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UHM Wholesale Refinance Reference Tool: FHA

DISCLAIMER: THIS JOB AID IS NOT ALL INCLUSIVE. PLEASE REFER TO AGENCY SELLING GUIDES FOR FURTHER DETAIL AND REQUIREMENTS AS NECESSARY.

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FHA Requirements for All Refinances

Eligibility Requirements

- At least one borrower on the refinancing mortgage must hold title to the property being refinanced **prior to** case number assignment.
- For any transaction involving a manufactured home, the home must have been permanently erected on a site for more than 12 months **prior to** case number assignment.

FHA-to-FHA Refinance Requirements

- All FHA-to-FHA refinances require the mortgagee to obtain a Refinance Authorization Number from FHA Connection. (This will be completed by a UHM processor.)
 - **Note:** FHA will not issue a new case number for any FHA-to-FHA refi where the existing mortgage (to be paid off as a repair or rehabilitation account) has an Escrow Closeout Certification that has not been completed in FHAC.
- If refinancing current FHA-insured mortgage to another FHA-insured mortgage within three years, a refund credit for UFMIP is applied. **Refer to [UFMIP Refund Credit](#) notes contained within this job aid and [FHA SFH Handbook](#) for details.**

Refinance Adjusted Value

- If the property was acquired by the Borrower **12 or more months prior** to the refinance case number assignment date, the Adjusted Value is equal to the Property Value.
- If the property was acquired by the Borrower **less than 12 months prior** to the refinance case number assignment date through any of the following means, the Adjusted Value is equal to the Property Value:
 - An inheritance, or
 - A gift from a family member, or
 - A non-monetary transaction.
- If the property was acquired by the Borrower **less than 12 months prior** to the refinance case number assignment date through any other means not listed above, the Adjusted Value is equal to the lesser of:
 - The Property Value, or
 - The Borrower's purchase price, plus any documented improvements made after the purchase.



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FHA Upfront Mortgage Insurance Premium (UFMIP) Refund Credit

Refinance Authorization

Single Family FHA → Single Family Origination → Case Processing → Refinance Authorization

The Refi Authorization will appear like this when printed. The lines are not lined up. Partners **must** ensure to look at the correct line items. The image to the right illustrates exactly how off the lines are formatted/arranged.

*** Refinance Authorization ***

New Case Projected Closing Date: 05/06/19

Orig. Borrower Name: [REDACTED] 370730000

Property Located at: [REDACTED]

Computed Premium:

Original Mortgage Amt:	\$2,520.00	Original Property Value:	\$200,000
Old Term (in months):	360	Original Endorsement Date:	04/11/2018
Original Annual MIP Factor (%):	0.8000		

New Closing Month: 05/19

Period of Insurance: 15

Refund Ufmip Factor (%): 0.0000

UFMIP Earned by HUD: \$1,150.20

Unearned UFMIP: \$1,360.80

Unpaid Balance: \$143,627

Authorization No.: 80912 20190503

Expiration Date: 09/30/19

Refinance Credit Query

Single Family FHA → Single Family Origination → Case Processing → Refinance Credit Query

The Refi Query will resemble the example from FHA Connection (right) and when printed. The lines are aligned. This is the easiest and clearest way to determine the UFMIP Refund.

FHA Connection

Home | Mail Menu | ID Assistance | E-mail Us | Contact Us | Sign Off

Welcome SARA LITTON

Single Family FHA | Single Family Origination | Case Processing | Refinance Credit Query

Refinance Credit Query Results

FHA Case Number: [REDACTED]

Projected Closing Date: 06/14/19

Pricing LTY: N/A

Term: 180

Original MIP Factor: 1.750 %

Annual MIP Factor: TBD

Term: 360

Original MIP Factor: 1.750 %

Annual MIP Factor: TBD

Note: MIP factors valid only for streamline refinance cases

*** Refinance Credit Query ***

Computed Premium:	\$2,520.00	Original Property Value:	\$200,000
Original Mortgage Amt:	\$146,520	Original Closing Date:	02/26/18
Old Term (in months):	360	Original Endorsement Date:	04/11/18
Original Annual MIP Factor (%):	0.8000		

New Closing Month: 06/19

Period of Insurance: 15

Refund Ufmip Factor (%): 0.0000

UFMIP Earned by HUD: \$1,209.60

Unearned UFMIP: \$1,310.40

Unpaid Balance: \$143,415

No Refund Available

When there is no refund for UFMIP available, meaning FHA has earned all the previous premium paid, there will be a clear alert on the FHA Case Number Assignment, Refi Authorization, and Refi Query.

New Closing Month:

Period of Insurance: 04/19

Refund Ufmip Factor (%): 0.0000

UFMIP Earned by HUD: \$2,322.02

Unearned UFMIP: \$0.00

Unpaid Balance: \$125,807

Authorization No.: 62995 20190329

Expiration Date: 08/31/19



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Where to Enter the Refund

FHA Management tracking tab (shown right).

The figure entered **must** match the Refi Query/Authorization.

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The screenshot shows the 'FHA Management' interface with the 'Tracking' tab selected. The 'Refi Authorization' section is highlighted with a red box. The 'MP Refund' field is also highlighted with a red box and contains the value 1,159.20. Other sections include 'FHA Case Number', 'Address Validation', and 'CAIVRS Number'.

FHA Management				
Basic Info	Prequalification	FHA 203k	Informed Consumer Choice Disclosure Notice	Tracking
FHA Case Number		Obtain Check Holdings View Findings		
Date	04/04/2019	Case Number		
By				
Address Validation		Validate		
Date	05/03/2019	100% Overall probable correctness		
By				
Refi Authorization		Order		
Date	//	Old FHA Case #		
By		MP Refund	1,159.20	
		Prior Endorsement Date	//	
CAIVRS Number		Obtain		



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FHA Streamline Refinance

All Streamline Refinances must be manually underwritten in accordance with FHA SFH Handbook. The Mortgagee may score through TOTAL Mortgage Scorecard, but the findings are invalid.

- **Non-Credit Qualifying (Including NCQ High Balance Loans):** The Mortgagee does not need to perform a credit or capacity analysis or obtain an appraisal.
- **Credit Qualifying:** The Mortgagee must perform a credit and capacity analysis of the Borrower, but no appraisal is required.

Maximum Cash Back (Both)

Cash to Borrower may not exceed \$500.

LTV Limitations (Both)

Existing subordinate financing in place at time of case number assigned must be re-subordinated to the streamline refinance. UHM overlay for max CLTV is 100%.

Credit Qualifying Underwriting

Loan must meet all requirements of Manual Underwriting in FHA Single Family Housing Policy Handbook, with the exception of Appraisal or LTV calculations.

Credit Score Requirements

- A tri-merged credit report is not required on non-credit-qualifying streamline refinances. A review of non-mortgage credit history is not required. Please note the following:
 - A 12-month mortgage payment history is required.
 - If the mortgage is less than 12 months old:
 - The mortgage must meet all Agency seasoning requirements, and
 - A payment history through the note date is required.
 - A credit score of 680 should be used for pricing purposes.
- A tri-merged credit report is required on credit qualifying streamline refinances.
- Credit Qualifying High Balance FICO Requirement: 620 with AUS Approve/Eligible.

Borrower Eligibility (Non-Credit Qualifying)

Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing mortgage remain as Borrowers on the new mortgage. Mortgages that have been assumed are eligible provided the previous Borrower was released from liability.

Exceptions: A Borrower on the mortgage to be paid may be removed from title and new mortgage in cases of divorce, legal separation, or death when:

- The divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and
- The remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.



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Borrower Eligibility (Credit Qualifying)

At least one borrower from the existing mortgage must remain as a borrower on the new mortgage.

Occupancy Requirements (Both)

Streamline refinances may be used for principal residences, HUD-approved secondary residences, or non-owner-occupied properties.

- The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence that the Borrower currently occupies the Property as their Principal Residence.
- The Mortgagee must obtain evidence that the Secondary Residence has been approved by the Jurisdictional HOC.
- The Mortgagee must process the Streamline Refinance as a non-owner-occupied Property if the Mortgagee cannot obtain evidence that the Borrower occupies the Property either as a Principal or Secondary Residence.
- Non-owner-occupied properties and HUD-approved secondary residences are only eligible for Streamline Refinancing into a fixed rate mortgage.

Mortgage Seasoning & 210 Day Rule Requirements (Credit & Non-Credit Qualifying Streamlines)

On the date of the FHA case number assignment:

- The Borrower must have made at least six payments on the FHA insured Mortgage that is being refinanced (when the FHA-insured Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement), as evidenced by the credit report or credit supplement, and
- At least six full months must have passed since the first payment due date of the Mortgage that is being refinanced (when the FHA-insured Mortgage has been modified, six full months must have passed since the first payment due date under the modification agreement), and
- At least 210 days must have passed from the closing date of the mortgage being refinanced, and
- If the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption.

Note: In the event the Borrower made the first payment prior to the actual first payment due date, the actual due date is required to calculate the 210 days (e.g., first payment due 6/1, but Borrower made payment 5/25; therefore, the 210 days is calculated from 6/1).

Net Tangible Benefit (Both)

A Net Tangible Benefit is a reduced combined rate, a reduced term, and/or a change from an ARM to a fixed rate mortgage that results in a financial benefit to the borrower. Combined rate refers to the interest rate on the mortgage plus the MIP rate. Reduction in term refers to the reduction of the remaining amortization period of the existing mortgage.



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Reduction in Term

The net tangible benefit test is met as a term reduction if:

- The remaining amortization period of the existing mortgage is reduced; **and**
- The new interest rate does not exceed the current interest rate; **and**
- The combined principal, interest and MIP payment of the new mortgage does not exceed the combined principal, interest and MIP of the refinanced mortgage by more than \$50.

If the net tangible benefit test is met as a term reduction, follow the guidelines in **With a Term Reduction** (below).

If the net tangible benefit test is not met as a term reduction, follow the guidelines in **Without a Term Reduction** (below).

Note: Reduction in term is defined as reduction of the remaining amortization period of the existing mortgage. For example, if there are 13 years left on the mortgage from an original 30-year term, a 15-year term is not considered a reduction in term.

With a Term Reduction

FROM	TO		
	Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate
Fixed Rate	Below the prior Combined Rate.	N/A	N/A
Any ARM with < 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	N/A	N/A
Any ARM with ≥ 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	N/A	N/A

Without a Term Reduction

FROM	TO		
	Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate
Fixed Rate	At least 0.5 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.
Any ARM with < 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.
Any ARM with ≥ 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.



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Maximum Base Loan Amount Calculation

Owner Occupied Principal Residences and HUD-Approved Secondary Residences

- The **lesser of**:
 - The outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement, **plus**:
 - Interest due on the existing mortgage,
 - Late charges,
 - Escrow shortages, and
 - MIP due on existing mortgage, **or**
 - The original principal balance of the existing mortgage (including financed UFMIP)
- Less any refund of UFMIP.

Investment Properties

- The **lesser of**:
 - The outstanding principal balance of the existing Mortgage as of the month prior to mortgage Disbursement, **or**
 - The original principal balance of the existing mortgage (including financed UFMIP),
- Less any refund of UFMIP.

Appraisal Requirements

Appraisal is not required on streamline refinance.

Funds to Close (All Streamlines)

FHA requires the lender to verify Borrower's funds to close, in excess of the total Mortgage Payment of the new Mortgage, in accordance with the applicable sections of Sources of Funds.



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FHA Rate/Term Refinance and Simple Refinance

Occupancy Requirements

Principal Residence and HUD-Approved Secondary Residences:

- The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence that the Borrower currently occupies the Property as their Principal Residence.
- The Mortgagee must obtain evidence that the Secondary Residence has been approved by the Jurisdictional HOC.

Maximum Cash Back

May not exceed \$500.

Payment History Requirements (Credit Qualifying)

- Less than six months of mortgage payment history → The Borrower must have made all payments within the month due.
- Greater than six months of mortgage payment history → The Borrower must have made all mortgage payments within the month due for the six months **prior to** case number assignment and have no more than one 30-day late payment for the previous six months.
- The Borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement.

Credit Score Requirements

- Loans with an Approve/Eligible AUS Risk Rating: 500
- Manually Underwritten loans (Refer/Eligible): 580
- Manufactured Homes: 580
- High Balance: 620 with AUS Approve/Eligible Recommendation and satisfactory credit.

LTV/CLTV Limitations

- 97.75% for Principal Residences that have been owner-occupied for previous 12 months, or owner occupied since acquisition if acquired within 12 months, **at** case number assignment.
- 85% for a Borrower who as occupied the subject property as their principal residence for fewer than 12 months **prior to** case number assignment date; or, if owned less than 12 months, has not occupied the property for that entire period of ownership.
- 85% for all HUD-Approved Secondary Residences.
- The max CLTV ratio is 97.75. For open-end line of credit, the Mortgagee must utilize the maximum accessible credit limit of the subordinate lien to calculate the CLTV ratio.



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Maximum Mortgage Amount (Rate Term)

The lesser of:

- The Nationwide Mortgage Limit;
- The maximum LTV based on the Maximum LTV Ratio from above; or
- The sum of existing debt and costs associated with the transaction.
 - Existing debt includes:
 - The unpaid principal balance of the first Mortgage as of the month prior to mortgage Disbursement;
 - The unpaid principal balance of any purchase money junior Mortgage as of the month prior to mortgage Disbursement;
 - The unpaid principal balance of any junior liens over 12 months old as of the date of mortgage Disbursement. If the balance or any portion of an equity line of credit in excess of \$1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the Property, that portion above and beyond \$1,000 of the line of credit is not eligible for inclusion in the new mortgage;
 - Ex-spouse or Co-borrower equity, as described in “Refinancing to Buy out Title Holder Equity” below;
 - Interest due on the existing mortgage(s);
 - The unpaid principal balance of any unpaid PACE obligation;
 - Mortgage Insurance Premium (MIP) due on existing mortgage;
 - Any prepayment penalties assessed;
 - Late charges; and
 - Escrow shortages.
 - Allowed costs include:
 - All Borrower paid costs associated with the new mortgage; and
 - Any Borrower-paid repairs required by the appraisal;
 - Less any refund of the Upfront Mortgage Insurance Premium (UFMIP).



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Maximum Mortgage Amount (Simple Refi)

The lesser of:

- The Nationwide Mortgage Limit;
- The maximum LTV based on the Maximum LTV Ratio from above; or
- The sum of existing debt and costs associated with the transaction as follows:
 - Existing debt includes:
 - The unpaid principal balance of the first Mortgage as of the month prior to mortgage Disbursement;
 - Interest due on the existing mortgage(s);
 - The unpaid principal balance of any unpaid PACE obligation;
 - Mortgage Insurance Premium (MIP) due on existing mortgage;
 - Late charges; and
 - Escrow shortages.
 - Allowed costs include:
 - All Borrower paid costs associated with the new mortgage;
 - Any Borrower-paid repairs required by the appraisal; and
 - Less any refund of the Upfront Mortgage Insurance Premium (UFMIP).

Ineligible Transactions

When any of the following conditions exist, the transaction is ineligible as a rate/term refinance:

- Investment Properties.
- Transactions with water purification systems, which are needed to make the water safe and meet code when individual water supply is unsafe for human consumption. (UHM overlay)
- Manufactured Homes built prior to June 15, 1976.
- No Co-Op.
- FHA 203(h) program is not permitted for Manufactured Housing.
- High Balance 203(K) loans.
- Refinance loans for borrowers in a Negative Equity position.

Acceptable Uses

The following are acceptable uses for cash-out refinance transactions:

- Modifying the interest rate and/or term for existing mortgages.
- Paying off the unpaid principal balance of the existing first mortgage (including prepayment penalties).
- Pay off the outstanding balance of a land contract or contract for deed.
- Refinance to buy out title-holder equity.

Appraisal Requirements

Property must be appraised within the 120 days that precede the date of the note and mortgage.



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FHA Cash-Out Refinance

Occupancy Requirements

- Principal Residence only.
- The property securing the cash-out refinance must have been owned and occupied by the borrower as their PR for the 12 months **prior to** the date of case number assignment.
 - **Documentation Requirement** – The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence the Borrower has occupied the property as their principal residence for the 12 months prior to case number assignment.
 - **Inheritance Exception:** In the case of inheritance, a Borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the borrower has not treated the subject property as an Investment Property at any point since inheritance of the property. If the Borrower rents the property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the property as a Principal Residence for at least 12 months.
 - **Note:** This exception does not apply if the property is manufactured. In that instance, the Borrower must occupy for 12 months prior to case number assignment.

Payment History Requirements (Credit Qualifying)

- Less than six months of mortgage payment history - The Borrower must have made all payments within the month due.
- Greater than six months of mortgage payment history - The Borrower must have made all mortgage payments within the month due for the six months **prior to** case number assignment and have no more than one 30-day late payment for the previous six months.
- The Borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement.

Credit Score Requirements

- 500 (UHM Overlay) with AUS Approve/Eligible Recommendation.
- High Balance: 640 with AUS Approve/Eligible Recommendation and satisfactory credit.
- Manufactured Homes: 620

LTV/CLTV Limitations

- 80% of Adjusted Value.
- Combined mortgage amount for first mortgage and any subordinate liens may not exceed the Nationwide Mortgage Limit.



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Ineligible Transactions

When any of the following conditions exist, the transaction is ineligible as a cash-out refinance:

- Investment Properties.
- Second home transactions .
- Transactions with water purification systems, which are needed to make the water safe and meet code when individual water supply is unsafe for human consumption. (UHM overlay)
- Manufactured Homes built prior to June 15, 1976.
- No Co-Op.
- FHA 203(h) program is not permitted for Manufactured Housing.
- High Balance 203(K) loans.
- Refinance loans for borrowers in a Negative Equity position.
- Texas Cash-Out (A-6).

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 120 days that precede the date of the note and mortgage.