



Lender Letter (LL-2021-10)

Updated: Oct. 20, 2021

To: All Fannie Mae Single-Family Sellers Expanding Refinance Eligibility with RefiNow™

This Lender Letter describes the RefiNow option originally published on May 5, 2021, with the changes noted below.

Oct. 20

- Increase the borrower income limit to allow up to 100% of the applicable AMI limit.
- Eliminate the maximum loan seasoning requirement of 10 years.
- Remove the \$5,000 cap on the financing of closing costs, prepaid items, and points.
- Allow any reduction to the monthly mortgage payment instead of requiring a minimum reduction of \$50.

We removed the Adverse Market Refinance Fee to align with [LL-2021-13](#) and added reference to [LL-2021-14](#).

Jun. 16

- Allow existing subordinate financing to be simultaneously refinanced as part of a RefiNow transaction, provided certain requirements are met.
- Permit borrowers who have resolved missed payments due to a COVID-19 forbearance in accordance with the temporary eligibility requirements for purchases and refinances in [LL-2021-03](#) to be eligible for a new RefiNow transaction.
- Clarify the paystub requirements to align with current policy.

Effective: RefiNow became available for Desktop Underwriter® loan casefiles submitted or resubmitted to DU® Version 11.0 beginning Jun. 5, 2021, and for manually underwritten loans with application dates beginning Jun. 5th. Loans were eligible for delivery immediately.

Oct. 20

DU: The updates will apply to DU Version 11.0 loan casefiles submitted or resubmitted on or after the weekend of Dec. 4, 2021. See the DU® [Release Notes](#) for additional information.

- Loan casefiles underwritten as RefiNow that receive an Approve/Eligible recommendation may be delivered immediately.
 - Lenders may disregard the DU message requiring the lender to confirm that no more than \$5,000 in costs will be financed into the loan amount.
 - Lenders may disregard the DU message requiring a minimum \$50 payment reduction, provided the borrower receives a payment reduction in any amount and a minimum 50 basis point reduction in interest rate.
- Lenders may take advantage of the increased AMI limit and the elimination of the 10 year seasoning requirement immediately by manually underwriting the loan and delivering as such. (DU will not underwrite these casefiles as RefiNow until the weekend of Dec. 4th when the new policies are implemented).

Manual: Lenders may apply the updates to manually underwritten loans immediately.

Introduction

We are committed to fulfilling our affordable housing mission to serve low-income borrowers by offering home financing options that help them build equity and grow wealth, while continuing to promote a stronger, safer housing finance system. Barriers that hamper low-income borrowers from refinancing result in those borrowers typically refinancing at a slower pace than higher



income borrowers and potentially missing the opportunity to take advantage of historically low interest rates that would improve affordability by reducing their monthly housing payment.

In coordination with Freddie Mac and under the guidance of FHFA, Fannie Mae is introducing the RefiNow refinance option that offers expanded eligibility to benefit borrowers at or below 100% of the area median income (AMI) limit and helps more borrowers take advantage of the current low interest rate environment.

RefiNow requirements

The following table describes the eligibility, underwriting, and other requirements for the RefiNow option. All standard *Selling Guide* requirements apply unless otherwise indicated below. All provisions of Lender Letter [LL-2021-03, Impact of COVID-19 on Originations](#), continue to apply.

RefiNow													
Borrower Eligibility Requirements													
Borrower income limit Oct. 20	The borrower(s) income must be at or below 100% of the applicable AMI limit for the subject property's location. <ul style="list-style-type: none"> ▪ In determining whether a loan is eligible under the borrower income limits, the lender must consider the income from all borrowers who will sign the note, to the extent that the income is considered in evaluating creditworthiness for the new loan. ▪ The lender must use the same methodology in determining income eligibility for a RefiNow loan as they use in reporting "Monthly Income" in Loan Delivery. 												
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	<ul style="list-style-type: none"> ▪ the remaining borrower(s) meet the payment history requirements and provides evidence that they have made at least the last 12 months of payments from their own funds, or ▪ due to the death of a borrower (evidence of the deceased borrower’s death must be documented in the loan file). <p>NOTE: Non-occupant borrowers are permitted (see below).</p> <p>not be a Texas Section 50(a)(6) loan.</p> <p>not be subject to a temporary interest rate buydown.</p> <p>NOTE: A RefiNow loan may not be combined with a HomeReady® refinance transaction.</p>
<p>Borrower benefit Oct. 20</p>	<p>The refinanced loan must provide the following benefits to the borrower:</p> <ul style="list-style-type: none"> ▪ a reduction in interest rate of at least 50 basis points, and ▪ a reduction in the monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable).
<p>Eligible subordinate financing</p>	<ul style="list-style-type: none"> ▪ Existing subordinate financing <ul style="list-style-type: none"> • may not be satisfied with the proceeds of the new loan, • can remain in place if it is resubordinated to the new loan, and • may be simultaneously refinanced with the existing first lien mortgage, provided that: <ul style="list-style-type: none"> ○ the unpaid principal balance (UPB) of the new subordinate lien is not more than the UPB of the subordinate lien being refinanced at the time of payoff, and ○ there is no increase in the monthly principal and interest payment on the subordinate lien. ▪ New subordinate financing is only permitted if it replaces existing subordinate financing.
<p>Occupancy and property types Oct. 20</p>	<ul style="list-style-type: none"> ▪ The new loan must be secured by a one-unit principal residence. ▪ All eligible property types are permitted. ▪ All project review requirements will be waived for properties located in a condo, co-op or PUD project except that the lender must confirm the project is not a condo or co-op hotel or motel, houseboat, timeshare or segmented ownership project. The lender must also comply with the requirements of LL-2021-14, Temporary Requirements for Condo and Co-op Projects. The lender must confirm appropriate property and flood insurance is obtained. <p>NOTE: The lender must have approval to deliver co-op share loans.</p>
Underwriting and Documentation Requirements for the New Loan	
<p>Underwriting method</p>	<ul style="list-style-type: none"> ▪ Loans may be underwritten with DU. DU will automate the identification of loan casefiles that appear to be eligible for RefiNow based on the borrowers listed on the loan application, the property address, qualifying income, and several other factors. Refer to the Release Notes for additional information. ▪ Manual underwriting may be used if the loan is otherwise eligible for manual underwriting. Manually underwritten loans: <ul style="list-style-type: none"> • are only required to comply with the maximum LTV, CLTV, HCLTV ratios listed on the Eligibility Matrix and as otherwise stated within this document. • may follow the DTI ratio and credit score requirements below. There are no required minimum reserves.
<p>Minimum credit score and</p>	<ul style="list-style-type: none"> ▪ The loan must have a minimum representative credit score of 620. (The average median credit score policy does not apply.)



significant derogatory credit	<ul style="list-style-type: none"> The borrower must comply with all applicable waiting periods following derogatory credit events in B3-5.3-07, Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit. (Exception: The LTV ratio limitation that applies to a previous foreclosure is not applicable – standard LTV ratios are permitted.) 														
Payment history requirements	<p>For the loan being refinanced, the borrower cannot have had</p> <ul style="list-style-type: none"> any 30-day mortgage delinquencies in the most recent six-month period, and no more than one 30-day delinquency in months 7 through 12. <p>If the borrower has missed payments due to a COVID-19 forbearance, and those payments have been resolved in accordance with the temporary eligibility requirements for purchase and refinance transactions in LL-2021-03, then the missed payments are not considered delinquencies for purposes of meeting these payment history requirements. This will apply for as long as the temporary policies remain in effect.</p>														
Maximum DTI ratio	The DTI ratio must be less than or equal to 65%.														
Non-occupant borrowers	<ul style="list-style-type: none"> Non-occupant borrowers are permitted. A maximum LTV, CLTV, and HCLTV ratio of 95% applies to loans underwritten with DU and manually (CLTV ratio may be up to 105% when a Community Seconds® is being resubordinated). Manually underwritten loans are not subject to the occupying borrower DTI ratio of 43%. 														
Documentation requirements	<p>The following table describes the income documentation requirements.</p> <table border="1" data-bbox="380 877 1468 1453"> <thead> <tr> <th data-bbox="380 877 704 911">Income type</th> <th data-bbox="711 877 1468 911">Minimum documentation requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="380 919 704 1012">Base Pay (non-variable)</td> <td data-bbox="711 919 1468 1012">The borrower’s year-to-date paystub dated no earlier than 30 days prior to the loan application date. See <i>Selling Guide</i> B3-3.1-02, Standards for Employment Documentation.</td> </tr> <tr> <td data-bbox="380 1020 704 1146">Base Pay (variable) Tip, Bonus, Overtime Income Commission Income</td> <td data-bbox="711 1020 1468 1146">The borrower’s year-to-date paystub and W2 covering the most recent one-year period. See also B3-3.1.02.</td> </tr> <tr> <td data-bbox="380 1155 704 1180">Military Income</td> <td data-bbox="711 1155 1468 1180">Military Leave and Earnings Statement</td> </tr> <tr> <td data-bbox="380 1188 704 1281">Self-employment</td> <td data-bbox="711 1188 1468 1281">One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the <i>Selling Guide</i></td> </tr> <tr> <td data-bbox="380 1289 704 1381">Alimony, Child Support, or Separate Maintenance</td> <td data-bbox="711 1289 1468 1381">Copy of divorce decree, separation agreement, court order or equivalent documentation, and one month documentation of receipt</td> </tr> <tr> <td data-bbox="380 1390 704 1453">All Other Eligible Income Types</td> <td data-bbox="711 1390 1468 1453">Standard <i>Selling Guide</i> requirements apply</td> </tr> </tbody> </table> <p>The following additional documentation requirements apply:</p> <ul style="list-style-type: none"> Verbal verification of employment (employment or self-employment) is required in accordance with the <i>Selling Guide</i>. Verification of funds to close are required. Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance. Verification and consideration of recurring alimony and child support payments as a liability, if applicable, are required. Acceptable documentation includes a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation. 	Income type	Minimum documentation requirements	Base Pay (non-variable)	The borrower’s year-to-date paystub dated no earlier than 30 days prior to the loan application date. See <i>Selling Guide</i> B3-3.1-02 , Standards for Employment Documentation.	Base Pay (variable) Tip, Bonus, Overtime Income Commission Income	The borrower’s year-to-date paystub and W2 covering the most recent one-year period. See also B3-3.1.02 .	Military Income	Military Leave and Earnings Statement	Self-employment	One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the <i>Selling Guide</i>	Alimony, Child Support, or Separate Maintenance	Copy of divorce decree, separation agreement, court order or equivalent documentation, and one month documentation of receipt	All Other Eligible Income Types	Standard <i>Selling Guide</i> requirements apply
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Collateral Requirements															
Property valuation	<ul style="list-style-type: none"> Standard property valuation requirements for an appraisal waiver or appraisal apply. A \$500 credit will be provided to the lender at the time the loan is purchased if an appraisal was obtained for the transaction. The lender must pass the credit to the borrower. 														



	<p>NOTE: <i>The appraisal credit will be applied based on the delivery of Special Feature Code (SFC) 868 and data in the Loan Delivery file that indicates an appraisal was obtained for the transaction.</i></p>										
Other											
Usage	The RefiNow option may only be used one time.										
Expiration	There is currently no expiration date for this refinance option. We will incorporate these policies into a future <i>Selling Guide</i> update.										
Mortgage insurance	All standard mortgage insurance requirements apply in accordance with the <i>Selling Guide</i> . Mortgage insurance coverage for RefiNow loans is not restricted to the current mortgage insurer on the existing loan. However, DU will identify the insurer that is currently providing coverage. Consult your mortgage insurer to determine their eligibility guidelines for RefiNow loans.										
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Negotiated provisions	No negotiated terms (such as variances, exceptions, or special requirements) that impact underwriting or eligibility may be used in conjunction with the RefiNow option without prior approval from Fannie Mae.										
Loan delivery and pricing Oct. 20	<ul style="list-style-type: none"> ▪ For whole loans, lenders will commit and deliver RefiNow loans into standard whole loan commitments. ▪ For MBS loans, lenders will deliver RefiNow loans at their standard base guaranty fee into standard contracts. MBS pools with RefiNow loans are TBA-eligible. ▪ All loans must be delivered with SFC 868. ▪ SFC 801 must be delivered if an appraisal waiver is exercised, in addition to all other applicable SFCs. ▪ Loans must be delivered as “LimitedCashOut” in Sort ID 294 (RefinanceCashOutDeterminationType). We are not requiring a new enumeration in Sort ID 451 (Refinance Program Identifier). ▪ All standard loan-level price adjustments apply. 										



Lenders may also contact their Fannie Mae Account Team if they have questions about this Lender Letter. Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli.](#)

Let your voice be heard! We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Lender Letter.

