MemberFirst MORTGAGE

MFM Bulletin: 022-2021

Date: November 9, 2021

Subject: New Refi Programs!

Member First Mortgage is pleased to announce we are rolling out two new loan refinancing programs from Fannie Mae and Freddie Mac. These affordable refinance options are intended to make it easier and less expensive for qualifying homeowners to reduce their monthly housing costs. Fannie Mae RefiNow™ and Freddie Mac Refi Possible® offer more flexible features to help address some of the barriers low-to- moderate income borrowers face when refinancing. With expanded debt-to-income ratios, reduced documentation requirements and lower costs of refinancing, these new refi programs could be a great fit for your members!

Fannie Mae RefiNow™:

- The current loan being refinanced must have been sold to Fannie Mae
- Maximum 65% DTI through Desktop Underwriter (DU)
- Available to borrowers at or below 100% of the area median income (AMI)
- DU findings will state if borrower meets income limits and loan is eligible for program

Freddie Mac Refi Possible®:

- The current loan being refinanced must have been sold to Freddie Mac
- Maximum 65% DTI through Loan Product Advisor (LPA)
- Available to borrowers at or below 80% of the area median income (AMI)
    - Scheduled to increase to 100% in January, 2022
- LPA findings will state if borrower meets income limits and loan is eligible for program

Fannie Mae RefiNow™ and Freddie Mac Refi Possible® are servicing retained by MFM only.

Both refinance programs are available immediately, please see below/attached for complete guidelines. We will announce training sessions to discuss these programs and answer questions, please stay tuned for dates and times.

Thank you!

Fannie Mae RefiNow

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Description

RefiNow™ is an affordable refinancing option for qualifying homeowners aimed at making it easier and less expensive to reduce monthly housing costs. **These loans will be held by MFM Servicing Retained only.**

BORROWER ELIGIBILITY REQUIREMENTS

Eligible Borrowers

The borrower(s) total income must be less than or equal to 100% of the applicable AMI limit for the subject property's location.

- In determining whether a loan is eligible under the borrower income limits, the income utilized in evaluating creditworthiness for the loan from all borrowers who will sign the note must be considered.

REQUIREMENTS FOR THE EXISTING LOAN BEING REFINANCED

Existing Loan Eligibility

The existing loan must:

- Be a conventional mortgage loan owned by Fannie Mae.
- Must be seasoned at least 12 months (from the original note date to the new note date.
- Not be an existing high LTV refinance loan, DU Refi Plus® loan, or Refi Plus® loan.
- You can determine whether the mortgage is owned by Fannie Mae by checking the following websites: Fannie Mae Mortgage Loan Lookup

REQUIREMENTS FOR THE NEW LOAN

New Loan Eligibility

The new RefiNow™ loan must:

- Be a fixed-rate loan.
- Maximum LTV, CLTV, and HCLTV ratios as permitted in the Eligibility Matrix.
    - Be a limited cash-out refinance with **maximum cash out to borrower at closing of $250.00.**
- Have a loan limit that conforms to the general loan limits (high-balance loans are not permitted).
- Have identical borrowers on the new loan as the existing loan. New borrowers cannot be added or removed. One or more borrowers may only be removed if:
    - The remaining borrower(s) meet the payment history requirements and provides evidence that they have made at least the last 12 months of payments from their own funds, or
    - Due to the death of a borrower (evidence of the deceased borrower's death must be documented in the loan file).
    - Note: Non-occupant borrowers are permitted (see below).
- Not be a Texas Section 50(a)(6) loan.
- Not be subject to a temporary interest rate buydown.

Borrower Benefit

The refinanced loan must provide the following benefits to the borrower:

- Rate reduction of at least .50% from the current interest rate and,
- A reduction in the monthly payment that includes principal, interest, and the mortgage insurance payment (if applicable).

Subject to change at any time.
Updated 11.5.21

Fannie Mae RefiNow

MemberFirst MORTGAGE

Eligible Subordinate Financing

- Existing subordinate financing
  - May not be satisfied with the proceeds of the new loan,
  - Can remain in place if it is resubordinated to the new loan, and
  - May be simultaneously refinanced with the existing first lien mortgage, provided that
    - The unpaid principal balance (UPB) of the new subordinate lien is not more than the UPB of the subordinate lien being refinanced at the time of payoff, and
    - There is no increase in the monthly principal and interest payment on the subordinate lien.
- New subordinate financing is only permitted if it replaces existing subordinate financing.

Occupancy and Property Types

- One-unit principal residence.
- All eligible property types are permitted.
- **Condominiums:** All project review requirements will be waived for properties located in a condo, co-op or PUD project except that the lender must confirm the project is not a condo or co-op hotel or motel, houseboat, timeshare or segmented ownership project. The lender must confirm project has appropriate liability, property building and amenity coverage, flood insurance (if required) and HO-6 (if required)

UNDERWRITING AND DOCUMENTATION REQUIREMENTS FOR THE NEW LOAN

Underwriting method

- DU approved/Eligible only. No manual underwriting
- DU will identify and underwrite casefiles that appear to be eligible for RefiNow based on the borrowers listed on the loan application, the property address, qualifying income, and several other factors.

If loan IS NOT eligible or cannot be underwritten under the Refi Now program, the loan must be resubmitted to DU on the Web with "STANDARD LCOR" added to the Loan Product field to instruct DU to underwrite the loan as a standard Limited cash out refinance.

Minimum Credit Score and Significant Derogatory Credit

- The loan must have a minimum representative credit score of 620.
- The borrower must comply with all applicable standard waiting periods following derogatory credit events in Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit. (Exception: The LTV ratio limitation that applies to a previous foreclosure is not applicable – standard LTV ratios are permitted.)

Payment history requirements

- No 30-day mortgage delinquencies in the most recent six-month period, and
- No more than one 30-day delinquency in months 7 through 12.

If the borrower has missed payments due to a COVID-19 forbearance, and those payments have been resolved in accordance with the temporary eligibility requirements for purchase and refinance transactions in LL-2021-03, then the missed payments are not considered delinquencies for purposes of meeting these payment history requirements. This will apply for as long as the temporary policies remain in effect.

Maximum DTI ratio

The DTI ratio must be less than or equal to 65%.

Non-occupant borrowers

- Non-occupant borrowers are permitted.
- A maximum LTV, CLTV, and HCLTV ratio of 95% applies to loans underwritten with DU and manually (CLTV ratio may be up to 105% when a Community Seconds® is being resubordinated).

Documentation requirements

The following table describes the income documentation requirements.

Income type	Minimum Documentation Requirements
Base Pay (non-variable)	The borrower's year-to-date paystub dated no earlier than 30 days prior to the loan application date. **Pay stub may be no more than two months old at time of closing.**
Base Pay (variable)	The borrower's year-to-date paystub and W2 covering the most recent one-year period.
Military Income	Military Leave and Earnings Statement
Self-Employment	One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the Selling Guide
Alimony, Child Support, or Separate Maintenance	Copy of divorce decree, separation agreement, court order or equivalent documentation, and one month documentation of receipt
All Other Eligible Income Types	Standard Selling Guide requirements apply

The following additional documentation requirements apply:

- Verbal verification of employment (employment or self-employment) is required.
- Verification of funds to close are required. Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance.
- Verification and consideration of recurring alimony and child support payments as a liability, if applicable, are required. Acceptable documentation includes a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation.

COLLATERAL REQUIREMENTS

Property Valuation

- Standard property valuation requirements for an appraisal waiver or appraisal apply.
- A $500 credit will be provided to borrower at closing if an appraisal was obtained for the transaction.

OTHER

Usage

The RefiNow™ option may only be used one time.

Mortgage Insurance

All standard mortgage insurance requirements apply in accordance with the Selling Guide. **Mortgage Insurance coverage for RefiNow™ loans may be restricted to the mortgage insurer on the existing loan depending on Mortgage Insurance carrier's policies. We have been advised that both Arch and Radian have adopted this policy.** However, DU will identify the insurer that is currently providing coverage.

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Updated 11.5.21

Freddie Mac Refi Possible®

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Description

The Freddie Mac Refi Possible® (Refi Possible) refinance offering provides expanded flexibilities suitable for borrowers whose current mortgage was sold to Freddie Mac and who may not have taken advantage of low interest rates and want to refinance into a more sustainable mortgage. With Refi Possible, lower-income homeowners have additional flexibility to capitalize on this historic opportunity to reduce their monthly mortgage payment.

Origination and Underwriting Requirements	
Eligible Property/ Occupancy	• First Lien, conventional mortgage **must be currently owned by Freddie Mac**. • Loan Product Advisor automatically returns a message letting you know if Freddie Mac owns the mortgage being refinanced. • 1-unit primary residence only • All eligible property types permitted Condominiums: Neither Full review nor Limited Condo Project review is required. • MFM must be still able to warrant that the project is not located in a condominium hotel, cooperative hotel, houseboat project, timeshare project or project with segmented ownership; and • The project has insurance that meets the applicable insurance requirements ((Minimum $1 million dollar Liability coverage, adequate building and amenity coverage, Flood insurance coverage (if required) and HO-6, (if required))
Loan Terms	• Fixed-rate only. • No Cash Out Refinance only and cash out limited to max $250 at closing • No super conforming, temporary subsidy buydowns • May not be a Texas Equity Section 50(a)(6) Mortgage. • No existing secondary financing may be satisfied with proceeds.
Existing Loan Eligibility/ Seasoning	Freddie Mac Owned Loan: • Loan being refinanced may be seasoned no more than 10 years (note date to note date). • Minimum 12-month seasoning is required.
Minimum Credit Score	Minimum 620 score is required
Loan Purpose	No cash out refinance only
Units	1-unit properties only
Maximum DTI Ratio	65% for LPA and manually underwritten mortgages.
Collateral and Property Valuation	• Standard property valuation – Automated Collateral Evaluation (PIW waiver) or appraisal required. • A $500 credit will be provided to the borrower at closing when an appraisal is obtained.
Asset Documentation	• 1-month account statement (only required if funds to close is greater than $500).
Mortgage Insurance	• Standard mortgage insurance coverage per LPA findings is required. **Mortgage insurance coverage for RE Possible loans may be restricted to the mortgage insurer on the existing loan depending on Mortgage insurance carrier's policies. We have been advised that both Arch and Radian have adopted this policy. However, DU will identify the insurer that is currently providing coverage.**
Number of Uses	• 1-time use of product (i.e., cannot refinance a Refi Possible mortgage into another Refi Possible).
Underwriting	• LPA Accept/Approved only – no manual underwriting • LPA automatically returns a message letting you know if Freddie Mac owns the mortgage being refinanced.

Subject to change at any time.
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Freddie Mac Refi Possible®

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Borrower Income Requirements

- Total annual qualifying income must not exceed 80% of the area median income (AMI) for location of mortgage premises.
- To determine if the borrower meets the income requirements, use either or both of the following tools:
  - Loan Product Advisor® (LPASM) – **Determines loan income eligibility of the mortgage.**
  - Map-based Home Possible Income & Property Eligibility Tool – **Verifies if a borrower can qualify for a Freddie Mac Home Possible® mortgage based on the property location and the borrower's qualifying income.**[1]

Change in Borrowers

- The borrower(s) obligated on the note for the Refi Possible mortgage must be the same as the borrower(s) obligated on the note for the mortgage being refinanced, except that a borrower obligated on the note for the mortgage being refinanced may be omitted from the note for the Refi Possible mortgage provided that:
  - The mortgage file contains evidence that the remaining borrower has been making the mortgage payments, including the payments for any secondary financing, for the most recent 12-month period from their own funds; or
  - In the case of death, the Seller obtains and retains in the mortgage file documentation of the borrower's death
- In all cases, at least one Borrower from the mortgage being refinanced must be retained

Income Documentation[2]	
Primary Base Non-Fluctuating	YTD paystub and 10-day pre-closing verification (PCV) (or written verification of employment (VOE) and PCV).
Primary Hourly Fluctuating	YTD paystub, most recent W-2 and 10-day PCV (or written VOE and 10-day PCV)
Primary Other Fluctuating (e.g. overtime, bonus etc.)	YTD paystub, most recent W-2 and 10-day PCV (or written VOE and 10-day PCV)
Military	Most recent Leave and Earnings Statement.
Self-Employed	Most recent complete individual and business tax return and third-party verification of the current existence of the business dated no more than 120 days before note date.
Alimony, Child Support or Separate Maintenance	Most recent one-month documentation to evidence receipt of the alimony, child support and/or separate maintenance payment amount. A copy of the signed court order, legally binding agreement and/or final divorce decree verifying the payor's obligation for the previous one month, including the amount and duration of the obligation.

Maximum LTV/TLTV/HTLTV Ratios

- Standard loan-to-value (LTV) / total loan-to-value (TLTV) / high total loan-to-value (HTLTV) limits per the Seller/Servicer Guide Bulletin 2021-17
- General eligibility requirements apply for mortgages secured by manufactured homes; see Guide Chapter 5703.3

1-unit other than Manufactured Homes	97%[3]
Manufactured Homes	95%
Mortgage with a non-occupying Borrower	95%[3]

[1]The Seller may not use other published AMI versions (such as AMIs posted on https://www.huduser.gov/portal/home.html) to determine mortgage or product eligibility.

[2]For all other income types and characteristics; standard Guide requirements apply

[3]A TLTV ratio up to 105% is permitted when the Mortgage is not secured by a Manufactured Home and secondary financing is an Affordable Second®

Freddie Mac Refi Possible®

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Mortgage Payment History

- No 30 days delinquencies in the most recent six months (to closing – see below).
- Maximum 1X30 days delinquent in months 7-12.
- No 60 or more days delinquent in the most recent 12 months.

NOTE: Current Payment history is required to determine that the payment history requirements are met from the last reported mortgage tradeline date to note date. Use of updated credit report is permitted. Loan must be current as of the closing date.

Eligibility for mortgages with a COVID-19 forbearance plan.

If the borrower has missed payments due to a COVID-19 forbearance and those payments have been resolved according to the temporary eligibility requirements. Those missed payments are not considered delinquencies for the purpose of meeting the payment history requirements.

If the mortgage be refinanced...	Then...
Had delinquencies that do not meet the payment history requirements above due to a COVID-19 forbearance plan.	The mortgage is **ELIGIBLE** for Refi Possible, provided that: • The mortgage is current as of the note date of the new Mortgage according to Bulletin 2020-17. • All requirements of Bulletin 2020-17 are met. • Delinquencies during the COVID-19 forbearance are not reported on the credit report.
Had delinquencies that do not meet the payment history requirements above for any other reason.	The mortgage is **INELIGIBLE** for Refi Possible.

NOTE

Current Mortgage statements are required to determine if the mortgage being refinanced is current as of the note date of the new mortgage. Additional requirements must be met if the mortgage is not current. These are temporary requirements that must be met in addition to the payment history requirements for Refi Possible for as long as these temporary requirements remain in effect. Both the payment history requirements for Refi Possible and the additional requirements established must be met for a mortgage to be eligible as a Refi Possible mortgage.

NOTE

- Standard waiting periods after significant derogatory credit events apply.

Secondary Financing

No new secondary financing is permitted for a Refi Possible mortgage, except when a junior lien is refinanced at the same time with the first lien and there is no increase in the unpaid principal balance or the monthly principal and interest payment of the junior lien.

- Existing junior lien must be subordinated to the Refi Possible mortgage.
- Must meet the requirements for secondary financing.
- May be refinanced simultaneously with the existing first lien provided that there is no increase in the unpaid principal balance (UPB) or monthly principal and interest payment of the junior lien.
- No new subordinate financing permitted, except to replace existing subordinate financing as stated above.

Borrower Benefit

The refinance transaction must result in **both** of the following:

- Interest rate must be reduced by at least .50% (fifty basis points) and,
- A reduction in the borrower's First Lien monthly principal, interest and mortgage insurance (if applicable) payment amount.