



## **MFM Bulletin: 021-2023**

**Date:** August 3, 2023

**Subject:** Fannie Mae Policy Updates

Fannie Mae has recently issued bulletins with the following important policy changes:

### **Qualifying Rate for 7- and 10-Year ARMs:**

- Fannie Mae has updated the selling guide to allow 7 and 10-year ARM borrowers to be qualified using the note rate only.
- *Note: The greater of the note rate or fully indexed rate is required for HPML loans (Higher Priced Mortgage loans).*
- **Effective Date:** DU will be updated to reflect these changes the weekend of August 19, 2023.

### **Limited Cash-Out Refinances:**

- Fannie Mae has revised the eligibility requirements for limited cash-out refinances to stipulate that at least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application.
- Exceptions to this policy are permitted in the following scenarios:
  - The borrower acquired the property through an inheritance or was legally awarded the property via a legal settlement or divorce decree, or
  - The property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust.
- **Effective Date:** MFM will implement this policy change with loan applications on or after August 15, 2023.

Fannie Mae has also provided clarification for uses for funds obtained from a cash-out refinance:

- Proceeds may be used to pay off additional amounts required due to deferred balances resulting from previous loss mitigation and late fees and;
- Allowing proceeds to be used to satisfy any share of appreciation due to a provider under the terms of a shared appreciation agreement when the subordinate lien is a Community Seconds loan.
- **Effective Date:** Immediately

Thank you