Last Reviewed: 01/13/2025

UHM REFINANCE REFERENCE TOOL – FNMA-FHLMC

Disclaimer: This job aid is not all inclusive. Please reference Agency selling guides for further detail and requirements as necessary.

Conventional – FNMA Rate/Term (Limited/No Cash-Out)

Eligibility Requirements

- Pay off ***existing*** first mortgage loan (including HELOC in a first lien position) by obtaining a new first mortgage loan secured by the ***same*** property; or
- Pay off both ***existing*** first mortgage loan AND second lien that is documented as being originated for the purpose of purchasing the property, by obtaining a new first mortgage loan secured by the ***same*** property.
- 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 are allowed if the lender documents any of the following:
    - The Borrower acquired the property through inheritance or was legally awarded the property, such as through divorce, separation, or dissolution of domestic partnership, or
    - The property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust, or
    - The Borrower is paying off an installment land contract that was executed more than 12 months prior to the application for the refinance, or
    - The Borrower on the new loan is currently financially obligated on the loan being paid off but not on the title (ownership must be transferred to the Borrower[s] at time of closing).
        i. This includes loans where the property is currently owned by a limited liability corporation (LLC) that is majority owned or controlled by the Borrower(s).

Property Listed for Sale

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM will purchase loans if the subject property was listed for sale within the last six months but was taken off the market prior to the application date, provided the file contains the following:

- Documentation that the property has been taken off the market prior to the date of application;
- A letter of explanation which must address the reason the property was for sale and the subsequent reason for taking the property off the market, regardless of occupancy; and
- If the subject property is the Borrower's primary residence, the letter of explanation must also confirm their intent to continue to occupy the property.

Seasoning Requirements

- If the current mortgage being paid was a cash out refinance:
    - The application date of a new limited cash out refinance must be 31 days or more after the Note date of the prior cash out refinance. Refer to any additional guides that apply to the refinance including short-term financing, buying out a co-owner, paying off subordinate financing used to purchase the subject property, payoff of construction or renovation financing, or establishing new subordinate financing.

Maximum Cash Back

- Lesser of 2% of the loan amount OR $2,000
- DU Refi Plus cash back limit $250

FICO Requirements

- 620
- 620 – Manufactured Homes
- No Score – Not eligible. UHM overlay effective 04/06/2020.
- See FNMA Eligibility Matrix for DU Refi Plus or Refi Plus

LTV Limitations

- 1 Unit – 97% Fixed Rate or 95% ARM
- 2 Unit – 95% Fixed Rate/ARM
- 3-4 Unit – 95% Fixed Rate/ARM
- Manufactured – 90%
- See Fannie Mae Eligibility Matrix for Second Homes and Investment Properties

Additional Limitations for LTV 95.01 – 97%

- Existing loan is owned/securitized by FNMA
- CLTV up to 105%, if the subordinate lien is a Community Seconds loan
- Fixed rate term not to exceed 30 years
- One-unit Principal Residence only
- No manufactured homes, unless property meets MH Advantage requirements
- At least one borrower must have a credit score

Ineligible Transactions

When ***any*** of the following conditions exist, the transaction is ineligible as a Limited Cash-Out Refinance and must be treated as a Cash-Out Refinance:

- No outstanding first lien on the subject property, with the exception of single-closing construction-to-permanent transactions, which are eligible as a Limited Cash-Out Refinance even though there is not an outstanding lien on the subject property.
- The proceeds are used to pay off a subordinate lien that was not used to purchase the property (other than the exceptions for paying off PACE loans and other debt used for energy-related improvements).
- The Borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.
- A short-term refinance mortgage loan that combines a first mortgage and a non-purchase-money subordinate mortgage into a new first mortgage or any refinance of that loan within six months.

The transaction is not eligible for delivery to Fannie Mae when the subject property is listed for sale at the time of disbursement of the new mortgage loan.

Acceptable Uses

The following are acceptable in conjunction with a Limited Cash-Out Refinance transaction:

- Modifying the interest rate and/or term for existing mortgages.
- Paying off the unpaid principal balance of the existing first mortgage (which may include additional amounts required to pay off the loan, such as prepayment penalties, a deferred balance resulting from completion of a prior loss mitigation solution, and late fees).
- Paying for construction costs to build a home for a single-closing construction-to-permanent transaction, which may include paying off an existing lot lien.
- Paying off the construction loan and documented construction cost overruns for a two-closing construction-to-permanent loan.
- The payoff of an installment land contract that was executed more than 12 months prior to the loan application.
- Financing the payment of closing costs, points, and prepaid items.
- With the exception of real estate taxes that are more than 60 days delinquent, the Borrower may include real estate taxes in the new loan amount, provided:
    - The real estate taxes are paid in full through the transaction, and
    - The payment for the taxes must be disbursed to the taxing authority through the closing transaction, with no funds used for the taxes disbursed to the Borrower.
- Receiving cash back in an amount that is no more than the lesser of 2% of the new refinance loan amount or $2000.
- Paying off a subordinate mortgage lien (including prepayment penalties) used to purchase the subject property.
    - When the subordinate loan is a Community Second, payoff may include any required payment of the share of appreciation due to the Community Second's provider under the terms of the shared appreciation agreement.
    - The entire amount of the subordinate financing used to acquire the property must be documented.
- Paying off the unpaid principal balance of PACE loans and other debt used for energy-related improvements.
- Buying out a co-owner pursuant to an agreement.
    - A transaction that requires one owner to buy out the interest of another owner (for example, as a result of a divorce settlement or dissolution of a domestic partnership) is considered a Limited Cash-Out Refinance if the secured property was jointly owned for at least 12 months preceding the disbursement date of the new mortgage loan.
    - All parties must sign a written agreement that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction. Except in the case of recent inheritance of the subject property, documentation must be provided to indicate that the security property was jointly owned by all parties for at least 12 months preceding the disbursement date of the new mortgage loan.
    - Borrowers who acquire sole ownership of the property may not receive any of the proceeds from the refinancing. The party buying out the other party's interest must be able to qualify for the mortgage pursuant to Fannie Mae's underwriting guidelines.

Appraisal Requirements

- Property must be appraised within the 12 months that precede the date of the note and mortgage. When appraisal will be more than 4 months old on Note Date, regardless of whether appraised as proposed or existing construction, an Appraisal Update and/or Completion Report (1004D) must be completed; recertifying the value.
    - If Appraiser indicates value has declined, a new appraisal report must be obtained.
    - If Appraiser indicates value is unchanged, no further reports are needed.

- Use of appraisal for subsequent transaction – **all** the following requirements are to be met:
  - Subsequent transaction is a Limited Cash-Out Refinance
  - Appraisal report is not more than 12 months, old on Note Date. If appraisal report is greater than 4 months, an appraisal update is required.
  - Lender must ensure property has not undergone any significant remodeling, renovation, or deterioration; to the extent that these things would affect the market value of the property.
  - Borrower and Lender must be the same on the original and subsequent transactions.

Conventional – FNMA Cash-Out

Eligibility Requirements

- Pay off ***existing*** mortgages by obtaining a new first mortgage loan secured by the ***same*** property or a new mortgage on a property that does not currently have a mortgage lien against it.
- UHM, being more conservative than the agencies, requires the subject property is NOT listed for sale at the time of Application or after. According to the Agencies, the subject property must NOT be currently listed for sale and the subject property must be taken off the market on or before the disbursement date of the new mortgage loan.
  - See the Seasoning Requirements section, below, for additional information.
- The **application date** of a new limited cash out refinance must be 31 days or more after the **Note date of a prior cash out refinance**.

Property Listed for Sale

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM may deliver conforming Cash-Out Refinance transactions where the subject property was listed for sale within the last six months prior to the loan application if:

- The property was taken off the market prior to the application date; and
- The maximum LTV/TLTV/CLTV is the lower of 70 percent or the maximum for product/occupancy/property type.

Seasoning Requirements

- The property must have been purchased (or acquired) by the Borrower at least six months prior to the disbursement date of the new mortgage loan, except in the following circumstance:
  - There is no waiting period if the lender documents that the Borrower acquired the property through an inheritance or was legally awarded the property (for example: in the case of divorce, separation, or dissolution of a domestic partnership).

  Note: Manufactured homes require 12 months from inheritance.
- The delayed financing requirements are met. See *Delayed Financing Exception* in FNMA Selling Guide.
- If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the Borrower(s), the time it was held by the LLC may be counted towards meeting the Borrower's six-month ownership requirement. (In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual Borrower(s).) See FNMA Selling Guide for additional guidance.
- If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the Borrower's six-month ownership requirement if the Borrower is the primary beneficiary of the trust.
- The **application date** of a new limited cash out refinance must be 31 days or more after the **Note date of a prior cash out refinance**.

- **For loan with less than 12 months seasoning:**
  - If the first lien being paid off was a purchase transaction and the original purchase price, as stated on the application, is less than the new appraised value; the file should contain documentation supporting the increase in value (e.g. appraisal indicates increasing values for the market, appraisal comparables support increasing values, documented home improvements, or a copy of the original appraisal showing the original appraised value higher than the original sales price).
- Additional 12-month seasoning requirements when paying off a current 1st mortgage:
  - When proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the Mortgage file (e.g., on the credit report or title commitment).
  - This additional 12-month seasoning requirement does not apply:
    i. To any existing subordinate liens being paid off through the transaction, or
    ii. When buying out a co-owner pursuant to a legal agreement.

FICO Requirements:

- 620
- 620 – Manufactured Homes
- No Score – Not eligible. UHM overlay effective 04/06/2020.

FNMA LTV Limitations

- 1 Unit – 80% Fixed Rate/ARM
- 2-4 Unit – 75% Fixed Rate/ARM
- Manufactured – 1 unit with term less than or equal to 30 years 65% Fixed Rate/ARM (multi-width only, no single-wides)
- See Fannie Mae Eligibility Matrix for Second Homes and Investment Properties

Ineligible Transactions

When ***any*** of the following conditions exist, the transaction is ineligible as a Cash-Out Refinance:

- The mortgage loan is subject to a temporary interest rate buydown.
- The subject property was purchased by the Borrower within the six months preceding the disbursement date of the new mortgage loan, except if delayed financing guidelines are met. See FNMA Selling Guide.
- For certain transactions on properties that have a Property Assessed Clean Energy (PACE) loan, borrowers who refinance the first mortgage loan and have sufficient equity to pay off the PACE loan but choose not to do so will be ineligible for a cash-out refinance.
- Transactions classified as HomeStyle Energy loans. However, energy-related improvements are permitted.
- Transactions in which a portion of the proceeds of the refinance is used to pay off the outstanding balance on an installment land contract, regardless of the date the installment land contract was executed.
- The new loan amount includes the financing of real estate taxes that are more than 60 days delinquent and an escrow account is not established, unless requiring an escrow account is not permitted by applicable law or regulation. For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible for sale to Fannie Mae without an escrow account.

Acceptable Uses

The following are acceptable uses for Cash-Out Refinance transactions:

- Paying off the unpaid principal balance of the existing first mortgage .
- Financing the payment of closing costs, points, and prepaid items. The Borrower can include real estate taxes in the new loan amount. Delinquent real estate taxes (taxes past due by more than 60 days) can also be included in the new loan amount but, if they are, an escrow account must be established, subject to applicable law or regulation.
- Paying off any outstanding subordinate mortgage liens of any age.
- Taking equity out of the subject property that may be used for any purpose.
- Financing a Short-Term Refinance mortgage loan that combines a first mortgage and a non-purchase-money subordinate mortgage into a new first mortgage or a refinance of the Short-Term Refinance loan within six months.

Appraisal Requirements

- Property must be appraised within the 12 months that precede the date of the note and mortgage. When appraisal will be more than 4 months old on Note Date, regardless of whether appraised as proposed or existing construction, an Appraisal Update and/or Completion Report (1004D) must be completed; recertifying the value.
  - If Appraiser indicates value has declined, a new appraisal report must be obtained.
  - If Appraiser indicates value is unchanged, no further reports are needed.
- Previously completed appraisals may NOT be used on Cash-Out Refinances.

Conventional – FHLMC Requirements for all Refinances

- For all FHLMC Refinances, when an existing mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:
  - At least one Borrower on the refinance mortgage was a Borrower on the mortgage being refinanced; or
  - At least one Borrower on the refinance mortgage held title to and resided in the mortgaged premises as a Primary Residence for the most recent 12-month period and the mortgage file contains documentation evidencing that the Borrower:
    - Has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or
    - At least one Borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises (for example: in the case of divorce, separation, or dissolution of a domestic partnership).
- A Living Trust may be made irrevocable by a Settlor's death. To be an eligible Borrower at the time of the refinance transaction, the Borrower must continue to be a Living Trust that meets Freddie Mac's revocability and, as applicable, other eligibility requirements.

Seasoning Requirements

- The note date of a new “no cash out” refinance mortgage must be 31 days or more after the note date of any prior refinance, regardless of whether that loan was cash out or no cash out.
- For loan with less than 12 months seasoning:
  - If the Underwriter has knowledge that the first lien being paid off was a Cash-Out Refinance transaction with an LTV greater than 80%, the new loan will not be eligible for limited Cash-Out Refinance parameters.
  - If the first lien being paid off was a purchase transaction and the original purchase price, as stated on the application, is less than the new appraised value; the file should contain documentation supporting the increase in value (e.g. appraisal indicates increasing values for the market, appraisal comparables support increasing values, documented home improvements, or a copy of the original appraisal showing the original appraised value higher than the original sales price).

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Conventional – FHLMC Rate/Term

Eligibility Requirements

- Pay off ***existing*** first mortgage loan (including HELOC in a first lien position), by obtaining a new first mortgage loan secured by the ***same*** property; or
- Pay off both ***existing*** first mortgage loan and second lien that is documented as being originated for the purpose of ***purchasing the property***, by obtaining a new first mortgage loan secured by the ***same*** property.
- UHM, being more conservative than the agencies, requires the subject property is NOT listed for sale at the time of Application or after. According to the Agencies, the subject property must NOT be currently listed for sale and the subject property must be taken off the market on or before the disbursement date of the new mortgage loan.
- Borrowers must confirm their intent to occupy subject property (for principal residence transactions).

Property Listed for Sale

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM will purchase loans if the subject property was listed for sale within the last six months but was taken off the market prior to the application date, provided the file contains the following:

- Documentation that the property has been taken off the market prior to the date of application;
- A letter of explanation which must address the reason the property was for sale and the subsequent reason for taking the property off the market, regardless of occupancy; and
- If the subject property is the borrower's primary residence, the letter of explanation must also confirm their intent to continue to occupy the property.

Seasoning Requirements

The note date of a new "no cash out" refinance mortgage must be 31 days or more after the note date of any prior refinance, regardless of whether that loan was cash out or no cash out.

Maximum Cash Back

- Greater of 1% of the loan amount OR $2,000
- Freddie Open Access cash back limit $250

FICO Requirements

- 620
- 620 – Manufactured Homes
- No Score – Not eligible. UHM overlay effective 04/06/2020.

LTV Limitations

- 1 Unit – 95% Fixed Rate/ARM
- 2 Unit – 85% Fixed Rate/ARM
- 3-4 Unit – 80% Fixed Rate/ARM
- Manufactured – 90%
- See Freddie Mac Selling Guide for Second Homes and Investment Properties

Ineligible Transactions

When ***any*** of the following conditions exist, the transaction is ineligible as a Limited Cash-Out Refinance and must be treated as a Cash-Out Refinance:

- No outstanding first lien on the subject property (except for single-closing construction-to-permanent transactions, which are eligible as a Limited Cash-Out Refinance even though there is not an outstanding lien on the subject property).
- Proceeds are used to pay off a subordinate lien that was not used to purchase the property (other than the exceptions for paying off PACE loans and other debt used for energy-related improvements).

The transaction is not eligible for delivery to Freddie Mac when the subject property is listed for sale at the time of disbursement of the new mortgage loan.

Acceptable Uses

The following are acceptable in conjunction with a Limited Cash-Out Refinance transaction:

- Modifying the interest rate and/or term for existing mortgages.
- Paying off the unpaid principal balance of the existing first mortgage (including prepayment penalties).
- Paying off the outstanding balance of a land contract or contract for deed. See Selling Guide for detailed requirements.

Appraisal Requirements

- Property must be appraised within the 12 months that precede the date of the note and mortgage. When appraisal will be more than four months old on Note Date, regardless of whether appraised as proposed or existing construction, an Appraisal Update and/or Completion Report (1004D) must be completed; recertifying the value.
    - If Appraiser indicates value has declined, a new appraisal report must be obtained.
    - If Appraiser indicates value is unchanged, no further reports are needed.
- Use of appraisal for subsequent transaction – ***all*** the following requirements to be met:
    - Subsequent transaction is a Limited Cash-Out Refinance
    - Appraisal report is not more than 12 months old on Note Date. If appraisal report is greater than four months, an appraisal update is required.
    - Lender must ensure property has not undergone any significant remodeling, renovation, or deterioration; to the extent that these things would affect the market value of the property.
    - Borrower and Lender must be the same on the original and subsequent transactions. Exception permitted for Borrower in case of divorce or legal separation in which case at least one Borrower must be on the new loan from the original transaction.

Conventional – FHLMC Cash-Out

Eligibility Requirements

- Pay off ***existing*** mortgages by obtaining a new first mortgage loan secured by the ***same*** property or a new mortgage on a property that does not currently have a mortgage lien against it.
- UHM, being more conservative than the agencies, requires the subject property is NOT listed for sale at the time of Application or after. According to the Agencies, the subject property must NOT be currently listed for sale and the subject property must be taken off the market on or before the disbursement date of the new mortgage loan.
    - See the Seasoning Requirements section below for additional information
- Primary Residences: All Borrowers must occupy; non-Occupying Borrowers not eligible.

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Property Listed for Sale

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM may deliver conforming Cash-Out Refinance transactions where the subject property was listed for sale within the last six months prior to the loan application if:

- The property was taken off the market prior to the application date; and
- The maximum LTV/TLTV/CLTV is the lower of 70 percent or the maximum for product/occupancy/property type.

Seasoning Requirements

At least one Borrower must have been on the title to the subject property for ***at least six months*** prior to the Note Date, except as specified below.

- If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date of the Cash-Out Refinance mortgage, the following requirement(s) must be met:
  - At least one Borrower on the refinance mortgage inherited or was legally awarded the subject property (for example: in the case of divorce, separation, or dissolution of a domestic partnership) **or, all the following:**
    - The Settlement/Closing Disclosure Statement must reflect that no financing secured by the subject property was used to purchase the subject property;
    - The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property;
    - The source of funds used to purchase the subject property must be fully documented;
    - If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction;
    - The amount of the Cash-Out Refinance mortgage must not exceed the sum of the original purchase price and related Closing Costs as documented by the Settlement/Closing Disclosure Statement; and
    - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction

  Note: Manufactured homes require the Borrower to have owned both the home and land for at least 12 months ***prior to*** the ***application date***.

- The note date of a new "no cash out" refinance mortgage must be 31 days or more after the note date of any prior refinance, regardless of whether that loan was cash out or no cash out.
- Additional 12-month seasoning requirements when paying off a current 1st mortgage:
  - When proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the Mortgage file (e.g., on the credit report or title commitment).
  - This additional 12-month seasoning requirement does not apply:
    1. The cash-out refinance Mortgage is a special purpose cash-out refinance Mortgage that meets the requirements for a Special Purpose Cash-Out Refinance (see exceptions to waiting periods
    2. The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC)
    3. Construction Conversions and Renovation Mortgages
    4. Manufactured homes being converted to legally classified real.

Last Reviewed: 01/13/2025

FICO Requirements

- 620
- 620 – Manufactured Homes

FHMLC LTV Limitations

- 1 Unit – 80% Fixed Rate/ARM
- 2-4 Unit – 75% Fixed Rate/ARM
- Manufactured – 1 unit with term less than or equal to 20 years 65% Fixed Rate/ARM
- See Fannie Mae Eligibility Matrix for Second Homes and Investment Properties

Ineligible Transactions

- Manual underwriting

The transaction is not eligible for delivery to Freddie Mac when the subject property is listed for sale at the time of disbursement of the new mortgage loan.

Acceptable Uses

The following are acceptable uses for Cash-Out Refinance transactions:

- Paying off the unpaid principal balance of the existing first mortgage.
- Paying off any outstanding subordinate mortgage liens of any age.
- Taking equity out of the subject property that may be used for any purpose.

Appraisal Requirements

- Property must be appraised within the 12 months that precede the date of the note and mortgage. When appraisal will be more than 4 months old on Note Date, regardless of whether appraised as proposed or existing construction, an Appraisal Update must be completed to recertify the value.
    - If the Appraiser indicates value has declined, a new appraisal report must be obtained.
- If the Appraiser indicates value is unchanged, no further reports are needed.