

## “RefiNow” Presents Opportunities, For Some

By: Ted Rood | Tue, Jun 8 2021, 4:07 PM

Fannie Mae announced a new refinance program “RefiNow”, **effective June 5th**, designed to provide greater loan flexibilities for low income borrowers, particularly those unable to refinance during 2020’s historically low interest rate environment. Here’s a link to [that announcement](#).

There’s been a LOT of advance hype about the program: how many homeowners it will help; how much they’ll save; etc, but as always, the devil is in the details. **Let’s look at RefiNow’s pros and cons!**

**Pro:** RefiNow allows debt-to-income ratios of up to 65%, well above Fannie’s limit of 50% on other programs.

**Con:** Borrowers obtaining RefiNow loans must have income under 80% of the Area Median Income (AMI). What’s the AMI where you live? You can [look it up here](#).

**Pro:** RefiNow requires lenders to lower applicants’ interest rates by at least 0.5%.

**Con:** In many cases, homeowners’ current rates are within 0.5% of prevailing market rate. They won’t be eligible for RefiNow.

**Pro:** RefiNow requires a monthly savings of at least \$50 on the new house payment.

**Con:** For borrowers with smaller loan sizes, dropping their payment by an amount less than \$50 could still be a benefit. The \$50 savings requirement will restrict some qualified homeowners from the program, even if their budget is tight (as presumably is the case for those whose income is <80% of the AMI).

**Con:** (that’s right, there’s no “Pro” for this one!): Fannie Mae must own or have securitized the existing loan. Those with Freddie Mac backed loans are ineligible for the program. However, Freddie Mac will be starting Refi Possible!, a similar program for low-moderate income borrowers beginning August 30, 2021.

**Pro:** RefiNow allows borrowers with scores as low as 620 to participate in the program, and Fannie is waiving its current 0.5% “adverse market fee” on RefiNow loans.

**Con:** Substantial pricing adjustments (Loan Level Pricing Adjustments, aka “LLPAs”) based on equity and credit scores still apply to RefiNow loans. [Here’s a link to them](#). A borrower with 620-659 scores and less than 30% equity will face a 3% or greater pricing adjustment, which translates to dramatically higher rates compared with scores in the mid-upper 700’s. This factor alone will make the requirement to drop rates 0.5% exceptionally challenging for lower score borrowers.

If you’re thinking “wow, there’s a lot of cons here”, you’re on the right track. While RefiNow will help a certain segment of homeowners, the restrictions are broad enough that some won’t be eligible.

Want more info on this program? I’m glad to answer your questions, feel free to reach out. As always, the question “should I refinance now?” requires discussing much more than just your current interest rate.

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