



## CONSUMER FACT SHEET for FHA Short Refinance

FHA's Refinance of Borrowers in Negative Equity Positions ("Short Refinance") is available to help people who owe more on their mortgage than their home is worth because their local markets have seen large declines in home values. The temporary enhancements to the existing refinance program apply to loan applications with FHA case numbers issued on or after September 7, 2010 and closed on or before December 31, 2016.

### ***Borrower Eligibility:***

- Borrower must owe more on their mortgage(s) than the current value of the property.
- Borrower must be current on the existing mortgage, or have successfully completed a qualifying three-month trial payment plan.
- Borrower must occupy the property as their primary residence.
- Borrower must have a "FICO based" decision credit score greater than or equal to 500.
- Borrower must qualify for the new loan under standard FHA underwriting requirements.
- Borrower must not have been convicted within the last 10 years of the following: (a) felony larceny, theft, fraud, or forgery; (b) money laundering; or (c) tax evasion in connection with a mortgage or real estate related transaction.

### ***Loan Requirements:***

- The loan to be refinanced must not be an FHA-insured loan.
- The existing first lien holder must agree to write off at least 10 percent of the unpaid principal balance.
- An existing second lien must be re-subordinated, or may be extinguished at the option of the first lien holder.
- The new loan's maximum loan-to-value ratio is 97.75% of the current property value and the maximum combined loan-to-value ratio is 115% of the current property value.
- There is no maximum Combined Loan-to-Value (CLTV) ratio for second liens held by government entities or instrumentalities of government.

### ***What are the benefits?***

- Aligns borrowers' outstanding indebtedness more closely with their property's current market value.
- Provides lenders and borrowers with an affordable stable loan product insured by the federal government.
- Helps to stabilize communities that have seen a decline in housing prices.

### ***Where can a homeowner apply for FHA's Short Refinance Option?***

- Borrowers should contact their existing servicing lender, or any FHA-approved lender for more information.
- A list of FHA-approved lenders can be obtained at <http://www.hud.gov/ll/code/llscrit.cfm>

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