

Conforming DU Refi Plus

Overview

The DU Refi Plus program is a rate/term refinance available to responsible borrowers who have lost equity in their homes and are unable to refinance under existing loan programs. The first lien being refinanced must be currently securitized by Fannie Mae. This program is only eligible for the refinance of first liens that closed before February 1, 2009. Any guideline not addressed in this chapter will follow standard C-F30 loan guidelines.

Eligible Properties

1-4 unit properties

Warrantable Condos (low and high rise) -Not allowed in Florida

PUDs

Owner occupied, second homes, and investment properties

Ineligible Properties

Condo hotels

Mobile/Manufactured housing

Non-warrantable condos

Co-ops

Log homes

Leasehold Property

Doc Type

Full

LTV/CLTV Parameters – Fully Amortized

Rate-Term Refinance				
Occupancy	Units	LTV	CLTV	Minimum FICO

Section 4.1: Conforming Products

Primary	1 - 2	95	105	620*
Primary	3 - 4	80	80	620*
Second Home	1	80	80	680*
Investment	1 - 4	80	80	680*
* See Max DTI/FICO restrictions under the Underwriting heading				

Minimum Loan Amount

\$50,000

Maximum Loan Amount

Number of Units	Continental U.S.	Alaska and Hawaii
1 Unit	\$417,000	\$625,500
2 Units	\$533,850	\$800,775
3 Units	\$645,300	\$967,950
4 Units	\$801,950	\$1,202,925
Conforming jumbo loan amounts are not allowed on this product		

Term

15, 30 year term

Underwriting

Loan must be run through DU and must receive an Approve/Eligible finding. Minimum FICO's are listed in the matrix above. Minimum FICO as listed above regardless of AUS approval.

Maximum DTI:

FICO 620 – 679: 45%

FICO 680+: 50%

Second Homes and Investment: 45%

Bankruptcy discharge seasoning must be at least 48 months. Foreclosures must be seasoned for at least 84 months (7 years).

Applicable with DU Version 7.1 April update which was released during the weekend of April 04, 2009. The DU findings must show the following:

This loan case file was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan case files where the borrower's existing loan is identified by DU as a Fannie Mae loan. This loan case file must be delivered with Special Feature Code 147.

As a clarification, there are two programs: Refi Plus and DU Refi Plus. Refi Plus is for manual underwrites and DU Refi Plus is for loans decisioned through DU. SNMC will not allow manual underwriting on this product, therefore the only program SNMC will offer is the DU Refi Plus.

The transaction must benefit the borrower in the form of either a reduced monthly payment or a more stable loan product. The underwriter should address the benefit to the borrower on the approval.

Mortgage/rental history must be verified as required by the AUS findings. No mortgage lates in the last 12 months regardless of findings. If mortgage is less than 12 months old, all mortgage payments must have been made on time.

Cash out is not permitted on this product. Rate/term refinance only. Limited cash out used to be available the lesser of 2% or \$2,000. New files submitted to DU on or after July 1, 2009 the cash back limitation has changed to \$250.

Any existing subordinate financing must be resubordinated and may not be included in our new loan.

A full appraisal is required, regardless of DU findings. In addition, a Landsafe enhanced desk review or field review is required.

Fannie Mae's Loan Quality Initiative (LQI)

The following guidelines are effective for loan applications taken on or after June 1, 2010. These changes are in response to Fannie Mae's announcement 2010-03 which purpose is to enhance loan quality. Since this is a Fannie Mae directive it applies to **Conventional Loans only** (LDP & GSA still required on FHA loans).

Borrower Identity and Social Security Verification:

The file must provide documentation to confirm each borrower's identity prior to closing and verify that each borrower has a valid Social Security number. For loans that receive Social Security number verification messages and do not pass the delivery edits from DU, LP, or have credit repository warnings, the accuracy of the Social Security number must be validated with the Social Security Administration using Form SSA-89 or direct validation by a third party. This can be done through Fraud Guard, but requires a separate authorization signed by the borrower.

Undisclosed Liabilities:

The file must provide evidence that all debts incurred or closed by the borrower, up to and concurrent with closing are disclosed on the final 1003 and evaluated in qualifying the borrower for the loan. Any inquiries on the credit report must be addressed individually, by the borrower, both to purpose and outcome of inquiry. Generic explanation letters are not acceptable. In addition, the underwriter must obtain within 7 days of closing, a credit supplement or direct verification from each creditor shown as an inquiry on the credit report,

to verify no new credit was extended. Our current policy of re-pulling MERS prior to funding is still in effect.

Due diligence should be exercised by the underwriter in evaluating the credit file. Age of the credit report and/or individual trade lines should be reviewed and considered. A new credit report should be ordered if there is any indication of undisclosed credit. Particular attention should be paid to any large deposits that could be the result of borrowed funds.

When undisclosed liabilities are found, the loan must be re-underwritten and the file reviewed for misrepresentation.

Occupancy Requirements:

If an occupancy verification message appears in the DU findings, or if the underwriter questions occupancy based on the file review, documentation must be provided to confirm the applicant's intent to occupy the property as their principal residence. Possible scenarios:

If the transaction is the purchase of a principal residence, but a recent previous mortgage transaction was also the purchase of a principal residence **within the previous 12 months**, the borrower must provide some reasonable documentation to justify the new transaction.

If the transaction is a refinance of a principal residence but the loan application contains a different current address for the borrower, the borrower must provide additional documentation to justify the conflicting address information.

Validation of Qualified Parties:

Loans originated, underwritten, or serviced by individuals or companies that are on the Federal General Services Administration's (GSA) Excluded Party List or HUD's Limited Denial of Participation (LDP) list are ineligible. This includes management personnel and any other person or company that has substantive control over the transaction. This is now a requirement for all loans, not just FHA. If any company or individual is found to be on either list, the loan is not eligible for funding. A copy of the appropriate list that has been checked should be placed in the loan file.

The following parties must be checked on all loans, both government and conventional:

- Borrowers
- Co-Borrowers
- Sellers
- Real Estate Agents-Listing and Selling
- Loan Officer
- Broker
- Title Company
- Escrow Company
- Appraiser

UW Memo 13.2010 & Spotlight # 6

Opt Out

The DU 7.1 offers the ability to distinguish between a regular C-F30 rate term and a DU refi plus. In order to utilize this "opt out" feature in the TOL screen, click on Loan Program, in the "description" field enter Standard LCOR prior to submitting loan.

Mortgage Insurance

Mortgage insurance will be waived on loans with LTVs greater than 80% if the existing Fannie Mae loan had an original LTV less than or equal to 80% LTV. In other words, if the previous loan did not need mortgage insurance, the new loan doesn't need mortgage insurance. DU will issue the following message to indicate this waiver:

Mortgage insurance is not required for this DU Refi Plus loan casefile

If the new loan requires mortgage insurance (because the original loan being refinanced required mortgage insurance), we will not be able to do the loan at this time. You need to switch the loan to a regular C-F30 and apply standard MI coverage.

Income / Documentation

Fully document income and assets.

Declining Market

Standard declining market policy does not apply on this product type

Ineligible Scenarios

Refinance of a property listed for sale in the last 6 months

Borrowers who have more than 4 financed properties (when subject property is second home or investment)

Undocumented income

Borrowers

Borrowers on the new DU Refi Plus transaction must be the same as the borrowers on the current loan being refinanced

Temporary Buydowns

Not allowed

Interest Only

Not available

Impound Accounts

Escrow waivers are not permitted on LTV's over 80%. California properties may waive escrows up to 90% LTV.

Assumability

Not assumable.

Prepayment Penalty

Not allowed

Residency

Permanent and non-permanent resident aliens are allowed. Borrowers must have a valid social security number. See residency guidelines in Section 4 for additional information.

Subordinate Financing

Allowed. Payoff of a second lien is not allowed on this program. Any existing subordinate financing must be resubordinated. No new subordinate financing is allowed.

Other

Lenders may not specifically target Fannie Mae borrowers for offers of refinance.