

# Freddie Mac Refinance Programs



A refinance Mortgage can be either:

- A Mortgage the proceeds of which are used to pay off an existing Mortgage or Mortgages secured by the Mortgaged Premises with the cancellation of the existing promissory note(s) and the execution of a new promissory note and a new Security Instrument, or
- A Mortgage secured by Mortgaged Premises previously owned free and clear by the Borrower.

The following chart is a detailed comparison of different refinance Mortgages Freddie Mac will purchase under the terms of your Purchase Documents or *Single-Family Seller/Servicer Guide* (Guide) Chapter 4301. **This chart does not contain information on Freddie Mac Relief Refinance Mortgages<sup>SM</sup> available under the Making Home Affordable Program. For information on Freddie Mac Relief Refinance Mortgages, refer to Guide Chapters 4302, 4303 and [additional resources available online](#).**

**Note:** If the Mortgage proceeds are used to pay off an Interim Construction Financing, it must meet the requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, including, but not limited to, how the transaction type (purchase or refinance) is determined.

Topic	Refinance Mortgages		
	"No Cash-out"	Cash-out	Special Purpose Cash-out
<b>Guide References</b>	Sections 4301.2 and 4301.4	Sections 4301.2 and 4301.5	Sections 4301.2 and 4301.6
<b>Purpose of Refinance/Special Requirements</b>	<p>Mortgage for which the proceeds may be used only to pay off the first mortgage; pay off junior liens used to acquire the property in its entirety; pay related closing cost, financing costs, and prepaids/escrows; disburse cash out to the Borrower not to exceed 2% of new refinance Mortgage or \$2,000, whichever is less; and pay off the outstanding balance of a land contract or contract for deed.</p> <p>If the Mortgage being refinanced is a First Lien, conventional Mortgage currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac, the Mortgage may be eligible for higher LTV/TLTV/HTLTV ratios (refer to Guide Section 4203.4) if the following requirements are met:</p> <ul style="list-style-type: none"> <li>▪ The proceeds of the new refinance Mortgage may not pay off a junior lien secured by the Mortgaged Premises, and</li> <li>▪ Proof of the Freddie Mac loan number of the existing Mortgage is provided in the Mortgage file</li> </ul> <p>Super conforming Mortgages that are Freddie Mac-owned "no cash-out" refinance Mortgages are not eligible for the higher LTV/TLTV/HTLTV ratios</p>	<p>Mortgage in which the use of the loan amount is not limited to specific purposes.</p> <p>If the Mortgage is being placed on a property previously owned free and clear by the Borrower, it is considered a cash-out refinance Mortgage</p>	<p>Mortgage in which the owner of the property uses the proceeds of the refinance transaction to buy out the equity of a co-owner.</p> <p>The Mortgage file must include:</p> <ul style="list-style-type: none"> <li>▪ Documentation evidencing that the borrower and co-owner jointly occupied the subject as their primary residence</li> <li>▪ Written agreement stating the terms of property transfer and the disposition of refinance proceeds</li> </ul>

Note: Vertical revision bars " | " are used in the margin of this quick reference to highlight new requirements and significant changes

Refinance Mortgages			
Topic	“No Cash-out”	Cash-out	Special Purpose Cash-out
<b>Seasoning</b>	No requirement	At least one Borrower must have been on title to the subject property for at least six months prior to the Note Date of the cash-out refinance Mortgage. If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date, the requirements of Guide Section 4301.5 must be met.	The Borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (parties who inherited an interest in the property are exempt from this requirement)
<b>Mortgage Payment History on Existing Mortgage</b>	In accordance with Loan Product Advisor credit risk class and documentation level or Guide requirements		
<b>New Loan Application</b>	Required		
<b>Property Type</b>	<ul style="list-style-type: none"> <li>▪ 1- to 4-unit Primary Residence</li> <li>▪ 1-unit Second Home</li> <li>▪ 1- to 4-unit Investment Property</li> </ul>		<ul style="list-style-type: none"> <li>▪ 1-to-4-unit Primary Residence</li> <li>▪ 1-unit Second Home, if inherited</li> <li>▪ Investment properties, if inherited</li> </ul>
<b>New Lien</b>	All product types, unless specifically prohibited	All product types unless specifically prohibited. New refinance Mortgage must not be a special purpose cash-out refinance Mortgage	All product types, unless specifically prohibited
<b>New Mortgage Amount</b>	<p>The new refinance Mortgage amount is limited to:</p> <ul style="list-style-type: none"> <li>▪ Pay off of first mortgage, regardless of age</li> <li>▪ Pay off junior liens secured by subject and used in its entirety to acquire the subject property</li> <li>▪ Pay related closing costs, financing costs and prepaids/escrows</li> <li>▪ Disburse cash out to the Borrower (or any other payee) up to 2% of the new refinance Mortgage or \$2,000, whichever is less</li> <li>▪ Pay off the outstanding balance of a land contract or contract for deed if Guide Section 4404.1 requirements are met</li> <li>▪ For Mortgages owned by Freddie Mac, pay off a Property Assessed Clean Energy (PACE) or PACE-like obligation, subject to the additional requirements in Section 4301.8</li> </ul>	<p>The new refinance Mortgage amount may not exceed Freddie Mac maximum mortgage amounts. No restrictions on the amount of cash back to the Borrower when standard seasoning requirements are met.</p> <p>If none of the Borrowers have been on the title to the subject property for at least six months prior to the Note Date, the requirements of Guide Section 4301.5 must be met.</p>	<p>The new refinance Mortgage amount is limited to the amount used to buy out the equity of co-owner including:</p> <ul style="list-style-type: none"> <li>▪ Pay off of first mortgage, regardless of age</li> <li>▪ Pay off junior liens secured by subject</li> <li>▪ Pay related closing costs, financing costs and prepaids/escrows</li> </ul> <p>The Borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction</p>
<b>Maximum LTV/ TLTV/ HTLTV</b>	Refer to Guide section 4203.4 for complete LTV/TLTV/HTLTV requirements		

Topic	Refinance Mortgages		
	"No Cash-out"	Cash-out	Special Purpose Cash-out
<b>Underwriting Requirements</b>	For <ul style="list-style-type: none"> <li>Loan Product Advisor Accept and A-minus Mortgages, the Seller does not need to determine the Borrower's creditworthiness</li> <li>For Manually Underwritten Mortgages, the Seller must make the determination regarding Borrower creditworthiness</li> <li>The Mortgage must meet the minimum Indicator Score requirements set forth in Guide Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements</li> </ul>		
<b>Change in Borrowers</b>	When an existing Mortgage will be satisfied as a result of a refinance transaction, one of following requirements must be met: <ul style="list-style-type: none"> <li>At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced, or</li> <li>At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a primary residence for the most recent 12-month period and the mortgage file contains documentation evidencing that the Borrower, either:                             <ul style="list-style-type: none"> <li>Has been making timely mortgage payments (including the payments for any secondary financing) for the most recent 12-month period, or</li> <li>Is a related person to the Borrower on the Mortgage being refinanced, or</li> </ul> </li> <li>At least one Borrower on the refinance mortgage inherited or was legally awarded the Mortgaged Premises (for example, in the case of divorce, separation or dissolution of a domestic partnership)</li> </ul>		
<b>Minimum Income and Employment Documentation</b>	In accordance with Loan Product Advisor credit risk class and documentation level or Guide requirements		
<b>Verification of Funds</b>	Required		
<b>Subordinate/Junior Liens</b>	The borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises, provided that the junior lien meets the requirements of Guide Sections 4204.1 and/or 4204.2, as applicable		
	If a junior lien was paid off as part of a "no cash-out" refinance transaction, obtain documentation in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property	Not applicable	
<b>Collateral Valuation</b>	Provide a new appraisal or inspection report meeting the requirements of Chapter 5601		
<b>Owner of Record</b>	<ul style="list-style-type: none"> <li>Verify the Borrower is an Owner of Record; or if paying off a land contract, the Borrower is a vendee on the recorded land contract, and the vendor is the Owner of Record. Evidence verification with documentation in the file</li> <li>If the Borrower for refinance transactions is not the Owner of Record, investigate the circumstances of the transaction to ensure it is legitimate. Retain documentation evidencing the verification or legitimacy of the transaction in the mortgage file. See Guide Section 5601.3</li> </ul>		
<b>Postsettlement Delivery Fees</b>	Refer to <a href="#">Exhibit 19 - Postsettlement Delivery Fees</a>		Refer to <a href="#">Exhibit 19 - Postsettlement Delivery Fees</a> . The cash-out delivery fee indicated on Exhibit 19 will not be assessed
<b>Delivery Requirements</b>	Refer to Guide Section 6302.16		