

**WORKSHEET #4 (Updated 3-2012)**  
**STREAMLINE REFINANCE WITH APPRAISAL (Credit Qualifying Only)**  
**MAXIMUM MORTGAGE WORKSHEET**  
**CAUTION: If a non-credit qualifying loan, despite obtaining a NEW appraisal, lender MUST use the "Streamline Refinance WITHOUT Appraisal" Worksheet #3**

**Owner Occupants Only**

<b>4-A APPRAISED VALUE</b>		
\$		Appraised Value
X	97.75%	LTV Factor (Ref: 4155.1 3.A.1.g)
=	\$	Maximum Base Loan Amount before UFMIP <i>"Round down to nearest \$1.00 increment"</i>
X	%	UFMIP Factor**
=	\$	New UFMIP
-	\$	UFMIP Paid in Cash (Drop the cents)
=	\$	UFMIP added to loan amount
=	\$	Maximum Mortgage Amount

<b>4-B EXISTING DEBT PLUS ALLOWABLE ADDITIONAL ITEMS</b> (Subordinate liens and repairs are not eligible for inclusion in the maximum mortgage)		
\$	\$	<b>Principal balance on existing first lien + payoff interest due*</b> 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 <b>NOT</b> include delinquent interest, late charges or escrow shortages. (ML 2009-32)  *See "payoff interest due" explanation below.
-	\$	UFMIP Refund, if applicable
+	\$	Allowable borrower paid closing costs
+	\$	Prepaid Expenses (Per Diem interest to end of month on new loan + flood/hazard insurance deposits + real estate tax deposits)
=	\$	Maximum Mortgage Amount before UFMIP <i>"Rounded down to nearest \$1.00 increment"</i>
X	%	UFMIP Factor**
=	\$	New UFMIP
-	\$	UFMIP Paid in Cash (Drop the cents)
=	\$	UFMIP added to loan amount
=	\$	Maximum Mortgage Amount

**MAXIMUM MORTGAGE BEFORE UFMIP IS LOWEST OF (4-A) or (4-B)**

**\*\*UFMIP:** Effective for FHA loans for which the case number is assigned on or after October 4, 2010 the UFMIP will be 1.00%. For case number assigned on or after April 9, 2012 the UFMIP will be 1.75%.

**\*Payoff interest due:** "The mortgage must be current for the month due, i.e., if the loan closes in June the account must be current through May. The borrower does not have to bring the June payment to settlement and the loan amount does not have to be reduced by this mortgage payment." Ref: ML 2011-11

**Example:** A borrower makes his/her May 1st house payment but closing on the new refinance loan will not occur until June 25th. The borrower would not be required to make the June 1st payment. Note: The loan CANNOT be delinquent which would occur if closing occurred past the end of June. Any late charge **cannot** be included in the payoff amount.

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**STREAMLINE REFINANCE WITH APPRAISAL MAXIMUM MORTGAGE WORKSHEET**

**STREAMLINE REFINANCE WITH APPRAISAL REGULATIONS SUMMARY**

- **! NON-CREDIT QUALIFYING RESTRICTION:** Lenders may only refinance the outstanding principal balance of the existing FHA loan plus the new Up-Front Mortgage Insurance Premium (UFMIP) on a Non-Credit-Qualifying Streamline Refinance. Ref: ML 2011-11  
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. Ref: ML 2011-11  
Use Worksheet #3 "Streamline Refinance WITHOUT Appraisal Worksheet" for non-credit qualifying borrower even if an appraisal is obtained.
- **Maximum insurable mortgage (Credit Qualifying ONLY)** (Ref: 4155.1 3.C.3.a): The maximum insurable mortgage is the **LOWER** of:
  - 1) Outstanding principal balance <sup>[1]</sup> minus the applicable refund of UFMIP, plus closing costs, prepaid items to establish the escrow account and the new UFMIP that will be charge on the refinance;

**OR**

  - 2) 97.75 percent of the appraised value of the property plus the new UFMIP that will be charged on the refinance.

**Discount points:** Discount points may **NOT** be included in the new mortgage. If the borrower has agreed to pay discount points, the lender must verify the borrower has the assets to pay them along with any other financing costs that are not included in the new mortgage amount.

<sup>[1]</sup> 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.
- **Maximum mortgage term:** Term of the new loan can be up to 30 years.
- **No non-owner occupants, investors or secondary residences allowed: CAUTION:** A " Streamline Refinance WITHOUT Appraisal" is the only type of refinance that may be used for non-owner occupant properties, private investors or secondary residences. (Ref: 4155.1 3.C.2.d and e)
- **Cash back at closing:** Cash back at closing limited to \$500. (4155.1 6.C.1.a)
- **! Seasoning:** On the date of FHA case number assignment, the borrower must have made at least 6 payments on the FHA-insured mortgage being refinanced, **AND** six full months must have passed since the first payment due date of the refinanced mortgage, **AND** at least 210 days must have passed from the closing date of the mortgage being refinanced. Ref: 4155.1 6.C.3.f
- **Payment History:** At the time of loan application, the borrower must exhibit an acceptable payment history as described below.
  - 1) For mortgages with less than a 12 months payment history, the borrower must have made all mortgage payments within the month due.
  - 2) For mortgages with a 12 months payment history or greater, the borrower must have:
    - a) Experienced no more than one 30 day late payment in the preceding 12 months, **AND**
    - b) Made all mortgage payments within the month due for the three months prior to the date of loan application.
- **Net Tangible Benefit:** The lender must determine that there is a net tangible benefit to the borrower as a result of the streamline refinance transaction, with or without an appraisal.  
See FHA Streamline Refinance Net Tangible Benefit Worksheet for details on determining net tangible benefit for various loan types.
- **Reduction in Term:** Reducing the term of a mortgage is acceptable on a streamline refinance if the new mortgage meets the net tangible benefit test. See FHA Streamline Refinance Net Tangible Benefit Worksheet for details on determining net tangible benefit for various loan types.

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### STREAMLINE REFINANCE WITH APPRAISAL MAXIMUM MORTGAGE WORKSHEET

- **Certification of Income:** ML 2011-11 rescinds the policy in which lenders were required to certify that the borrower was employed and had income at the time of loan application and now allows lender to use an abbreviated version of the URLA only on non-credit-qualifying streamline refinance transactions.
- **Pay-off Statement:** The lender must obtain payoff statements for all liens to be satisfied from the proceeds of the streamline refinance transaction, and include copies in the case binder submitted for endorsement binder. For any lien against the subject property that is subject to payments, it is the responsibility of the lender to review and ascertain that the lien/loan/mortgage is current for the month due, for both streamline and cash-out refinance transactions.

**! IMPORTANT: Current for the Month Due:** For any lien against the subject property that is subject to payments, it is the responsibility of the lender to review and ascertain that the lien/loan/mortgage is current for the month due, for both streamline and cash-out refinance transactions. **CLARIFICATION NOTE:** \*Payoff Interest due: "The mortgage must be current for the month due, i.e., if the loan closes in June the account must be current through May. The borrower does not have to bring the June payment to settlement and the loan amount does not have to be reduced by this mortgage payment." Ref: ML 2011-11 and Ref: FHA ML 2011-11 FAQs <http://portal.hud.gov/hudportal/documents/huddoc?id=FAQsML201111.pdf>

- **Credit Score:** Except for credit qualifying streamline refinances, FHA does not require a credit report. The lender, however, may require this as part of its credit policy. NOTE: A Streamline Refinance WITH Appraisal requires a credit qualifying if closing costs, prepaids, etc for added to the loan amount up to the maximum allows as per this worksheet #4. Ref: ML 2011-11

If a credit score is available, the lender must enter it into FHA Connection. If more than one credit score is available, the lender must enter all available credit scores into FHA Connection.

#### **Maximum Combined Loan to Value (CLTV) and Subordinate Liens:**

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 the NEW appraised value.

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

- **Maximum mortgage limit:** Only the FHA-insured first lien is subject to FHA's maximum mortgage limits. ML 2010-36
- **! TOTAL Scorecard:** Lenders must NOT use TOTAL Scorecard on a Non- Credit Qualifying Streamline Refinance transactions. Ref: ML 2011-11 and FHA FAQs ML 2011-11.
- **Uniform Residential Loan Application (URLA) Abbreviated Version:** FHA now allows lender to use an abbreviated version of the URLA only on non-credit-qualifying streamline refinance transactions. In an abbreviated URLA, Lenders are not required to complete sections IV, V, VI, and VIII(a) through VIII(k), provided all other required information is captured.
- **Permissible Geographic Areas:** Lenders may solicit and process streamline refinance applications from any area of the country, provided the lender is approved for Direct Endorsement (DE) by at least one Homeownership Center (HOC), and, where necessary, licensed to do business in the state in which the property is located (Ref: 4155.1 6.C.1.b).
- **Streamline Refinancing Mortgage Limits:** Generally, the streamline refinance mortgage amount may never exceed the statutory limits, except by the amount of any new UFMIP. However, the maximum mortgage may exceed the statutory limits on certain specialty products. (Ref: 4155.1 3.C.2.a)
- **Streamline Refinances for investors/secondary residences: CAUTION:** A " Streamline Refinance WITHOUT Appraisal" is the only type of refinance that may be used for non owner occupant properties, private investors or secondary residences. (Ref: 4155.1 3.C.2.d)
- **CAIVRS, LDP and GSA Lists:** HUD's CAIVRS does not need to be checked for streamline refinances, but the following must still be reviewed for all borrowers:
  - HUD Limited Denial of Participation (LDP) List, and
  - General Services Administration (GSA) *List of Parties Excluded from Federal Procurement or Non-procurement Programs*. (Ref: 4155.1 6.C.1.e)

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**STREAMLINE REFINANCE WITH APPRAISAL MAXIMUM MORTGAGE WORKSHEET**

**Credit Qualifying Streamline Refinance:** Credit qualifying streamline refinances contain all the normal features of a streamline refinance, but provide a level of assurance for continued performance on the mortgage.

The lender must provide evidence that the remaining borrowers have an acceptable credit history and ability to make payments. (4155.1 6.C.2.c)

● **Required Usage of a Credit Qualifying Streamline Refinance:**

Credit qualifying streamline refinances must be considered

- when a change in the mortgage term will result in an increase in the mortgage payment more than 20%
- when deletion of a borrower or borrowers will trigger the due-on-sale clause
- following the assumption of a mortgage that – occurred less than six months previously, and – does not contain restrictions (that is, the due-on-sale clause) limiting assumptions only to creditworthy borrowers, and
- following an assumption of a mortgage that – occurred less than six months previously, and – did not trigger the transferability restriction (that is, the due-on-sale clause), such as in a property transfer resulting from a divorce decree or by devise or descent.

**Note:** The use of a credit qualifying streamline refinance in situations in which the change in mortgage term will result in an increase in the mortgage payment is only permissible for

- owner-occupied principal residences
- secondary residences meeting the requirements of HUD 4155.1 4.B.3, and
- those investment properties purchased by governmental agencies and eligible nonprofit organizations as described in HUD 4155.1 (Ref: 4155.1 6.C.2.d)

● **Holding Period for Assumed Loans:** A borrower is eligible for a streamline refinance without credit qualifying if

- he/she has owned the property for at least six months, and
- the previous borrowers received a release of liability at the time of the assumption.

This rule applies to mortgages that do not contain restrictions, limiting the assumption only to credit worthy assumptors.

**Note:** Typically these types of mortgages were made prior to December 1989. (Ref: 4155.1 6.C.3.b)

● **Borrower Additions or Deletions to the Title:** (Ref: 4155.1 6.C.3.d)

Individuals may be *added* to the title on a streamline refinance

- without a credit worthiness review, and
- without triggering the due-on-sale clause.

Individuals may be *deleted* from the title on a streamline refinance, *only*

- under the circumstances described in HUD 4155.1 6.C.2.d
- when
  - an assumption of a mortgage *not* containing a due-on-sale clause occurred more than six months previously, and
  - the assumptor can document that he/she has made the mortgage payments during this interim period,or
- following an assumption of a mortgage in which
  - the transferability restriction (due-on-sale clause) was *not* triggered, such as in a property transfer resulting from a divorce decree or by devise or descent
  - the assumption or quit-claim of interest occurred more than six months previously, and
  - the remaining owner-occupant can demonstrate that he/she has made the mortgage payments during this time.

● **Withdrawn Condominium Approvals:** **CAUTION:** If approval of a condominium project has been withdrawn, FHA will insure only streamline refinances *without* appraisals for that condominium project. (4155.1 6.C.3.e)

● **Seven Unit Exemptions:** **CAUTION:** An eligible investor that has a financial interest in more than seven rental units, as described in 24 CFR 203.42, may only refinance without appraisals. (Ref: 4155.1 6.C.3.f)

● **No Cost Refinances:** No cost refinances, in which the lender charges a premium interest rate to defray the borrower's closing costs and/or prepaid items, are permitted.

The lender may also offer an interest free advance of amounts equal to the present escrow balances on the existing mortgage to establish a new escrow account. (Ref: 4155.1 6.C.4.a)

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- **Section 203(k) to Section 203(b) Refinancing:** (Ref: 4155.1 6.C.4.i) Section 203(k) rehabilitation mortgages may be refinanced into a Section 203(b) mortgage after all work is complete.
- **Ignoring or Setting Aside an Appraisal:** If an appraisal has been performed on a property, and the appraised value is such that the borrower would be better advised to proceed as if no appraisal had been made, then
  - the appraisal may be ignored and not used, and
  - a notation of this decision must be made on the HUD-92900-LT, *FHA Loan Underwriting and Transmittal Summary*. (Ref: 4155.1 6.C.1.d)
- **Social Security Number:** Social Security Numbers must be verified for all borrowers.
- **Original Loan Documentation:** VOM or other documentation is required which includes principal balance, date loan originated, names of original borrowers and type of loan.
- **Repairs:** FHA does not require repairs to be completed on streamline refinances with appraisals, with the exception of lead-based paint repairs. However, the lender may require completion of repairs as a condition of the loan. Ref: 4155.1 6.C.1.c
- **Cash to Close:** If cash is needed to close, the Lender must verify and document those assets. Also, the Lender must still include a payoff statement in the case binder. The lender must include a Verification of Deposit or a bank statement in the file. On a Streamline Refinance the assets are not required to be shown on the application, only verified and documented. Ref: FHA ML 2011-11 FAQs.
- **Home Equity Line of Credit (HELOC):** For HELOC eligibility and payoff requirements reference FHA ML 2011-11 & FAQs: <http://portal.hud.gov/hudportal/documents/huddoc?id=FAQsML201111.pdf>

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