



## Bulletin 2021-17

# Introducing Freddie Mac Refi Possible<sup>SM</sup>

Issued 05/05/2021

### TO: Freddie Mac Sellers

### SUBJECT: INTRODUCING FREDDIE MAC REFI POSSIBLE<sup>SM</sup>

At Freddie Mac, we strive to further our affordable housing mission by expanding access to credit responsibly and providing opportunities for wealth building and sustainable homeownership for low-income Borrowers. With the new Freddie Mac Refi Possible<sup>SM</sup> Mortgage offering, homeowners can benefit from refinancing to reduce their monthly mortgage payment and build long-term wealth. This offering creates more equitable opportunities by making it easier for homeowners in low-income brackets to refinance their Mortgages. Refi Possible is intended to reach low-income Borrowers who can benefit from refinancing and provides flexibilities to incentivize Sellers to serve these eligible Borrowers on an ongoing basis.

Refi Possible is a new “no-cash out” refinance offering for low-income Borrowers that we are introducing under the guidance of the FHFA and in coordination with Fannie Mae.

#### Effective date

Refi Possible is available for Manually Underwritten Mortgages with Application Dates on and after August 30, 2021, and for submissions to Loan Product Advisor<sup>®</sup> on and after August 30, 2021.

### REFI POSSIBLE REQUIREMENTS

The following chart describes the special requirements for Refi Possible Mortgages. All requirements of the Freddie Mac *Single-Family Seller/Service Guide* apply, except as otherwise stated in the chart below. The temporary credit underwriting requirements and guidance related to COVID-19 also apply to Refi Possible Mortgages.

The requirements below apply to Loan Product Advisor<sup>®</sup> Mortgages and Manually Underwritten Mortgages, except as specifically stated otherwise.

Category	Borrower eligibility requirements
Borrower income	<ul style="list-style-type: none"> <li>▪ The Borrower's qualifying income converted to an annual basis must not exceed 80% of the area median income (AMI) for the location of the Mortgaged Premises</li> <li>▪ To determine if the Borrower's income exceeds the income limits, the Seller must rely on the income used to qualify the Borrower and submitted to Loan Product Advisor for Loan Product Advisor Mortgages</li> <li>▪ For Loan Product Advisor Mortgages, Loan Product Advisor will determine the income eligibility of the Mortgage</li> <li>▪ For non-Loan Product Advisor Mortgages, the Seller must use the Home Possible<sup>®</sup> Income &amp; Property Eligibility tool. The Seller may not use other published AMI versions (such as AMIs posted on <a href="https://www.huduser.gov/portal/home.html">https://www.huduser.gov/portal/home.html</a>) to determine Mortgage or product eligibility</li> </ul>

Category	Borrower eligibility requirements
<b>Change in Borrowers</b>	<ul style="list-style-type: none"> <li>▪ The Borrower(s) obligated on the Note for the Refi Possible Mortgage must be the same as the Borrower(s) obligated on the Note for the Mortgage being refinanced, except that a Borrower obligated on the Note for the Mortgage being refinanced may be omitted from the Note for the Refi Possible Mortgage provided that:               <ul style="list-style-type: none"> <li>▪ The Mortgage file contains evidence that the remaining Borrower has been making the Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period from their own funds; or</li> <li>▪ In the case of death, the Seller obtains and retains in the Mortgage file documentation of the Borrower's death</li> </ul> </li> <li>▪ In all cases, at least one Borrower from the Mortgage being refinanced must be retained</li> </ul>
	<b>Eligibility requirements for Mortgage being refinanced</b>
<b>General eligibility requirements</b>	<p>The Mortgage being refinanced must:</p> <ul style="list-style-type: none"> <li>▪ Be a First Lien, conventional Mortgage currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac</li> <li>▪ Be seasoned for at least 12 months and no more than 120 months (i.e., the Note Date of the Mortgage being refinanced must be at least 12 months prior to, but no more than 120 months prior to, the Note Date of the Refi Possible Mortgage)</li> </ul>
<b>Ineligible Mortgages</b>	<p>The Mortgage being refinanced must not be:</p> <ul style="list-style-type: none"> <li>▪ A Freddie Mac Relief Refinance Mortgage™</li> <li>▪ A Freddie Mac Enhanced Relief Refinance® Mortgage</li> <li>▪ A Refi Possible Mortgage</li> <li>▪ A Mortgage subject to an outstanding repurchase request</li> <li>▪ A Mortgage subject to recourse, indemnification, or another credit enhancement other than mortgage insurance (unless the new loan is also subject to credit enhancement or it is no longer required)</li> </ul>
<b>Payment history</b>	<p>The Mortgage being refinanced must have a payment history that indicates the following:</p> <ul style="list-style-type: none"> <li>▪ The Mortgage has not been 30 days delinquent in the most recent six months; and</li> <li>▪ The Mortgage has not been 30 days delinquent more than once in the most recent 12 months, and</li> <li>▪ The Mortgage has not been 60 or more days delinquent in the most recent 12 months</li> </ul>
<b>Loan Product Advisor assessment</b>	<p>Loan Product Advisor will assess whether the Mortgage being refinanced complies with the above eligibility requirements with the following exceptions:</p> <ul style="list-style-type: none"> <li>▪ The Seller is responsible for ensuring the mortgage is seasoned at least 12 months by the Note Date of the Refi Possible Mortgage, and</li> <li>▪ The Seller is responsible for determining whether the payment history requirements are met after the date of the last Loan Product Advisor submission</li> </ul>
	<b>Special underwriting requirements for Refi Possible Mortgage</b>
<b>Underwriting path</b>	<ul style="list-style-type: none"> <li>▪ The Refi Possible Mortgage must be:           <ul style="list-style-type: none"> <li>▪ Submitted to Loan Product Advisor or</li> <li>▪ Manually underwritten, provided that the loan is otherwise eligible for manual underwriting</li> </ul> </li> </ul>

Category	Borrower eligibility requirements								
<p><b>General eligibility requirements</b></p>	<ul style="list-style-type: none"> <li>▪ The Refi Possible Mortgage must be a fixed-rate Mortgage</li> <li>▪ The Refi Possible Mortgage must not be:                             <ul style="list-style-type: none"> <li>▪ A Mortgage with a temporary interest rate buydown</li> <li>▪ A super conforming Mortgage</li> <li>▪ Originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution. Refer to <a href="#">Guide Section 4301.7</a> for additional information regarding Texas Equity Section 50(a)(6) Mortgages.</li> </ul> </li> </ul>								
<p><b>Occupancy and property eligibility</b></p>	<ul style="list-style-type: none"> <li>▪ The Refi Possible Mortgage must be secured by a one-unit Primary Residence</li> <li>▪ For Mortgages secured by Condominium Units or Cooperative Share Loans, the Seller is not required to evaluate if the Condominium or Cooperative Project meets the project eligibility requirements, provided that:                             <ul style="list-style-type: none"> <li>▪ Seller represents and warrants that the project is not located in a Condominium Hotel or a cooperative hotel, houseboat project, timeshare project or project with segmented ownership; and</li> <li>▪ The project has insurance that meets the applicable insurance requirements of <a href="#">Guide Chapter 4703</a></li> </ul> </li> </ul>								
<p><b>Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios</b></p>	<table border="1" data-bbox="474 898 1442 1087"> <thead> <tr> <th data-bbox="474 898 1029 947">Property/transaction type</th> <th data-bbox="1029 898 1442 947">Max LTV/TLTV/ HTLTV ratios</th> </tr> </thead> <tbody> <tr> <td data-bbox="474 947 1029 995">1-unit other than Manufactured Homes</td> <td data-bbox="1029 947 1442 995">97%*</td> </tr> <tr> <td data-bbox="474 995 1029 1043">Manufactured Homes</td> <td data-bbox="1029 995 1442 1043">95%</td> </tr> <tr> <td data-bbox="474 1043 1029 1087">Mortgage with a non-occupying Borrower</td> <td data-bbox="1029 1043 1442 1087">95%*</td> </tr> </tbody> </table> <p data-bbox="474 1108 1442 1140">*A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second®.</p>	Property/transaction type	Max LTV/TLTV/ HTLTV ratios	1-unit other than Manufactured Homes	97%*	Manufactured Homes	95%	Mortgage with a non-occupying Borrower	95%*
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<p><b>Borrower benefit</b></p>	<p>The refinance transaction must result in both of the following:</p> <ul style="list-style-type: none"> <li>▪ A First Lien Mortgage interest rate reduction of at least 50 basis points (bps)</li> </ul> <p style="text-align: center;"><b>AND</b></p> <ul style="list-style-type: none"> <li>▪ For Mortgages with an LTV ratio equal to or less than 80%, a reduction in the First Lien Mortgage Principal and Interest payment amount of at least \$50, or</li> <li>▪ For Mortgages with an LTV ratio greater than 80%, a reduction in the First Lien Mortgage monthly combined Principal, Interest and Mortgage Insurance payment amount of at least \$50</li> </ul>								
<p><b>Use of mortgage proceeds</b></p>	<p>The proceeds of the Refi Possible Mortgage must be used only to:</p> <ul style="list-style-type: none"> <li>▪ Pay off the first Mortgage</li> <li>▪ Pay related Closing Costs not to exceed \$5,000</li> <li>▪ Disburse cash to the Borrower not to exceed \$250</li> </ul> <p>In the event there are remaining proceeds from the Refi Possible Mortgage after the proceeds are applied as described above, the excess proceeds must be applied as a principal curtailment to the Refi Possible Mortgage and must be clearly reflected on the Settlement/Closing Disclosure Statement.</p>								
<p><b>Minimum Credit Score</b></p>	<p>The Mortgage must have a minimum Indicator Score of 620. If no Borrower has a usable Credit Score, then the Mortgage does not have an Indicator Score and is not eligible for delivery to Freddie Mac.</p>								

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<b>Credit assessment for manually underwritten Refi Possible Mortgages</b>	<p>For Manually Underwritten Mortgages, the Seller does not need to perform a credit assessment of the Borrower in accordance with <a href="#">Chapter 5202</a> provided that:</p> <ul style="list-style-type: none"> <li>▪ In addition to meeting the payment history requirements for the Mortgage being refinanced, the Mortgage complies with the recovery time periods for reestablishment of credit following a significant derogatory event, as stated in <a href="#">Section 5202.5</a></li> <li>▪ If the significant derogatory event was caused by extenuating circumstances, the Mortgage file must contain documentation attributing the cause of the financial difficulties to outside factors beyond the Borrower's control</li> </ul>
<b>Maximum debt payment-to-income (DTI) ratio</b>	<ul style="list-style-type: none"> <li>▪ There is no maximum housing expense-to-income ratio</li> <li>▪ The total monthly DTI ratio must be less than or equal to 65%, including when a non-occupying Borrower is present</li> </ul>

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<p><b>Income and employment documentation requirements</b></p>	<ul style="list-style-type: none"> <li>▪ The minimum documentation requirements in the table below apply to the referenced income types in lieu of the Streamlined Accept and Standard Documentation Level requirements stated for these income types in <a href="#">Guide Topic 5300</a> <table border="1" data-bbox="527 296 1388 1350"> <thead> <tr> <th data-bbox="527 296 777 344">Income type</th> <th data-bbox="777 296 1388 344">Minimum documentation requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="527 344 777 457">Base non-fluctuating employment (primary only)</td> <td data-bbox="777 344 1388 457"> <ul style="list-style-type: none"> <li>▪ Year-to-date (YTD) paystub documenting the YTD earnings</li> <li>▪ 10-day pre-closing verification of employment</li> </ul> </td> </tr> <tr> <td data-bbox="527 457 777 674">Fluctuating hourly employment (primary only) Tip, bonus, overtime and commission income</td> <td data-bbox="777 457 1388 674"> <ul style="list-style-type: none"> <li>▪ YTD paystub documenting the YTD earnings</li> <li>▪ W-2 for the most recent calendar year</li> <li>▪ 10-day pre-closing verification of employment</li> </ul> </td> </tr> <tr> <td data-bbox="527 674 777 837">Military income (basic pay, entitlements, Reserve and National Guard income)</td> <td data-bbox="777 674 1388 837">Military Leave and Earnings Statement</td> </tr> <tr> <td data-bbox="527 837 777 1045">Self-employment</td> <td data-bbox="777 837 1388 1045"> <ul style="list-style-type: none"> <li>▪ Complete federal individual and business income tax returns for the most recent one-year period, and</li> <li>▪ Verification of the current existence of the business through a third-party source obtained either no more than 120 calendar days prior to Note Date or after the Note Date but prior to the Delivery Date</li> </ul> </td> </tr> <tr> <td data-bbox="527 1045 777 1350">Alimony, child support or separate maintenance</td> <td data-bbox="777 1045 1388 1350"> <ul style="list-style-type: none"> <li>▪ Documentation to evidence receipt of the alimony, child support and/or separate maintenance payment amount for the most recent one months, and</li> <li>▪ Copy of the signed court order, legally binding separation agreement and/or final divorce decree verifying the payor's obligation for the previous one months, including the amount and the duration of the obligation</li> </ul> </td> </tr> </tbody> </table> </li> <li>▪ All other income types must be documented in accordance with the Streamlined Accept and Standard Documentation Level requirements in <a href="#">Topic 5300</a></li> <li>▪ All other documentation requirements, including <a href="#">Chapter 5302, General Requirements for Documentation Used to Verify Employment and Income</a>, and additional requirements for certain employment characteristics in <a href="#">Section 5303.2</a> apply</li> </ul>	Income type	Minimum documentation requirements	Base non-fluctuating employment (primary only)	<ul style="list-style-type: none"> <li>▪ Year-to-date (YTD) paystub documenting the YTD earnings</li> <li>▪ 10-day pre-closing verification of employment</li> </ul>	Fluctuating hourly employment (primary only) Tip, bonus, overtime and commission income	<ul style="list-style-type: none"> <li>▪ YTD paystub documenting the YTD earnings</li> <li>▪ W-2 for the most recent calendar year</li> <li>▪ 10-day pre-closing verification of employment</li> </ul>	Military income (basic pay, entitlements, Reserve and National Guard income)	Military Leave and Earnings Statement	Self-employment	<ul style="list-style-type: none"> <li>▪ Complete federal individual and business income tax returns for the most recent one-year period, and</li> <li>▪ Verification of the current existence of the business through a third-party source obtained either no more than 120 calendar days prior to Note Date or after the Note Date but prior to the Delivery Date</li> </ul>	Alimony, child support or separate maintenance	<ul style="list-style-type: none"> <li>▪ Documentation to evidence receipt of the alimony, child support and/or separate maintenance payment amount for the most recent one months, and</li> <li>▪ Copy of the signed court order, legally binding separation agreement and/or final divorce decree verifying the payor's obligation for the previous one months, including the amount and the duration of the obligation</li> </ul>
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<p><b>Asset documentation requirements</b></p>	<ul style="list-style-type: none"> <li>▪ When funds required for closing are more than \$500, funds in a depository, securities or retirement account used for closing must be documented with one-month account statement or a direct account verification</li> <li>▪ When funds required for closing are \$500 or less, verification of funds is not required</li> </ul>												
<p><b>Property valuation requirements</b></p>	<ul style="list-style-type: none"> <li>▪ Standard Guide property valuation requirements for appraisal or automated collateral evaluation apply</li> <li>▪ A \$500 credit will be provided to the Seller when an appraisal is obtained. The Seller must pass the credit to the Borrower.</li> </ul>												

Category	Borrower eligibility requirements
<b>Pricing</b>	<ul style="list-style-type: none"> <li>▪ Standard Credit Fees in Price apply</li> <li>▪ Refi Possible Mortgages with an original Note amount of less than or equal to \$300,000 are not subject to the 50 bps Market Condition Credit Fee in Price</li> </ul>
<b>Mortgage insurance coverage</b>	Mortgages with LTV ratios greater than 80% must have mortgage insurance coverage in accordance with <a href="#">Chapter 4701</a> .
<b>Negotiated provisions</b>	Unless specifically made applicable to Refi Possible Mortgages, negotiated underwriting provisions that impact the underwriting or eligibility requirements of Refi Possible Mortgages must not be used with these Mortgages.
<b>Delivery requirements</b>	<p>Sellers must deliver the following ULDD Data Points:</p> <ul style="list-style-type: none"> <li>▪ Related Loan Investor Type (Sort ID 222): FRE</li> <li>▪ Related Investor Loan Identifier (Sort ID 221): &lt;Associated FRE Loan #&gt;, the 9-digit Freddie Mac loan number assigned to the original Mortgage</li> <li>▪ Investor Feature Identifier (Sort ID 368): J05, indicating Refi Possible Mortgage</li> </ul>
<b>Delivery programs and execution</b>	<ul style="list-style-type: none"> <li>▪ Refi Possible can be sold through both the Cash and Guarantor Execution</li> <li>▪ Refi Possible will be eligible for TBA securities</li> </ul>
<b>Acceptable refinance practices</b>	<p><b>Advertising and solicitation:</b> Seller may target Mortgages owned or securitized by Freddie Mac for the Refi Possible offering, provided that the Seller simultaneously applies the same advertising and solicitation activities with respect to Borrowers of Mortgages with AMIs less than or equal to 80% and owned or securitized by Fannie Mae.</p> <p><b>Advertising and other communications with Borrowers:</b> If a Seller chooses to reach out to Borrowers and the Seller's communication includes a reference to Freddie Mac, then the communication must also include the following (or substantively similar) verbiage:</p> <ul style="list-style-type: none"> <li>▪ Freddie Mac and Fannie Mae have adopted a new refinance option for Mortgages to Borrowers with incomes at or below 80% of the area median income. If your Mortgage is owned or guaranteed by either Freddie Mac or Fannie Mae, you may be eligible to refinance your Mortgage under one of these refinance options.</li> <li>▪ You can determine whether your Mortgage is owned by either Freddie Mac or Fannie Mae by checking the following websites: <ul style="list-style-type: none"> <li>▪ For Freddie Mac: <a href="http://www.freddiemac.com/mymortgage">www.freddiemac.com/mymortgage</a></li> <li>▪ For Fannie Mae: <a href="http://www.fanniemae.com/loanlookup">www.fanniemae.com/loanlookup</a></li> </ul> </li> </ul>

As a reminder and as stated in [Bulletin 2021-13](#), all loans subject to the Revised QM Rule, including Refi Possible Mortgages, must meet the general QM definition under the Revised QM Rule set forth in [12 CFR 1026.43\(e\)\(2\)](#) ("General QM definition").

The Guide will be updated with a future Bulletin to incorporate the requirements for Refi Possible Mortgages. There is currently no expiration date for this offering.

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

Danny Gardner  
Senior Vice President, Client and Community Engagement

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