

Fannie/Freddie Provide Details on New Refi Options

By: Jann Swanson | Thu, May 6 2021, 10:47 AM

Fannie Mae and Freddie Mac (the GSEs) have provided details for their **streamlined refinance programs** that were originally announced by the Federal Housing Finance Agency (FHFA) last month. The programs, named "RefiNow" by Fannie Mae and "Refi Possible" by Freddie Mac, will be available starting June 5 for Fannie Mae's borrowers but not until August 30 through Freddie Mac.

The programs are designed to **encourage eligible low-income borrowers to refinance** and lower their interest rates and monthly mortgage payments. In its original announcement FHFA said it expected borrowers who refinanced through the initiative to save between \$100 and \$250 a month.

While there are process differences between the two programs, their basic outlines are the same. The no cash-out loans are available to borrowers with existing loans with the respective GSE. Participating lenders are required to provide a minimum reduction of 50 basis points in the interest rate and \$50 dollar monthly savings to borrowers refinancing through the loans.

The GSE mortgage being refinanced must be secured by a single-unit owner occupied residence which is current and on which there has been no more than one missed payment over the previous 12 months and none in the previous six months. The loan must have been seasoned for 12 months, but Freddie Mac appears to limit refinancing to loans with note dates less than 121 months earlier.

The Borrower's qualifying annual income cannot exceed 80 percent of the local area median income (AMI) and can have a credit score as low as 620 and a debt-to-income ratio as high as 65 percent. The resulting loan-to-value ratio cannot exceed 97 percent (although there are exceptions where certain types of second liens are involved.)

If an appraisal is required for the new loan, the GSEs will provide a \$500 credit to the lender at the time the loan is purchased, requiring that the credit be passed to the homeowner. The 50 basis point upfront market refinance fee will also be waived for loans with balances at or below \$300,000.

Sheila C. Bair, Chairwoman of Fannie Mae's Board, said of the new program, "Racial and income disparities in refinance take-up rates have persisted for far too long. With this initiative, we strive to narrow the gap. We thank FHFA for its strong leadership to help all eligible homeowners reduce their monthly housing costs by **taking advantage of the historically low mortgage interest rates.**"

View this Article: <https://www.mortgagenewsdaily.com/news/05062021-gse-initiatives>