

NEWSFLASH

Important information: Please read immediately



Date: 1/7/09

Topics in this newsflash include:

- **FHA Refinance changes**
- **Agency Conforming price adjusters**

FHA Refinance LTV calculation

Effective with all case numbers assigned on or after 1/1/2009, HUD has issued mortgagee letter 2008-40 to define LTV and underwriting guidelines for refinance transactions as follows:

RATE/TERM REFINANCES (Conventional-to-FHA or FHA-to-FHA)

- Maximum LTV 97.75%
- Include existing first lien, any purchase money second, any junior liens over 12 months, closing costs, prepaids, interest, accrued late charges, escrow shortages, prepayment penalties and discount points; then subtract any refund of UFMIP (found on FHA connection feedback).
- CLTV – unlimited
- Borrower may not receive cash back in excess of \$500

Seasoning requirements:

- If any portion of an equity line of credit in excess of \$1000 was advanced within the past twelve (12) months and not used for repairs on the subject property, the line of credit is NOT eligible for inclusion in the new mortgage.
- If the property was acquired less than 1 year before the loan application and is not already FHA insured, the original sales price plus documented repairs must be considered in determining maximum mortgage amount.
- If the property was previously listed for the sale, the listing must have been expired or withdrawn 30 days prior to the application (investor requirement)

STREAMLINE REFINANCE without appraisal

- Maximum LTV 97.75%
- Include existing FHA first lien, closing costs, prepaids, interest, accrued late charges, escrow shortages, and discount points; then subtract any refund of UFMIP (found on FHA connection feedback).
- CLTV – unlimited
- Borrower may not receive cash back in excess of \$500
- Credit score or credit report is NOT required. 12 month mortgage payment history is required evidencing no more than 1X60 or 2X30 days late.
- Evidence the existing loan is current at time of closing
- Credit qualifying required is the new P&I payment will increase by more than 20% or removal of an existing borrower.

CASH OUT REFINANCES

- Standard LTV remains at 85.00%
- Enhanced LTV to 95.00% is allowed with the following special underwriting criteria (including a new requirement effective 1/1/2009):
 - **TWO (2) appraisals regardless of loan amount or location of the property**
 - Minimum 600 FICO score
 - Property is the borrower's principal residence for at least 12 months PRIOR to the application date. If borrower has owned less than 12 months, max LTV is 85%
 - No late payments on mortgage for last 12 months

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- 1 Unit only
- Non occupant coborrowers not allowed
- Loan size must be <=\$417,000
- Existing subordinate financing may remain in place and the borrower qualifies with schedules payments on all liens.
- If the property was previously listed for the sale, the listing must have been expired or withdrawn 180 days prior to the application (investor requirement)

Agency Conforming Price adjusters

Fannie Mae has updated the loan level price adjusters. Effective Monday January 12, 2009 for all new locks, extension requests or re-locks on agency conforming (fixed or ARM) the following will be effective (changes highlighted in yellow). The rate sheet will be updated on Monday January 12, 2009.

LTV/FICO ADJUSTERS for 20, 25 & 30 Year terms

	<=60.00%	60.01-70.00%	70.01-75.00%	75.01-80.00%	80.01-85.00%	85.01-90.00%	90.01-95.00%
FICO >=740	0.000	0.000	0.000	0.000	0.000	0.000	0.000
720-739	0.000	0.000	0.000	0.250	0.000	0.000	0.000
700-719	0.000	0.500	0.500	0.750	0.500	0.500	0.500
680-699	0.000	0.500	1.000	1.500	1.000	0.750	0.750
660-679	0.000	1.000	2.000	2.500	2.250	1.750	1.750
640-659	0.500	1.250	2.500	3.000	2.750	2.250	2.250
620-639	0.500	1.500	3.000	3.000	3.000	2.750	2.750
<620	3.000	3.000	3.000	3.000	3.000	3.000	3.000

CASH OUT ADJUSTERS for all terms

	<=60.00%	60.01-70.00%	70.01-75.00%	75.01-80.00%	80.01-85.00%
COR FICO >=740	0.000	0.250	0.250	0.500	0.625
COR 720-739	0.000	0.625	0.625	0.750	1.500
COR 700-719	0.000	0.625	0.625	0.750	1.500
COR 680-699	0.000	0.750	0.750	1.375	2.500
COR 660-679	0.250	0.750	0.750	1.500	2.500
COR 640-659	0.250	1.250	1.250	2.250	3.000
COR 620-639	0.250	1.250	1.250	2.750	3.000
COR <620	1.250	2.250	2.250	2.750	3.000

CONDO ADJUSTER (NEW)

	<=60.00%	60.01-70.00%	70.01-75.00%	75.01-80.00%	80.01-85.00%	85.01-90.00%	90.01-95.00%
CONDO	0	0	0	0.75	0.75	0.75	0.75