

Determining the Maximum Loan Amount on Freddie Mac Relief Refinance MortgagesSM



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 with application dates on or after December 1, 2011 and Freddie Mac Settlements on or after January 3, 2012.

Mortgage Proceeds Requirements for Relief Refinance Mortgages depend on whether the LTV ratio of the Mortgage is greater than 80% or less than or equal to 80%. Refer to the applicable sections.

- Relief Refinance Mortgages with LTV Ratios [Greater than 80%](#)
- Relief Refinance Mortgages with LTV Ratios [Less than or Equal to 80%](#)

Mortgages with LTV Ratios Greater than 80%

For Mortgages with LTV ratios greater than 80%, 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 Prepays/Escrows up to the lesser of:
 - Four percent of the current unpaid principal balance of the mortgage being refinanced, or
 - \$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 HUD-1 form or equivalent closing statement



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

Steps for Determining the Maximum Loan Amount for Relief Refinance Mortgages with LTV Ratios Greater than 80%

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

Step	Your Result
<p>1. Unpaid Principal Balance: Enter the total amount of the current unpaid principal balance.</p>	<p>\$ _____</p>
<p>2. Accrued Interest: 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)).</p>	<p>+ \$ _____</p>
<p>3. Closing Costs, Financing Costs and Prepays/Escrows: Compare the following and enter the lesser amount as your result:</p> <p>a. The total Closing Costs, Financing Costs and Prepays/Escrows. \$ _____</p> <p>b. The lesser of the current unpaid principal balance from Step 1 multiplied by four percent (\$ _____ x .04 = \$ _____) or \$5,000. \$ _____</p> <p>The lesser of 'a' and 'b' is the maximum amount you may include in the loan amount to pay Closing Costs, Financing Costs and Prepays/Escrows. Additional costs, if any, that remain must be paid by the borrower from acceptable sources of funds as outlined in the <i>Freddie Mac Single-Family Seller/Service Guide</i> (Guide) Chapter 26.</p>	<p>+ \$ _____</p>
<p>4. Maximum Loan Amount: Add the results of Steps 1, 2 and 3 together to determine the maximum loan amount.</p>	<p>= \$ _____</p>
<p>5. Closing Statement Review: We recommend reviewing the preliminary HUD-1 or equivalent closing statement to determine if the Relief Refinance Mortgage proceeds were applied as described in Steps 1, 2 and 3 above.</p> <p> Cash disbursed to the Borrower may not exceed \$250. Closing Costs, Financing Costs and Prepays/Escrows paid out of closing by the borrower may be reimbursed at closing and are not considered cash to the borrower.</p>	


Examples of Determining the Maximum Loan Amount for Relief Refinance Mortgages with LTV Ratios Greater than 80%

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 HUD-1, 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 HUD-1 at closing:


Step	Your Result	
	Initial Determination	Final Determination
1. Unpaid Principal Balance: Enter the total amount of the current unpaid principal balance.	\$140,000	\$140,000
2. Accrued Interest: 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. Closing Costs, Financing Costs and Prepaids/Escrows: Compare the following and enter the lesser amount of the two as your result: a. The total for Closing Costs, Financing Costs and Prepaids/Escrows. \$3,550 Initial / \$2,950 Final b. The lesser of the current unpaid principal balance from Step 1 multiplied by four percent (\$140,000 x .04 = \$5,600) or \$5,000.	+ \$3,550	+ \$2,950 (\$600 less than originally estimated)
4. Maximum Loan Amount: Add the results of Steps 1, 2 and 3 together to determine the maximum loan amount.	= \$144,308	= \$143,708*
<ul style="list-style-type: none"> • Closing Statement Review: We recommend reviewing the preliminary HUD-1 or equivalent closing 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 HUD-1 form or an equivalent closing statement.

Examples of Determining the Maximum Loan Amount for Relief Refinance Mortgages with LTV Ratios Greater than 80% (continued)

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 HUD-1 indicates that total Closing Costs, Financing Costs and Prepays/Escrows for the refinance are \$6,570. The LTV ratio is 150%.

Step	Your Result
1. Unpaid Principal Balance: Enter the total amount of the current unpaid principal balance.	\$251,150
2. Accrued Interest: Enter the total amount of the accrued interest due at closing to pay the loan off. ((22 days to the date the Mortgage being refinanced is paid off) x (\$66.82 per diem interest amount indicated on the payoff statement)).	+ \$1,470
3. Closing Costs, Financing Costs and Prepays/Escrows: Compare the following and enter the lesser amount of the three as your result: a. The total for Closing Costs, Financing Costs and Prepays/Escrows. \$6,570 b. The lesser of the current unpaid principal balance from Step 1 multiplied by four percent (\$251,150 x .04 = \$10,046) or \$5,000. \$5,000	+ \$5,000
4. Maximum Loan Amount: Add the results of Steps 1, 2 and 3 together to determine the maximum loan amount.	= \$257,620
5. Closing Statement Review: We recommend reviewing the preliminary HUD-1 or equivalent closing 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 Prepays/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, Prepays/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.

 **Reminder on Freddie Mac Delivery Dates for Mortgages with LTV Ratios Greater than 125%:**

- Relief Refinance Mortgage—Same Servicer: Fixed-rate Mortgages sold under fixed-rate Cash with LTV Ratios greater than 125% are available for delivery to Freddie Mac on or after February 1, 2012
- Relief Refinance—Open Access: Fixed-rate Mortgages sold under fixed-rate Cash with LTV Ratios greater than 125% are available for delivery to Freddie Mac on or after March 15, 2012
- Relief Refinance Mortgage—Same Servicer and Relief Refinance Mortgage—Open Access: Fixed Rate Mortgages sold under Guarantor with LTV Ratios greater than 125% are available for delivery to Freddie Mac on or after June 1, 2012

Mortgages with LTV Ratios Less than or Equal to 80%

For Mortgages with LTV ratios less than or equal to 80%, 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 Prepays/Escrows

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 mortgage 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 HUD-1 form or equivalent closing statement



Under no circumstances may cash be disbursed to the Borrower (or any other payee) exceed 2% of the Relief Refinance Mortgage, or \$2000, whichever is less. Closing Costs, Financing Costs and Prepays/Escrows paid out of closing by the borrower may be reimbursed at closing and are not considered cash to the borrower.

For the complete detailed eligibility and underwriting requirements that apply to Freddie Mac Relief Refinance Mortgages, refer to the applicable Guide Chapters for the Freddie Mac Relief Refinance Mortgages–Same Servicer with LTV Ratios Greater than 80% (A24), Freddie Mac Relief Refinance Mortgages–Open Access (B24), and the new Guide Chapter for Freddie Mac Relief Refinance Mortgages–Same Servicer with LTV Ratios Less than or Equal to 80% (C24).

Legal disclaimer:

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