Refi Possible® Mortgage

The Freddie Mac Refi Possible[SM] (Refi Possible) refinance offering provides expanded flexibilities to encourage borrowers who may not have taken advantage of low interest rates and want to refinance into a more sustainable mortgage that promotes long-term homeownership success. With Refi Possible, low- and moderate-income borrowers have additional flexibility to capitalize on this historic opportunity to reduce their monthly mortgage expenditures.

As announced in Guide Bulletin 2021-33, we are expanding our Refi Possible eligibilities to enable more low- and moderate-income borrowers to refinance their current loans and save more on their monthly mortgage payments. The sections below reflect the newly expanded eligibility requirements around, loan terms and borrower benefits effective October 20, 2021.

Origination and Underwriting Requirements

Eligible Property/ Occupancy

- Be a First Lien, conventional mortgage currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac.
- 1-unit primary residence.
- All eligible property types permitted.

The Seller is not required to evaluate if the condominium or cooperative project meets the project eligibility requirements, provided that:

- Seller represents and warrants 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 of Guide Chapter 4703.

Loan Terms

- Fixed-rate only.
- No super conforming, temporary subsidy buydowns or Texas Equity Section 50(a)(6) Mortgage.
- Cash out limited to $250.
- No existing secondary financing may be satisfied with proceeds.

Existing Loan Eligibility / Seasoning

Freddie Mac Owned Loan:

- Loan being refinanced is seasoned no more than 10 years or 120 months (note date to note date).[1]
- Minimum 12-month or (144 months) seasoning.

Minimum Indicator Score

- 620 for Loan Product Advisor® (LPA[SM]) and manually underwritten mortgages.

Maximum Debt-To-Income Ratio

- 65% for LPA and manually underwritten mortgages.

Collateral and Property Valuation

- Standard property valuation – Automated Collateral Evaluation (ACE) or appraisal required.
- A $500 credit will be provided to the Seller when an appraisal is obtained. The Seller must pass the credit to the borrower.

[1] Removal of the 10-year maximum loan seasoning will be effective January 2022. Freddie Mac will announce the January effective date in the December 1, 2021 Guide Bulletin.

Asset Documentation	• 1-month account statement (only required if funds to close is greater than $500).
Mortgage Insurance	• Standard mortgage insurance coverage is required. • Custom mortgage insurance is eligible.
Number of Uses	• 1-time use of product (i.e., cannot refinance a Refi Possible mortgage into another Refi Possible).
Pricing	• Standard Credit Fees in Price.
Negotiated Provisions	• Other negotiated terms may not be combined with this program without prior approval from Freddie Mac.

Borrower Income Requirements

- Total annual qualifying income must not exceed 80%[2] 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® (LPA℠)	Determines loan income eligibility of the mortgage.
Map-based Refi Possible Income & Property Eligibility Tool	Verifies if a borrower can qualify for a Freddie Mac Refi Possible℠ mortgage based on the property location and the borrower's qualifying income.
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.[3]

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[4]

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)

[2] The AMI limits will be expanded to at or below 100% AMI in January 2022. Freddie Mac will announce the January effective date in the December 1, 2021 Guide Bulletin
[3] 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.
[4] For all other income types and characteristics; standard Guide requirements apply

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.

[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

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%[5]
Manufactured Homes	95%
Mortgage with a non-occupying Borrower	95%[5]

Mortgage Payment History

As announced in Bulletin 2021-17, mortgages being refinanced as Refi Possible must not have been:

- 30 days delinquent in the most recent six months.
- 30 days delinquent more than once in the most recent 12 months.
- 60 or more days delinquent in the most recent 12 months.

Use of the credit report

The Seller, you may use the credit report to determine if the payment history requirements have been met through the last reported mortgage tradeline date.

Additional due diligence

The Seller is responsible for establishing the payment history between the date the mortgage tradeline was last reported and the note date. For example, Sellers may check the date of the tradeline information on the credit report prior to the note date or check their servicing records from the Servicer transactions.

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 in Bulletin 2020-17, those missed payments are not considered delinquencies for the purpose of meeting the payment history requirements.

[5] 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®

If the mortgage being 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

The additional due diligence required in Bulletin 2020-17 is 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 in Bulletin 2020-17 must be met for a mortgage to be eligible as a Refi Possible mortgage.

NOTE

- LPA will use credit report to establish payment history through the date the mortgage tradeline was last reported on the credit report.
- Seller is responsible for checking that the payment history requirements are met from the last reported mortgage tradeline date to note date. Use of updated credit report is permitted.
- Seller must verify whether mortgage being refinanced is current as of the note date of the new mortgage.
- Seller must verify compliance with all other COVID-19 related requirements and guidance of Bulletin 2020-17 as long as they remain in effect.
- Borrower must comply with applicable recovery time periods for reestablishing credit reputation following significant derogatory credit events. Seller must document extenuating circumstance is applicable.

Secondary Financing

Our requirements were updated to state that 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 in Guide Chapter 4204.1.
- 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:

- A First Lien mortgage interest rate reduction of at least 50 basis points (bps) to reduce monthly mortgage payment amount.

Delivery Requirements

Sellers must deliver the following ULDD Data Points:

- Related Loan Investor Type (Sort ID 222): FRE.
- Related Investor Loan Identifier (Sort ID 221): <Associated FRE Loan #>, the 9-digit Freddie Mac loan number assigned to the original mortgage.
- Investor Feature Identifier (Sort ID 368): J05, indicating Refi Possible Mortgage.