• A reduction in the monthly principal and interest payment of the First Lien Mortgage</li> </ul>																				
<p><b>LTV ratios</b></p>	<p><b>Maximum LTV ratios</b></p> <ul style="list-style-type: none"> <li>• If the Enhanced Relief Refinance Mortgage is a fixed-rate Mortgage, there is no maximum LTV ratio requirement</li> <li>• If the Enhanced Relief Refinance Mortgage is an ARM, the LTV ratio must be less than or equal to 105%</li> </ul> <p><b>Minimum LTV ratios</b></p> <p>The following minimum LTV ratios apply to Enhanced Relief Refinance Mortgages:</p> <table border="1" data-bbox="526 1327 1466 1738"> <thead> <tr> <th>Occupancy</th> <th>Number of units/Property type</th> <th>Minimum LTV ratio</th> </tr> </thead> <tbody> <tr> <td rowspan="3"><b>Primary Residence</b></td> <td>1-unit</td> <td>95.01%</td> </tr> <tr> <td>2- to 4-unit</td> <td>80.01%</td> </tr> <tr> <td>Manufactured Home</td> <td>95.01%</td> </tr> <tr> <td rowspan="2"><b>Second Home</b></td> <td>1-unit</td> <td>85.01%</td> </tr> <tr> <td>Manufactured Home</td> <td>85.01%</td> </tr> <tr> <td rowspan="2"><b>Investment Property</b></td> <td>1-unit</td> <td>85.01%</td> </tr> <tr> <td>2- to 4-unit</td> <td>75.01%</td> </tr> </tbody> </table>	Occupancy	Number of units/Property type	Minimum LTV ratio	<b>Primary Residence</b>	1-unit	95.01%	2- to 4-unit	80.01%	Manufactured Home	95.01%	<b>Second Home</b>	1-unit	85.01%	Manufactured Home	85.01%	<b>Investment Property</b>	1-unit	85.01%	2- to 4-unit	75.01%
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Enhanced Relief Refinance Mortgage	
<b>Underwriting the Mortgage</b>	<ul style="list-style-type: none"> <li>• The Enhanced Relief Refinance Mortgage must be underwritten through Loan Product Advisor® or a manual underwriting process</li> <li>• Except in limited circumstances (e.g., the Borrower's principal and interest (P&amp;I) is increasing by more than 20% or the Mortgage is a Higher-Priced Mortgage Loan (HPML) or Higher-Priced Coverage Transaction (HPCT)), for an Enhanced Relief Refinance Mortgage: <ul style="list-style-type: none"> <li>➤ The Seller is not required to verify a Borrower's income and assets</li> <li>➤ There is no minimum Indicator Score requirement</li> </ul> </li> </ul>
<b>Value of the Mortgaged Premises</b>	<ul style="list-style-type: none"> <li>• When determining the property value for an Enhanced Relief Refinance Mortgage: <ul style="list-style-type: none"> <li>➤ The Seller may use Home Value Explorer® (HVE®), subject to the requirements of Section 4304.7; or</li> <li>➤ Obtain a new appraisal report based on an interior and exterior property inspection</li> </ul> </li> <li>• In cases where the Seller obtains a new appraisal, the appraisal must be used for the LTV ratio calculation and property eligibility purposes</li> </ul>

### Comparison to our current Relief Refinance Mortgage offerings

Many of the features and requirements for the Enhanced Relief Refinance offering are the same as those for our current Relief Refinance Mortgage offerings. However, some differences include:

- Enhanced Relief Refinance Mortgages are subject to minimum LTV ratios
- The Enhanced Relief Refinance offering requirements are the same regardless of whether the Seller was also the current Servicer of the Mortgage being refinanced
- There is no limit on the number of times a Mortgage may be refinanced as an Enhanced Relief Refinance Mortgage, provided that all of the requirements for the offering are met

### Seller representations and warranties

A Seller is relieved from enforcement of certain representations and warranties in connection with an Enhanced Relief Refinance Mortgage. The table below highlights Seller representation and warranty relief related to this offering:

Seller representations and warranty relief for the Enhanced Relief Refinance offering	
<b>Mortgage eligibility</b>	A Seller underwriting through Loan Product Advisor will not be required to represent and warrant that the Mortgage being refinanced is eligible to be refinanced as an Enhanced Relief Refinance Mortgage in accordance with the requirements of Section 4304.1(a)(i), subject to conditions
<b>Borrower's creditworthiness</b>	Other than compliance with the specific requirements in Chapter 4304, regardless of the underwriting path, the Seller is not required to represent and warrant that any other requirements related to the Borrower's creditworthiness have been met

## Seller representations and warranty relief for the Enhanced Relief Refinance offering

<b>Property valuation</b>	<p>When determining the property value for an Enhanced Relief Refinance Mortgage:</p> <ul style="list-style-type: none"> <li>• A Seller using an HVE point value estimate is relieved of representations and warranties related to value, condition and marketability</li> <li>• If a Seller obtains a new appraisal, the Seller is relieved of representations and warranties related to condition and marketability, but remains responsible for representations and warranties related to value</li> </ul>
<b>Selling representation and warranty framework</b>	Enhanced Relief Refinance Mortgages that meet the applicable requirements are eligible for relief from Freddie Mac's enforcement of selling representations and warranties as described in Section 1301.11(II)

### System and Guide updates

As a result of the implementation of the Enhanced Relief Refinance offering, special requirements for a “no cash-out” refinance of a Mortgage owned or securitized by Freddie Mac, as described in Section 4301.4(c), will be retired in a future Bulletin.

Additionally, Credit Fees in Price related to the Enhanced Relief Refinance offering will be announced in a future Bulletin.

Loan Product Advisor will be updated by November 1, 2018 to accommodate the Enhanced Relief Refinance offering. The Selling System® has been updated to include the new valid value “Enhanced Relief Refinance” for ULDD Data Point *Refinance Program Identifier* (Sort ID 451) and will be available for delivery by January 1, 2019.

Chapter 4304 and Section 6302.40 have been created to include Mortgage eligibility and delivery requirements for the Enhanced Relief Refinance offering, respectively. Sections 1301.11, 2402.7, 4202.5, 4203.1, 4501.3, 4603.3, 5307.1, 5601.9, 6202.3, 6302.16, 8202.3 and 9201.2 and Guide Exhibits 17S and 34 have been updated to reflect the Enhanced Relief Refinance offering.

### RELIEF REFINANCE MORTGAGES

To help ensure that eligible Borrowers have an opportunity to take advantage of refinance benefits otherwise unavailable under our standard refinance offerings, we are extending the expiration date of the Freddie Mac Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings.

Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access must now have Application Received Dates on or before **December 31, 2018** and Settlement Dates on or before **September 30, 2019**.

Additionally, we are updating the documentation requirements for alimony, separate maintenance and child support income types to state that evidence of receipt of the total *documented* amount, rather than the *court ordered* amount as previously stated, is required. This revision is made in recognition of the fact that alimony, separate maintenance and child support payments are not always received as a result of a court order, and to better align with the changes to income requirements announced in Bulletin 2016-19.

Guide impacts: Sections 4302.1, 4302.2, 4303.1 and 4303.3

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## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-17 (Relief Refinance) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1717\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1717_spreadsheet.xls).

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at (800) FREDDIE.

Sincerely,



Christina K. Boyle  
Senior Vice President  
Single-Family Sales and Relationship Management