

# 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/Service Guide* (Guide) Chapter 24. **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 A24, B24 and C24 and [other 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 K33 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 reference</b>	Sections 24.2 and 24.5	Sections 24.2 and 24.6	Sections 24.2 and 24.7
<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 and disburse cash out to the Borrower not to exceed 2% of new refinance Mortgage or \$2,000, whichever is less.</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 23.4) 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>

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<b>Seasoning</b>	When a Mortgage being refinanced is a purchase money transaction, the Mortgage being refinanced must have a Note Date at least 120 days prior to the Note Date of the “no cash-out” refinance Mortgage transaction	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 of the cash-out refinance Mortgage, the requirements of Guide Section 24.6 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 Prospector 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> </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</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/ HLTV</b>	Refer to Guide section 23.4 for complete LTV/TLTV/HLTV requirements		
<b>Underwriting Requirements</b>	<ul style="list-style-type: none"> <li>▪ For Loan Prospector 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>		

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<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 at least 12 months 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 by a court 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 Prospector 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 provided that: <ul style="list-style-type: none"> <li>▪ The junior liens remain subordinate to the lien of the new refinance Mortgage</li> <li>▪ The requirements of Guide Section 25.2 pertaining to secondary financing are met</li> <li>▪ A copy of the subordination agreement is maintained in the Mortgage file</li> </ul> If a junior lien was paid off, obtain documentation in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property	The borrower is not required to satisfy outstanding junior liens provided that: <ul style="list-style-type: none"> <li>▪ The junior liens remain subordinate to the lien of the new refinance Mortgage</li> <li>▪ The requirements of Guide Section 25.2 pertaining to secondary financing are met</li> <li>▪ A copy of the subordination agreement is maintained in the Mortgage file</li> </ul>	The borrower is not required to satisfy outstanding junior liens provided that: <ul style="list-style-type: none"> <li>▪ Junior lien remains subordinate to the lien of the new refinance Mortgage</li> <li>▪ Junior lien meets the requirements of Section 25.2 pertaining to secondary financing</li> <li>▪ A copy of the subordination agreement is maintained in the Mortgage file</li> </ul>
<b>Collateral Valuation</b>	Provide a new appraisal or inspection report meeting the requirements of Chapter 44		
<b>Owner of Record</b>	Verify the Borrower is an Owner of Record and/or 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		
<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 (Form 11 or 13SF) (Guide Section 17.18)</b>	<ul style="list-style-type: none"> <li>▪ SCC: 007</li> <li>▪ SCC: D99 if Freddie Mac-Owned “no cash-out” refinance mortgage with expanded LTV/TLTV/HTLTV ratios</li> </ul>	SCC: 003	SCC: 003 and 203

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