



Lender Letter LL-2018-02

May 22, 2018

To: All Fannie Mae Single-Family Sellers High Loan-to-Value Refinance Option Update

In September of last year we released Lender Letter [LL-2017-05](#), which introduced the high loan-to-value (LTV) refinance option. At the direction of the Federal Housing Finance Agency (FHFA), and in conjunction with Freddie Mac, we are providing updates and some additional details regarding this option that will become available later this year. As a reminder, this option is intended for Fannie Mae borrowers who are making their mortgage payments on time, but whose LTV ratios exceed the maximum allowed for standard limited cash-out refinance transaction in the *Selling Guide*.

Minimum LTV Ratios

We originally communicated that for the new loan to be eligible, the minimum LTV ratio for a one-unit, principal residence would be 95.01%. With this Lender Letter, we are updating the minimum LTV ratio to be 97.01%. The updated eligibility matrix below reflects this change along with all of the minimum LTV ratios for both fixed-rate and adjustable-rate (ARM) loans for the high LTV refinance option.

Transaction Type	Number of Units	Minimum LTV	Maximum LTV	Minimum Credit Score	Maximum DTI Ratio
Limited Cash-Out Refinance, Fixed Rate, ARMs with Initial Fixed Periods ≥ 5 Years					
Desktop Underwriter and Manual Underwriting					
Principal Residence	1 Unit	97.01	FRM: No Limit ARM: 105%	No Minimum	No Maximum
	2 Unit	85.01			
	3-4 Units	75.01			
Second Home	1 Unit	90.01			
Investment Property	1-4 Units	75.01			
Alternative Qualification Path, Manual Underwriting					
Principal Residence	1 Unit	97.01	FRM: No Limit ARM: 105%	620	45%
	2 Unit	85.01			
	3-4 Units	75.01			
Second Home	1 Unit	90.01			
Investment Property	1-4 Units	75.01			

NOTE: High LTV refinance loans are subject to a unique limited cash-out refinance definition, and other unique requirements. There is no maximum CLTV or HCLTV ratio limit. The above requirements apply to loans meeting the general or high-balance loan limits. See Lender Letter LL-2017-05 for additional requirements.

Pricing

Pricing for high LTV refinance loans is very similar to that already in place for DU Refi Plus™ and Refi Plus™ loans, but introduces a three-tier structure based on LTV ratios. The [Loan-Level Price Adjustment \(LLPA\) Matrix](#) posted on Fannie Mae’s website has been updated to reflect high LTV refinances. For the first tier LTV ratios (loans with LTV ratios just above standard eligibility), the cumulative LLPAs in Tables 1 - 3 apply. For the intermediate and high LTV ratio tiers, LLPA caps apply based on the LTV ratio and amortization term. For those tiers, if the sum of all applicable LLPAs exceeds the applicable cap, the excess LLPAs will be waived at delivery.



Loan Delivery Requirements

As lenders are beginning to prepare their systems for delivery, we thought it would helpful to list the delivery requirements that are specific to high LTV refinance loans:

- RefinanceProgramIdentifier (Sort ID 451): “HighLTVRefi”
- Special Feature Code (SFC) 839 may optionally be delivered for high LTV refinance loans underwritten using the standard requirements.
- SFC 840 is required for high LTV refinance loans that are underwritten using the Alternative Qualification Path.
- If DU offers a property inspection waiver (PIW) and the lender chooses to exercise it:
 - InvestorCollateralProgramIdentifier (Sort ID 376): “PropertyInspectionWaiver”
 - PropertyValuationFormType (Sort ID 85): “None”
 - SFC 807 may optionally be delivered.

Note that SFC 807 is currently optional and associated with DU Refi Plus only. It will be expanded to cover both DU Refi Plus and the high LTV refinance option.

The *Selling Guide* will be updated this summer with these requirements and all of the details previously announced.

Lenders who have questions about this Lender Letter should contact their Account Team.

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Chief Credit Officer for Single-Family