

# NEWSFLASH

Important information: Please read immediately



Date: 10/22/09

## Topics in this newsflash include:

- **FHA Streamline Refinance changes**
- **FHA Appraisal expiration**
- **Agency conforming DU & eligibility changes**

## FHA Streamline Refinance

FHA is making changes to the FHA Streamline refinance guidelines effective with FHA case numbers assigned on or after 11/18/09 as follows:

- Borrower must be receiving a net tangible benefit as the result of the streamline refinance in one of the following ways:
  - 5% reduction in total mortgage payment
  - ARM to Fixed Rate
  - Reducing the term of the mortgage
- Evidence borrower is employed and has income at time of application. A current paystub and verbal VOE will be required. If self employed, YTD P&L statement from an accountant will be required.
- If assets are needed to close, borrower must provide evidence of sufficient assets to close.
- If subordinated financing is remaining in place, the max CLTV is 125%. For streamline refinance WITHOUT appraisal, the LTV/CLTV calculation is based on the original appraised value for the property. For streamline refinances WITH appraisal, the CLTV is based on the new appraised value.
- The Maximum Mortgage Amount calculation is as follows:
  - Streamline WITHOUT appraisal – the outstanding principal balance minus the applicable refund UFMIP PLUS the new UFMIP. Closing costs CANNOT be added to the mortgage.
  - Streamline WITH appraisal – the lower of outstanding principal balance minus the applicable refund UFMIP, plus closing costs, Prepaids and the new UFMIP OR 97.75% of the appraised value plus the new UFMIP. Discount Points\* MAY NOT be included in the new mortgage. If the borrower agrees to pay discount points, documentation of sufficient assets must be verified.

*\*Discount points defined as total borrower points greater than 1.00*

The Loan program description will be updated.

## FHA Appraisal Expiration

FHA has reduced the appraisal expiration to 120 days for all existing and new construction properties effective with case numbers assigned on or after Jan 1, 2010. This change aligns FHA with current industry practices.

## Agency DU and eligibility changes

Fannie Mae will be releasing DU Version 8.0 on December 12. Changes included with the release are as follows:

- Minimum FICO score 620 (was 580)
- 2 Unit Owner Occupied Property - maximum LTV 80% for purchase & rate/term refinance (was 90%)
- 2 Unit Owner Occupied Property - maximum LTV 75% for cash out refinance (was 85%)
- 2 Unit Investment Property – maximum LTV 75% for purchase & rate/term refinance (was 80%)
- 2 Unit Investment Property – maximum LTV 70% for cash out refinance (was 75%)

All new cases submitted to DU on or after December 12 will be scored with the 8.0 version and the new eligibility will be applied. New cases submitted prior to December 12 will be scored with the current version DU 7.1 and will continue to score as DU 7.1 on subsequent submissions, however, loans using DU version 7.1 must close by February 12, 2010.

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Please contact your Account Executive with any questions  
Thank you for your business

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