

Use this resource to review the requirements for mortgage proceeds and steps for determining the maximum loan amount for both the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access.

## Requirements

**Proceeds:** The proceeds of the Relief Refinance Mortgage must be used only to:

- Pay off the first Mortgage (amount including only the current unpaid principal balance and interest accrued through the date the Mortgage being refinanced is paid off).
- Pay related Closing Costs, Financing Costs and Prepaids/Escrows not to exceed \$5,000 **Note:** The proceeds may not be used to pay off or pay down any junior liens

**Important:** In the event there are remaining proceeds from the Relief Refinance Mortgage after the proceeds are applied as described above:

- The loan amount must be reduced, or
- The excess amount must be applied as a principal curtailment to the Relief Refinance Mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement



Cash disbursed to the Borrower may not exceed \$250. Closing Costs, Financing Costs and Prepaids/Escrows paid out of closing by the borrower may be reimbursed at closing and are not considered cash to the borrower.

### Lender Contributions:

- The lender may provide the Borrower with a cash or a cash-like (e.g., a gift card) contribution that is not reflected on the Settlement/Closing Disclosure Statement provided that:
  - The amount of the contribution does not exceed \$500.00; and
  - No repayment is required

**Note:** The contribution is not considered cash out to the Borrower and does not have to be included in the calculation of the proceeds of the Relief Refinance Mortgage as described above and in *Freddie Mac Single-Family Seller/Servicer Guide* (Guide) Sections 4302.2(a) and 4303.3(b).

- The lender may provide a contribution towards the payoff of the Mortgage being refinanced, provided that:
  - The amount of the contribution does not exceed \$2,000.00;
  - No repayment is required; and
  - The contribution is reflected on the Settlement/Closing Disclosure Statement

**Note:** The contribution is not considered cash out to the Borrower provided it does not result in cash disbursed to the Borrower exceeding \$250.00, as required in Guide Sections 4302.2(a) and 4303.3(b).

As required under the Guide for all Mortgages sold to Freddie Mac, the Seller must comply with the requirements of all applicable laws in structuring and providing the contributions.

To determine the maximum loan amount, follow the steps outlined below:

Step	Your Result
1. <b>Unpaid Principal Balance:</b> Enter the total amount of the current unpaid principal balance.	\$ _____
2. <b>Accrued Interest:</b> Enter the total amount of the accrued interest due at closing to pay the loan off ((Calculate the # of days to the date the Mortgage being refinanced is paid off) x (per diem interest indicated on the payoff statement)).	+ \$ _____
3. <b>Closing Costs, Financing Costs and Prepaids/Escrows:</b> Compare the following and enter the lesser amount of the two items below as your result: <ul style="list-style-type: none"> <li>a. The total Closing Costs, Financing Costs and Prepaids/Escrows. \$ _____</li> <li>b. \$5,000 \$ _____</li> </ul> *The lesser of 'a' and 'b' is the <b>maximum</b> amount you may include in the loan amount to pay Closing Costs, Financing Costs and Prepaids/Escrows. Additional costs, if any, that remain must be paid by the borrower from acceptable sources of funds as outlined in Guide Chapter 5501.	+ \$ _____ *
4. <b>Maximum Loan Amount:</b> Add the results of Steps 1, 2 and 3 together to determine the maximum loan amount.	= \$ _____
5. <b>Closing Statement Review:</b> We recommend reviewing the preliminary Settlement/Closing Disclosure Statement to determine if the Relief Refinance Mortgage proceeds were applied as described in Steps 1, 2 and 3 above.  Cash disbursed to the Borrower may not exceed \$250. Closing Costs, Financing Costs and Prepaids/Escrows paid out of closing by the borrower may be reimbursed at closing and are not considered cash to the borrower.	

**Example 1:**

**Initial Determination:** The payoff statement indicates the following: current unpaid principal balance is \$140,000 and accrued interest is \$758. The Good Faith Estimate (GFE) reflects the total estimated closing costs, financing costs and prepaids/escrows for the refinance as \$3,550. The LTV ratio is 175%.

**Final Determination:** Upon reviewing the Settlement/Closing Disclosure Statement, you determine that the closing costs, financing costs and prepaids/escrows are \$2,950, which is \$600 less than originally estimated. Since cash disbursed to the borrower may not exceed \$250, the excess amount created from the lower closing costs may not be disbursed to the borrower.

Below is a summary of the initial results based on the LTV ratio, the GFE prior to closing and the final amounts based on the Settlement/Closing Disclosure Statement at closing:

Step	Your Result	
	Initial Determination	Final Determination
1. <b>Unpaid Principal Balance:</b> Enter the total amount of the current unpaid principal balance.	\$140,000	\$140,000
2. <b>Accrued Interest:</b> Enter the total amount of the accrued interest due at closing to pay the loan off. ((25 days to the date the Mortgage being refinanced is paid off) x (\$30.32 per diem interest amount indicated on the payoff statement)).	+ \$758	+ \$758
3. <b>Closing Costs, Financing Costs and Prepaids/Escrows:</b> Compare the following and <u>enter the lesser amount of the three items below</u> as your result: a. The total for Closing Costs, Financing Costs and Prepaids/Escrows. \$3,550 Initial / \$2,950 Final b. \$5,000. \$5,000	+ \$3,550	+ \$2,950  (\$600 less than originally estimated)
4. <b>Maximum Loan Amount:</b> Add the results of Steps 1, 2 and 3 together to determine the maximum loan amount.	= <b>\$144,308</b>	= <b>\$143,708*</b>
5. <b>Closing Statement Review:</b> We recommend reviewing the preliminary Settlement/Closing Disclosure Statement to determine if the Relief Refinance Mortgage proceeds were applied as described in Steps 1, 2 and 3 above. If any adjustments are required, repeat Steps 1 - 4.   Cash disbursed to the Borrower may not exceed \$250. Closing Costs, Financing Costs and Prepaids/Escrows paid out of closing by the borrower may be reimbursed at closing and are not considered cash to the borrower.		

\*An alternative to using this new maximum loan amount would be to apply the excessive funds as a principal curtailment at closing and clearly reflect it on the Settlement/Closing Disclosure Statement.

**Example 2:**

The payoff statement indicates the following: current unpaid principal balance is \$251,150, accrued interest is \$1,470, statement delivery fee is \$19, and recording fee is \$75. The total amount to pay the existing loan off is \$252,714. The preliminary Settlement/Closing Disclosure Statement indicates that total Closing Costs, Financing Costs and Prepaids/Escrows for the refinance are \$6,570. The LTV ratio is 150%.

Step	Your Result
1. <b>Unpaid Principal Balance:</b> Enter the total amount of the current unpaid principal balance.	\$251,150
2. <b>Accrued Interest:</b> Enter the total amount of the accrued interest due at closing to pay the loan off. <i>((22 days to the date the Mortgage being refinanced is paid off) x (\$66.82 per diem interest amount indicated on the payoff statement)).</i>	+ \$1,470
3. <b>Closing Costs, Financing Costs and Prepaids/Escrows:</b> Compare the following and enter the lesser amount of the three items below as your result:	
a. The total for Closing Costs, Financing Costs and Prepaids/Escrows. <span style="float: right;">\$6,570</span>	
b. \$5,000 <span style="float: right;">\$5,000</span>	+ \$5,000
4. <b>Maximum Loan Amount:</b> Add the results of Steps 1, 2 and 3 together to determine the maximum loan amount.	= <b>\$257,620</b>
5. <b>Closing Statement Review:</b> We recommend reviewing the preliminary Settlement/Closing Disclosure Statement to determine if the Relief Refinance Mortgage proceeds were applied as described in Steps 1, 2 and 3 above. If any adjustments are required, repeat Steps 1–4.	
Cash disbursed to the Borrower may not exceed \$250. Closing Costs, Financing Costs and Prepaids/Escrows paid out of closing by the borrower may be reimbursed at closing and are not considered cash to the borrower.	

In this example, \$5,000 to cover Closing Costs, Financing Costs, Prepaids/Escrows may be added to the current unpaid principal balance of \$251,150 and accrued interest of \$1,470 for a maximum loan amount of \$257,620.

Additional fees on the payoff statement such as the statement delivery fee and recording fee may not be added to the new loan amount and must be paid by the borrower.

For the complete detailed eligibility and underwriting requirements that apply to Freddie Mac Relief Refinance Mortgages, refer to the applicable Guide Chapters: *Freddie Mac Relief Refinance Mortgages – Same Servicer 4302* and *Freddie Mac Relief Refinance Mortgages – Open Access (4303)*.

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