

## FHA Streamline Guidelines

THE FOLLOWING  
CONDITIONS  
APPLY:

### I. Revisions for ALL Streamline Refinance Transactions

#### A. **Seasoning**

At the time of loan application, the borrower must have made at least 6 payments on the FHA-insured mortgage being refinanced.

#### B. **Net Tangible Benefit**

The lender must determine that there is a net tangible benefit as a result of the streamline refinance transaction, with or without an appraisal. Net tangible benefit is defined as:

- reduction in the total mortgage payment (principal, interest, taxes and insurances, homeowners' association fees, ground rents, special assessments and all subordinate liens),
- refinancing from an adjustable rate mortgage (ARM) to a fixed rate mortgage,  
OR
- reducing the term of the mortgage.

Reduction in Total Mortgage Payment: The new total mortgage payment is 5 percent *lower* than the total mortgage payment for the mortgage being refinanced. Example: Total mortgage payment on the existing FHA-insured mortgage is \$895; the total mortgage payment for the new FHA-insured mortgage must be \$850 or less. This requirement is applicable when refinancing from a Fixed Rate to Fixed Rate, Fixed Rate to Hybrid ARM from an ARM to ARM, from a Graduated Payment Mortgage (GPM) to Fixed Rate, from GPM to ARM, from a 203(k) to 203(b) and from a 235 to 203(b).

Fixed Rate to ARM: Fixed rate mortgages may be refinanced to a one-year ARM provided that the interest rate on the new mortgage is at least 2 percentage points below the interest rate of the current mortgage.

ARM to Fixed Rate: The interest rate on the new fixed rate mortgage will be no greater than 2 percentage points above the current rate of the one-year ARM. For hybrid ARMs, the total mortgage payment on the new fixed rate mortgage may not increase by more than 20 percent. Example: total mortgage payment on the hybrid ARM is \$895; the total mortgage payment for the new fixed rate mortgage must be \$1,074 or less.

Reduction in Term: For transactions that include a reduction in the mortgage term, that loan must be underwritten and closed as a rate and term (no cash-out) refinance transaction.

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**CONDITIONS**  
(CONTINUED)

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Investment Properties/Secondary Residences: In addition to meeting the requirement for a reduction in the total mortgage payment, investment properties or secondary residences are *not* eligible for streamline refinancing to ARMs.

**C. Certifications and Verifications**

When submitting the loan for underwriting, the lender must include a signed and dated cover letter on their letterhead certifying that the borrower is employed and has income at the time of loan application.

If assets are needed to close, the lender must verify and document those assets.

The lenders must also include the pay-off statement in the case binder.

**D. Maximum Combined Loan to Value**

No new subordinate financing is allowed.

If subordinate financing is remaining in place, the maximum combined loan-to-value ratio is 125 percent.

- For streamline refinance transactions WITHOUT an appraisal, the CLTV is based on the original appraised value of the property.
- For streamline refinance transactions WITH an appraisal, the CLTV is based on the new appraised value.

**E. Maximum Loan Amount**

The maximum insurable mortgage cannot exceed:

- The outstanding principal balance<sup>1</sup> *minus* the applicable refund of the UFMIP (base loan amount),  
  
PLUS
- The new UFMIP that will be charged on the refinance (final loan amount).

Note: If the occupancy type is Investment the maximum base loan amount cannot exceed the principal balance of the mortgage being paid off.

**CONDITIONS**

(CONTINUED)

**Additional Guidelines**

- 1) 5% NTB is now based off P&I and MIP
  
- 2) On a Non-Credit Qualifying Streamline you can no longer use the appraisal to increase the mortgage balance beyond the sum of the principal balance and the new upfront MIP. Closing costs, discount points, and prepaid items may not be added to the new mortgage; a regular FHA refinance must now be done in this case to add these.
  
- 3) At least 210 days must pass from the closing date of the mortgage being refinanced to the date the case number is assigned when doing a streamline refinance.
  
- 4) Minimum fico score for all streamlines is 580.

**Program Codes**

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- 6052 - FHA Streamline without Appraisal No Credit Qualify
- 6059 - FHA Streamline without Appraisal Credit Qualify
- 6203 - FHA High Balance Streamline without Appraisal No Credit Qualify

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<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.