

Section C. Maximum Mortgage Amounts on Streamline Refinances

Overview

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1. General Information on Streamline Refinances

Introduction This topic contains general information on streamline refinances, including

- the purpose of a streamline refinance, and
- a reference for additional policies and instructions on streamline refinances.

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4155.1 3.C.1.a Streamline refinances

Purpose of a Streamline Refinance

- are designed to lower the monthly principal and interest payments on a current FHA-insured mortgage, and
- must involve no cash back to the borrower, except for minor adjustments at closing, not to exceed \$500.

Streamline refinances can be made with or without an appraisal.

References: For information on streamline refinances

- without an appraisal, see HUD 4155.1 3.C.2 , and
 - with an appraisal, see HUD 4155.1 3.C.3.
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4155.1 3.C.1.b
Additional Streamline Refinance Policies and Instructions (Reference)

For additional policies, processing guidelines, and underwriting instructions for streamline refinances, see HUD 4155.1 6.C.

2. Streamline Refinances Without an Appraisal

Introduction This topic contains information about streamline financing without an appraisal, including

- streamline refinancing mortgage limits
 - maximum mortgage term
 - maximum insurable mortgage calculation
 - applicability of the mortgage calculation process
 - streamline refinances for non owner occupant properties, and
 - policy on subordinate financing on streamline refinances.
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4155.1 3.C.2.a Streamline Refinancing Mortgage Limits Generally, the streamline refinance mortgage amount may never exceed the statutory limits, except by the amount of any new upfront mortgage insurance premium (UFMIP). However, the maximum mortgage may exceed the statutory limits on certain specialty products.

4155.1 3.C.2.b Maximum Mortgage Term for Streamline Refinances The streamline refinance mortgage term is the *lesser* of

- 30 years, or
- the remaining term of the mortgage plus 12 years.

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2. Streamline Refinances Without an Appraisal, Continued

4155.1 3.C.2.c Maximum Insurable Mortgage Calculation for Streamline Refinances Without an Appraisal

The maximum insurable mortgage for streamline refinances without an appraisal cannot exceed the outstanding principal balance

- *minus* the applicable refund of the UFMIP,
- *plus* the new UFMIP that will be charged on the refinance.

Note: The outstanding principal balance

- *may* include interest charged by the servicing lender when the payoff is not received on the first day of the month, but
- *may not* include delinquent interest, late charges or escrow shortages.

References:

- For step-by-step instructions on calculating the existing debt, see HUD 4155.1 3.B.1.b.
 - For more information on UFMIP amounts, see HUD 4155.2 7.2.a.
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4155.1 3.C.2.d Applicability of the Mortgage Calculation Process

The mortgage calculation process described in HUD 4155.1 3.C.2.c applies *only* to owner-occupied properties. Non-owner occupant properties, even if originally acquired as principal residences by the current borrowers, may only be refinanced for the outstanding principal balance.

References: For more information on

- streamline refinances for secondary residences or non-owner occupied properties, see HUD 4155.1 3.C.2.e, and
 - refinances of former investment properties, see HUD 4155.1 3.A.1.k.
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2. Streamline Refinances Without an Appraisal, Continued

**4155.1 3.C.2.e
Streamline
Refinances For
Non Owner
Occupant
Properties**

Streamline financing by investors, or for secondary residences may *only* be made without an appraisal. If the residence was previously insured in a business entity's name, the new loan must be made solely in the business entity's name.

The new security instruments must contain FHA's standard provision permitting acceleration of the mortgage when assumed by an investor, or as a secondary residence. However, FHA does *not* authorize the lender to exercise the acceleration provision if the investor assumptor is found to be creditworthy.

Although a property purchased as a principal residence, under certain circumstances as described in the security instruments, *may* be rented or become a secondary residence, a streamline refinance without an appraisal does *not* "convert" the mortgage to one eligible for assumption by an investor.

References: For more information on refinancing non-owner occupant properties, see

- HUD 4155. 3.A.1.k
- HUD 4155.1 4.B.3
- HUD 4155.1 4.B.4
- HUD 4155.1 6.C.5.a, and
- HUD 4155.1 6.C.5.b.

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2. Streamline Refinances Without an Appraisal, Continued

4155.1 3.C.2.f
Policy on
Subordinate
Financing on
Streamline
Refinances
Without an
Appraisal

A subordinate lien, including a Home Equity Line of Credit (HELOC), regardless of when taken, may remain outstanding, but the entire lien must be subordinated at refinance.

If subordinate financing remains in place, the

- maximum combined loan-to-value (CLTV) is 125%
- CLTV is based on the original appraised value of the property, and
- maximum CLTV is calculated by taking the original FHA base loan amount (the original FHA principal balance excluding financed UFMIP), adding all other financed liens still outstanding, and dividing by the appraised value. This calculation may not exceed 125%.

Note: The lender must use the maximum accessible credit limit of the existing subordinate lien to calculate the CLTV ratio.

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3. Streamline Refinances with an Appraisal (No Credit Qualifying)

Introduction This topic contains information on streamline refinances with an appraisal, including

- the maximum insurable mortgage calculation
 - subordinate financing on streamline refinances with an appraisal
 - borrower cash back at closing on streamline refinances with an appraisal, and
 - maximum insurable mortgage amount for streamline refinance with appraisal (after 4/18/2011).
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3. Streamline Refinances with an Appraisal (No Credit Qualifying), Continued

**4155.1 3.C.3.a
Maximum
Insurable
Mortgage
Calculation for
Streamline
Refinances with
an Appraisal**

The maximum insurable mortgage amount for a streamline refinance with an appraisal is the *lesser* of

- the existing principal balance
 - *minus* the applicable refund of upfront mortgage insurance premium (UFMIP)
 - *plus* closing costs, prepaid items to establish the escrow account, and the new UFMIP that will be charged on the refinance transaction, or
- 97.75% of the appraised value of the property plus the new UFMIP that will be charged on the refinance.

Notes:

- The outstanding principal balance
 - *may* include interest charged by the servicing lender when the payoff is not received on the first day of the month, but
 - *may not* include delinquent interest, late charges or escrow shortages.
- Prepaid expenses may include
 - per diem interest to the end of the month on the new loan
 - hazard insurance premium deposits
 - monthly mortgage insurance premiums, and
 - any real estate tax deposits needed to establish the escrow account, regardless of whether or not the lender refinancing the existing loan is also the servicing lender for that mortgage.
- Discount points may not be included in the new mortgage. If the borrower has agreed to pay discount points, the lender must verify that the borrower has the assets to pay them, along with any other financing costs not included in the new mortgage amount.

Important: Effective with case numbers assigned on or after April 18, 2011, the above guidance will change. See HUD 4155.1 3.C.3.d for the new policy.

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3. Streamline Refinances with an Appraisal (No Credit Qualifying), Continued

4155.1 3.C.3.b Subordinate Financing on Streamline Refinances with an Appraisal

A subordinate lien, including a Home Equity Line of Credit (HELOC), regardless of when taken, may remain outstanding, but the entire lien must be subordinated at refinance.

If subordinate financing remains in place, the

- maximum combined loan-to-value (CLTV) is 125%, and
- CLTV is based on the new appraised value.

Note: The lender must use the maximum accessible credit limit of the existing subordinate lien to calculate the CLTV ratio.

4155.1 3.C.3.c Borrower Cash Back at Closing on a Streamline Refinance with an Appraisal

A streamline refinance transaction with an appraisal must involve no cash back to the borrower, except for minor adjustments at closing, not to exceed \$500.

4155.1 3.C.3.d Maximum Insurable Mortgage Amount for Streamline Refinance With Appraisal (after 4/18/2011)

Effective with case numbers assigned on or after April 18, 2011, the maximum insurable mortgage amount for a streamline refinance with an appraisal is limited to the sum of the outstanding principal balance of the loan being refinanced plus the new UFMIP.

The lender may not use an appraisal to increase the insurable balance, nor add

- closing costs
- discount points
- prepaid items, or
- other financing costs.

The maximum insurable amount may only be increased through a credit-qualifying refinance with an appraisal, as described in HUD 4155.1 6.C.2.
