

Refi Plus™/Home Affordable Refinance Program (HARP)

Helps responsible borrowers with little or no home equity refinance into more affordable mortgages

BACKGROUND AND PURPOSE

The Refi Plus™/Home Affordable Refinance Program (HARP) helps borrowers with little or no equity in their homes refinance into more affordable mortgages.

HARP targets borrowers with high loan-to-value (LTV) ratios and who have limited delinquencies over the 12 months before refinancing. Changes possible through HARP include lower interest rates, shorter loan terms, or changing from an adjustable-rate to a fixed-rate mortgage. HARP guidelines have been simplified and relaxed over the life of the program, meaning that even people who were previously turned down may now be eligible for HARP refinancing. For example, in 2011, the LTV ceiling was removed for fixed-rate mortgages, property appraisal requirements were waived in certain circumstances, certain risk fees for borrowers selecting shorter amortization terms were eliminated, and certain representations and warranties were waived. In 2013,

the eligibility date was changed from the date the loan was acquired by Fannie Mae to the date on the note, increasing the pool of eligible borrowers.

HARP was introduced in March 2009 to address the decline in home values that occurred over the previous few years. HARP must be renewed annually by Congress.

BORROWER CRITERIA

Original loan requirements: The original loan owned or guaranteed by Fannie Mae (e.g., no Freddie Mac, VA, FHA, or USDA loans).

Age of loan: The original loan must have been originated on or before May 31, 2009.

PROGRAM NAME	Refi Plus™/Home Affordable Refinance Program (HARP)
AGENCY	Fannie Mae
EXPIRATION DATE	December 31, 2018. HARP must be renewed annually by Congress.
APPLICATIONS	No program-specific application is required. For information on becoming a Fannie Mae seller, see https://www.fanniemae.com/singlefamily/become-seller-servicer
WEB LINK	http://www.harp.gov
CONTACT INFORMATION	Sellerservicer_application@fanniemae.com (ask for a call-back in your email)
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	National. HARP tracks the number of eligible loans by state and MSA. Information is available quarterly at http://www.harp.gov/Default.aspx?Page=363

Loan-to-value limits: The original loan must be above 80 percent LTV, with no upper limit on LTV for fixed-rate mortgages.

Delinquency: The borrower must not have made any late mortgage payments in the last six months and no more than one 30-day late payment in the last 12 months.

Income limits: The program has no income limits.

Credit: There is no minimum credit score; Fannie Mae waives its normal 620 minimum credit score.

Occupancy and ownership of other properties: HARP refinances may be performed on primary residences, investment properties, and one-unit second homes. Because the refinance represents Fannie Mae's existing risk, there is no requirement that occupancy stay the same.

Special populations: No benefit is conferred by being a member of a special population.

Property type: Single-family homes of one- to four-units and condominiums are eligible.

LOAN CRITERIA

Loan limits: FHFA publishes Fannie Mae's conforming loan limits annually. See Resources for a link to the current loan limits.

Adjustable-rate mortgages: Only fixed-rate mortgages are allowed.

Loan-level price adjustments: For primary residences with LTV ratios greater than 80 percent, Fannie Mae charges zero percent in fees on loans with terms less than 20 years, and 0.75 percent on loans with terms of more than 20 years.

Mortgage insurance: Where the original LTV of the existing loan was greater than 80 percent and mortgage insurance is still in force on the existing loan, then the lender must obtain mortgage insurance (MI) on the new mortgage. Lenders may obtain either the level of coverage in force on the existing mortgage or the current standard coverage. Lenders are encouraged to provide the lowest cost option for borrowers. If the mortgage being refinanced was less than 80 percent LTV or the original mortgage insurance policy was terminated, then no mortgage insurance coverage is required.

Underwriting: Re-underwriting is necessary if payments are increasing more than 20 percent. Fannie Mae recommends using Desktop Underwriter® (DU) where possible; manual underwriting is an option if circumstances warrant. Borrowers may use a new lender if DU is used.

Fees: For fixed-rate loans on primary residences with LTV ratios greater than 80 percent, Fannie Mae's fee is capped at zero percent on loans with terms less than 20 years and 0.75 percent on loans with terms of more than 20 years.

POTENTIAL BENEFITS

Lenders do not need to perform new underwriting or review new appraisals in most cases.

Fannie Mae has reduced the fees it charges lenders that help borrowers refinance into less risky, shorter-term loans.

POTENTIAL CHALLENGES

This program has several barriers to being a source of new business. Eligible properties are concentrated in a few markets. Also, if borrowers are going through a new lender, the lender will need to perform a new appraisal and underwriting, eliminating the processing efficiencies offered by the program.

If payments are going up by more than 20 percent, requalification is necessary, meaning more work for lenders assisting borrowers who are making substantial changes to their mortgages.

Appraisal: There are a number of exceptions to the usual reps and warrants when using HARP. A “property fieldwork waiver” may be offered by DU for a fee of \$75 that would allow the lender or borrower to estimate the home’s value rather than doing an appraisal. DU uses the property address to standardize estimates of home values. The lender, however, is responsible for compliance with all federal, state, and local laws, rules, and regulations, which may require appraisals.

Potential Benefits

- Lenders do not need to perform new underwriting or review new appraisals in most cases.
- Fannie Mae has reduced the fees it charges lenders that help borrowers refinance into less risky, shorter-term loans.
- Lenders now need less paperwork for income verification, and have the option of qualifying a borrower by documenting that the borrower has at least 12 months of mortgage payments in reserve.
- If a lender underwrites a HARP loan that it did not initially underwrite, the reps and warrants on the loan will sunset in 12 months rather than 36 months for other GSE products.

Potential Challenges

- This program has several barriers to being a source of new business. Eligible properties are concentrated in a few markets. Also, if borrowers are going through a new lender, the lender will need to perform a new appraisal and underwriting, eliminating the processing efficiencies offered by the program.
- If payments are going up by more than 20 percent, requalification is necessary, meaning more work for lenders assisting borrowers who are making substantial changes to their mortgages.
- The program must be extended annually by Congress.
- A relatively limited pool of borrowers remains eligible for this program, as most borrowers who would benefit from a refinance have already done so.

SIMILAR PROGRAMS

- Freddie Mac Relief RefinanceSM
- FHA Streamline Refinance

RESOURCES

Direct access to the following web links can be found at <https://www.fdic.gov/mortgagelending>.

Fannie Mae's loan-level price adjustment table

<https://www.fanniemae.com/content/pricing/llpa-matrix-refi-plus.pdf>

FHFA Conforming loan limits

<http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx>

Frequently asked questions

<https://www.fanniemae.com/content/faq/harp-du-refi-plus-faqs.pdf>

To find whether the loan in question is eligible for HARP

<https://www.knowyouroptions.com/loanlookup>