

Refi Plus™: Desktop Underwriter® and Manual Underwriting Options for Refinancing Fannie Mae Loans

Sponsored by:  ICBA
MORTGAGE

June 2009

Supporting *Home Affordable Refinance*

A Partnership For Success

Fannie Mae/ICBA Alliance Benefits

Loan submission discounts

- Reduced application fees by 50% for DU License for new DU licensees

Pricing advantages

- Loan Level Price Adjustment (LLPA) credit equal to 8 basis points

Technology discounts

- DU[®] transaction fees - \$10 discount for each loan submission



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Fannie Mae Eligibility Requirements

- In operation for at least 3 years with 1 year as a mortgage banker and organized under federal law, or organized under the laws of one of the 50 states
- Two years of audited financial statements with a track record or profitability net worth of \$1.65 Million for new seller servicers, \$2.5 Million plus a dollar amount of .25% of the outstanding principal balance of total portfolio of mortgages serviced for Fannie Mae
- Error & omissions insurance coverage of at least \$300,00 & fidelity bond insurance coverage of at least \$300,000



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Fannie Mae Eligibility Requirements - cont.

- Applicants must maintain an active quality control program that has been in place for at least 24 months
- An applicant must demonstrate the ability to effectively originate, process, fund, close, and service mortgage loans by maintaining adequate staff and procedures
- If the lender is servicing loans on behalf of Fannie Mae and has external servicer ratings as primary servicer for prime residential mortgages, it must maintain at least the following ratings, from each of the rating agencies providing the ratings, as applicable:
 - **Moody's: SQ3-**
 - **Standard & Poor's: Average**
 - **Fitch: BBS2**



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Refi Plus™

*Desktop Underwriter® and Manual
Underwriting Options for Refinancing Fannie
Mae Loans*

Elizabeth Myers
Sr. Business Manager,
Automated Underwriting

Refi Plus Options

Refi Plus

Manual underwriting solution

- Lender must be current servicer
- Retail channel only
- Available immediately

DU Refi Plus

Desktop Underwriter solution

- Any lender using DU (or originator using Desktop Originator[®])
- Retail, wholesale, and correspondent channels
- DU Refi Plus updates
 - Weekend of April 4
 - Weekend of May 2

Deliveries: On or after April 1, 2009
Details: Announcement 09-04 and DU Release Notes for April and May Updates

Borrower Benefit – DU Refi Plus and Refi Plus

- Lenders must represent and warrant that the borrower is receiving a benefit through any Refi Plus transaction in the form of one of the following:
 - Reducing monthly payment; and/or
 - Moving into a more stable product (ARM -> FRM).

- Lenders are also encouraged to explore other refinance options with borrowers who are not eligible for DU Refi Plus.
 - A new DU message (after the weekend of May 2) will be issued on RWC/IV recommendations and Ineligible recommendations to remind lenders to work with the borrower to explore other refinance or modification options.

DU Version 7.1 April and May Updates

- Fannie Mae is committed to making sure our standards and tools appropriately reflect current market realities.
- With the April and May updates of DU Version 7.1, we will implement updates in support of **DU Refi Plus**, an enhancement intended to provide lenders with increased underwriting flexibility and efficiencies **for Fannie Mae to Fannie Mae refinance loan** applications.
- Additionally in April, we are supporting new policies for **Multiple Financed Properties** and **Updated Property Fieldwork Requirements for Purchase Transactions**.

DU Refi Plus

Leveraging DU for a more efficient and cost effective refinance offering

How it Works

- Automates eligibility assessment for limited cash-out refinances to determine:
 - Fannie Mae's ownership of the loan;
 - Loan casefile eligibility for underwriting flexibilities.
- Leverages the DU credit risk assessment to expand eligibility
- Provides property fieldwork waivers for certain eligible loans
- Reduces employment and income documentation to the minimum level offered by DU
- Requires SFC(s) at delivery (and if a property fieldwork waiver is exercised, a fee is assessed)

Expected Impact and Timing

- **Point-of-Sale operational efficiencies** through use of DU
- **Lender Rep and Warrant relief**
- **Saying “yes” to more current Fannie Mae borrowers**
- **Eligibility flexibilities that allow more borrowers** to take advantage of historically low interest rates
- **Implementations:**
 - Phase 1: Weekend of April 4, 2009
 - Phase 2: Weekend of May 2, 2009
 - Phase 3: Weekend of June 27, 2009

Benefits - DU Refi Plus

DU Refi Plus offers increased lender operational efficiencies and provides expanded eligibility to help Fannie Mae borrowers sustain long-term homeownership.

- Leverages DU's operational efficiencies to extend underwriting flexibilities to limited cash-out refinance loan casefiles where the borrower's existing loan is identified as a Fannie Mae loan
- Includes expanded eligibility criteria and reduced documentation requirements

DU Refi Plus will enable you to expand your capacity for underwriting refinance loan applications in your pipeline

Features - DU Refi Plus

- DU will **automatically identify** the loan application as a DU Refi Plus eligible casefile by reviewing the loan application data in order to determine Fannie Mae ownership and eligibility for DU Refi Plus.
- **A message** will be issued in the DU Underwriting Findings Report indicating that the loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines.
- DU Refi Plus is **available across all business channels**.
- The **originating lender does not need to be the current servicer** of the existing mortgage.
- **Existing Fannie Mae loans**, including loans with previous Alt-A documentation and/or Expanded Approval[®] recommendations, are eligible.
- New loans must be either **fully-amortizing FRMs** with 10- to 40-year terms or **fully-amortizing ARMs with initial fixed rate periods of 5 years** or more.

Features - DU Refi Plus

General Delivery Eligibility

- **Limited cash-out refinance loan casefiles submitted to DU containing the following components will be eligible for DU Refi Plus:**
 - the payoff of the unpaid principal balance on the existing first mortgage (no subordinate financing may be paid off with the proceeds of the new mortgage);
 - the financing of the payment of closing costs, prepaid items, and points;
 - cash back before June 30, 2009, to the borrower in an amount that is no more than the lesser of 2 percent of the new mortgage loan balance or \$2000; and
 - cash back as of July 1, 2009 will be limited to \$250.

- **The following loan casefiles will *not* be eligible for DU Refi Plus:**
 - loan casefiles where the existing first mortgage was delivered **on or after** March 1, 2009;
 - loan casefiles with new subordinate financing;
 - loan casefiles with an interest-only feature;
 - loan casefiles for adjustable rate mortgages with fixed-rate periods less than five years;
 - balloon mortgage loan casefiles;
 - MyCommunityMortgage® loan casefiles; and
 - HomeStyle® Renovation mortgage loan casefiles.

Features - DU Refi Plus

Documentation Requirements

DU will offer the following minimum standard employment documentation requirements on all DU Refi Plus loan casefiles:

- **Salary/Bonus/Overtime:** One current paystub and a verbal verification of employment.
- **Commission/Self Employment:** One year's federal income tax return.

Features - DU Refi Plus

Reduced Property Fieldwork Requirements

- DU will waive the requirement of an appraisal or exterior-only property inspection for certain DU Refi Plus loan casefiles.
- Lenders can elect to exercise the DU Refi Plus property fieldwork waiver upon delivery of the loan to Fannie Mae, at which point a fee of \$75 will be applied.
- These waivers will help reduce time and costs associated with the lender's origination process.

Features - DU Refi Plus

Expanded Credit Score Delivery Eligibility

Requirements applied by DU with the May Update Release

- DU Refi Plus loan casefiles will ***not*** be subject to any minimum credit score requirements.
- Loan casefiles submitted after April 4, 2009, that received DU Refi Plus benefits may have received an “ineligible” if the LTV is greater than 80 percent and the credit score was below 580 (or 680 for high-balance ARMs). If resubmitted, the loan casefiles will now receive an “eligible”.

Features - DU Refi Plus

Loan-to-Value Delivery Eligibility

LTV/CLTV/HCLTV Guidelines applied in the DU May Release

Maximum LTV ratio will be **105** percent for the following DU Refi Plus transactions:

- 1- to 4-unit primary residence transactions;
- 1-unit second home transactions;
- 1- to 4-unit investment property transactions;
- high-balance mortgage loan casefiles; and
- all eligible property types; including detached properties, attached properties, manufactured housing, and units in a planned unit development, condominium project, or cooperative projects.

DU Refi Plus loan casefiles will not be subject to a maximum CLTV or HCLTV ratio

Loan casefiles submitted after April 4, 2009, that received DU Refi Plus benefits may have received an “ineligible” if the LTV was between 95-105 percent. If resubmitted, the loan casefiles will now receive an “eligible”.

Features - DU Refi Plus

Mortgage Insurance Requirements

<p>Original LTV and current LTV > 80%, does not currently have MI <i>(i.e., MI canceled or terminated per Guide)</i></p>	<p>No MI required</p> <p>MI Code 95 must be provided at delivery when LTV > 80% and no MI is obtained.</p>
<p>Original LTV and current LTV > 80%, currently has MI</p>	<p>The lender must obtain either the amount of the existing MI or standard MI. In choosing which option, the lender is encouraged to obtain the amount of coverage that will be least expensive to the borrower.</p> <p>An Observation message will appear in the DU Underwriting Findings Report indicating the MI provider, MI Coverage Obtained, and MI Certificate Number.</p>
<p>Original LTV ≤ 80%, current LTV > 80%</p>	<p>No MI required</p> <p>MI Code 95 must be provided at delivery when LTV > 80% and no MI is obtained.</p>

- Loan casefiles submitted after April 4, 2009, that received DU Refi Plus benefits where the LTV was >80% may require standard MI. If resubmitted, DU will update the MI messaging in the DU Findings Report based on the guidelines listed above.

Features - DU Refi Plus

Total Expense Ratio:

- DU Refi Plus loan casefiles will be subject to the maximum allowable total expense ratio currently permitted on DU loan casefiles.
- If the loan casefile exceeds the maximum allowable ratio, the loan casefile will receive an “Ineligible” recommendation.

Project Review Requirements:

- Lenders will not be required to perform a review of condo, coop, or PUD projects, but will be required to confirm the property is not a condo hotel or motel nor coop hotel or motel.
 - Between the April and May updates, the lender may apply these project review flexibilities
 - Project Type Codes of V (condo), 2 (coop), or E (PUD), must be provided at delivery for DU Refi Plus loans secured by a condo, coop, or PUD when a project review is not performed.

Features - DU Refi Plus

Seasoning Requirements on Existing Mortgage – Short-Term Refinance Policy:

- The short-term refinance policy as described in Announcement 08-22 is not applicable to DU Refi Plus or Refi Plus loans.
- DU is suppressing the message that reminds lenders of the short-term refinance policy.

Property Sales History:

- Fannie Mae is not requiring the property listing requirements as outlined in Announcement 08-22 to be applied to DU Refi Plus or Refi Plus loans.
- DU is suppressing the message that reminds lenders of the listing history requirement.

Modified DU Property Fieldwork Requirements:

- Updates are being made to the collateral risk assessment process used to issue the messaging indicating the minimum level of property fieldwork required if the lender *does not* elect to exercise the DU Refi Plus property fieldwork waiver.

Features - DU Refi Plus

Temporary Interest Rate Buydowns:

- DU Refi Plus loan casefiles may not be subject to a temporary interest rate buydown. DU Refi Plus loan casefiles that include a temporary interest rate buydown will receive an “ineligible” recommendation.
- This requirement applies to loan casefiles submitted on or after July 1, 2009.

Opt-out Functionality:

- Lenders will be able to instruct DU to underwrite a DU Refi Plus loan casefile as a standard limited cash-out refinance.
- Using the Product Description field, lenders may enter the phrase “Standard LCOR” to instruct DU to underwrite the loan without the DU Refi Plus flexibilities.
- A new message will indicate if the loan would have been underwritten as a DU Refi Plus, but DU was instructed otherwise.
- This opt-out functionality will be available starting with the DU release over the weekend of June 27.

Features - DU Refi Plus

New Messages coming in June

Update to the DU Refi Plus Message:

- The DU Refi Plus message will be moved from the Verification section of the DU Underwriting Findings Report to the Risk/Eligibility section.

New DU Refi Plus Eligibility Messages:

- New messages will be issued to inform users why a loan casefile was not underwritten as DU Refi Plus, including the following scenarios:
 - the subject property could not be identified as a Fannie Mae loan;
 - the social security number on the existing loan associated with the subject property does not match those entered on the loan application;
 - the existing loan has been identified as a Fannie Mae loan, but the loan payoff amount (line d of Details of Transaction) exceeds the balance of the subject property mortgage being paid at closing (as shown in the liabilities section of the loan application);
 - the existing loan has been identified as a Fannie Mae loan, but the new loan casefile contains a characteristic that is not eligible on DU Refi Plus loan casefiles (e.g. Interest-Only, Balloon).

Additional Information - DU Refi Plus

SFC for Delivery on DU Refi Plus Loans

■ DU Refi Plus

- **SFC 147** is required at delivery for all loans underwritten according to the DU Refi Plus flexibilities
- A message in the DU Underwriting Findings Report will identify these loans by indicating that the loan casefiles was underwritten according to the DU Refi Plus guidelines
- DU Refi Plus loan casefiles with an LTV or CLTV over 95 percent must **not** be delivered with Flexible Mortgage SFCs.

■ DU Refi Plus Property Fieldwork Waiver Exercised

- **SFC 807** is required when the DU Refi Plus property fieldwork waiver offer is exercised at delivery
- Two messages will appear in the DU Underwriting Findings Report:
 - One message indicating the loan casefile is eligible for the DU Refi Plus property fieldwork waiver and requires SFC 807 to exercise at delivery
 - Another message indicating the level of fieldwork required if the lender does not choose to exercise the property fieldwork waiver

Features Differences for Refi Plus (manual underwriting)

- **Adding/Removing Borrowers:** Borrowers may only be removed due to death or divorce, provided remaining borrower(s) shows proof of making payments for 12 months.
- **Retail originations only.** Lender/Affiliate/ Subsidiary must be the existing servicing of the mortgage being refinanced.
- **Existing mortgage must be a fully documented** loan originated in accordance with Fannie Mae guidelines, or a previous Streamlined Refinance transaction provided the lender has all prior loan files.
- **Payment changes:** If payment is the **same or decreasing**, there can be no more than one 30-day delinquency on existing mortgage in the lesser of past 12 months or the life of the loan; if the payment is **increasing**, there can be no 30-day delinquency on existing mortgage in lesser of past 12 months or life of loan
- **Existing mortgages with lender paid-MI are eligible** for Refi Plus.
- **Income documentation** allows verbal VOE only, with lender representation and warranty that borrower has a reasonable ability to repay the mortgage.
- **No maximum DTI** (and it does not need to be calculated)
- **Property Valuation:** Lender must either represent and warrant that the property value is not less than the original appraised value or obtain new appraisal or exterior-only inspection
- **SFC 288** is required at delivery along with all other applicable SFC

Next Steps

- Look for more information on eFannieMae.com:
 - [Lender Announcements and Letters](#)
 - [Desktop Underwriter® Release Notes](#)
 - [Frequently Asked Questions](#)



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Thank you For Attending

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