



Cash-out Refinance Mortgages

Cash out for many purposes

With this mortgage option, borrowers are able to receive cash out from the value of their home to use for debt consolidation or any other purpose. This mortgage also allows borrowers to roll all related closing costs, financing costs, and prepaid items into the new loan amount, further maximizing cash flow potential. In addition, our special purpose cash-out refinance mortgage allows borrowers in unique circumstances to use the proceeds of the refinance transaction to buy out the equity of a co-owner.

> Borrower Profile

- Refinance borrowers who want to receive cash from the value of their home

> Key Features

- Maximum LTV ratio of 80 percent for 1-unit primary residences
- 1- to 4-unit primary residences, second homes, and 1- to 4-unit investment properties
- May use proceeds of the refinance to pay off junior liens or other needs
- Roll all related closing costs and prepaid items into the new loan amount
- No seasoning requirement for the mortgage being refinanced, as long as the mortgage does not exceed our maximum loan amounts and maximum LTV ratios

> Borrower Benefits

- Provide cash-out to consolidate debt or for any other purpose
- Allow borrowers to pay off junior liens, including HELOCs, pay off a leasehold interest, pay for home improvements or buy out the equity of an ex-spouse, joint heir, or joint devisee
- Eliminate up front costs by rolling in all related closing costs, financing costs, and prepaid items into the new loan amount

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit primary residence ▪ 1- to 4-unit investment property ▪ Second home
Eligible Mortgages	<ul style="list-style-type: none"> ▪ 15-, 20-, and 30-year fixed-rate mortgages ▪ 5- and 7-year balloon/reset mortgages ▪ Most standard ARMs ▪ No seasoning requirement for eligible mortgages and inherited properties. ▪ Super conforming mortgages. See Guide Chapter L33 for requirements.
Maximum LTV for New Mortgage	<ul style="list-style-type: none"> ▪ 1-unit primary residence: <ul style="list-style-type: none"> ○ Max. LTV without secondary financing: 80% ○ Max. LTV with secondary financing: 75% ○ Max. TLTV with secondary financing: 80% ○ Max. HTLTV: 80% ▪ 2- to 4-unit primary residence: <ul style="list-style-type: none"> ○ Max. LTV without secondary financing: 75% ○ Max. LTV with secondary financing: 70% ○ Max. TLTV with secondary financing: 75% ○ Max. HTLTV: 75% ▪ Second home: <ul style="list-style-type: none"> ○ Max. LTV without secondary financing: 75% ○ Max. LTV with secondary financing: 70% ○ Max. TLTV with secondary financing: 75% ○ Max. HTLTV: 75% ▪ 1-unit investment property: <ul style="list-style-type: none"> ○ Max. LTV without secondary financing: 75% ○ Max. LTV with secondary financing: 70% ○ Max. TLTV with secondary financing: 75% ○ Max. HTLTV: 75% ▪ 2- to 4-unit investment property: <ul style="list-style-type: none"> ○ Max. LTV without secondary financing: 70% ○ Max. LTV with secondary financing: 65% ○ Max. TLTV with secondary financing: 70% ○ Max. HTLTV: 70% <p>See Guide Chapter L33.3 for LTV/TLTV/HTLTV ratio requirements for super conforming mortgages.</p>
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ The Seller must make the determination regarding borrower creditworthiness in accordance with the requirements of the Guide Chapter 37.4(b), <i>Establishing Borrower Credit Reputation for Manually Underwritten Mortgages</i>. ▪ At least one borrower must 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.
Closing Costs, Financing Costs & Prepays/Escrows	<ul style="list-style-type: none"> ▪ All closing costs, financing costs, and prepays can be rolled into the new loan amount.
Cash Back to Borrower	<ul style="list-style-type: none"> ▪ No limit on cash back for cash-out refinances.
Special Underwriting Requirements	<ul style="list-style-type: none"> ▪ Loan Prospector (Accept or A-minus) Mortgages, or manually underwritten mortgages. ▪ A minimum Indicator Score of 620 unless otherwise specified in the Guide (Loan Prospector A-minus Mortgages are exempt). ▪ All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable. ▪ A mortgage placed on a property previously owned free and clear by the borrower is always considered a cash-out refinance mortgage. ▪ At least one borrower must have been on the title to the subject property for at least six months prior to the note date. ▪ When an existing mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met: <ul style="list-style-type: none"> ○ At least one borrower on the refinance mortgage was a borrower on the mortgage being refinanced; or ○ At least one borrower on the refinance mortgage held title to and lived on the property for 12 months, and the mortgage file contains documentation evidencing that the borrower either: <ul style="list-style-type: none"> ▪ Has been making timely mortgage and secondary financing payments for the most recent 12 months ▪ Is related to a borrower on the mortgage being refinanced, or ○ At least one borrower on the refinance mortgages inherited or was legally awarded the property by a court. ▪ Mortgage payment history and minimum income documentation in accordance with Loan Prospector credit risk/documentation class or Guide requirements.

Subordinate Liens	<ul style="list-style-type: none"> ▪ Can be paid off from the proceeds of the new loan regardless of purpose; may be subordinated or paid off with borrower funds. ▪ Pay off purchase money junior liens secured by the mortgaged premises that were not used in their entirety to acquire the subject property. ▪ Can be subordinated to the first mortgage established by the refinance in accordance with Guide Section 25.2. ▪ Can be created at the time of the refinance mortgage and must comply with the requirements of Guide Section 25.1.
Special Requirements for Special Purpose Cash-out Refinances	<ul style="list-style-type: none"> ▪ Freddie Mac considers a cash-out refinance mortgage made to a borrower buying out the equity of a co-owner to be a special purpose cash-out refinance mortgage. For these mortgages: <ul style="list-style-type: none"> ○ The borrower and co-owner must have jointly owned the property for at least 12 months prior to the loan application. (Parties who inherit an interest in the property are exempt.) ○ The borrower and co-owner must have occupied the property as their primary residence. (Parties who inherit an interest in the property are exempt.) ○ Borrower retaining sole ownership of the property may not receive any proceeds from the refinance transaction. ○ The borrower and the co-owner receiving the buy out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction. ▪ For our special purpose cash-out refinance mortgages, the borrower is not required to use loan proceeds to satisfy existing junior liens (including home equity lines of credit) if the liens are subordinated to the new refinance mortgage and meet Freddie Mac requirements.
Collateral Assessment	<ul style="list-style-type: none"> ▪ The Seller must provide an appraisal with an interior and exterior inspection that meets Freddie Mac requirements.
DELIVERY REQUIREMENTS	
Eligible Executions	<ul style="list-style-type: none"> ▪ Servicing-released cash* ▪ Servicing-retained cash ▪ Fixed-rate Guarantor ▪ WAC ARM Guarantor ▪ MultiLender Swap <p>*See our selling system availability matrix for a list of specific mortgages eligible for sale through cash under mandatory contracts servicing released and best efforts contracts servicing released or servicing retained.</p>
Delivery Requirements	<ul style="list-style-type: none"> ▪ SCC: 003 ▪ SCC: 203 for a special purpose cash-out refinance mortgage ▪ Refinance mortgages must be documented with a new note and security instrument or with a new note date and a modification of the existing security instrument. If there is no new security instrument, the refinance mortgage must be delivered to Freddie Mac as a Seller-owned Modified mortgage. ▪ Mortgages with delivery or settlement dates more than 120 days after the note date require an appraisal update meeting Chapter 44 requirements with an effective date no more than 60 days prior to the delivery or settlement date. If the property value has declined since the effective date of the original appraisal, the mortgage is only eligible for negotiated sale through our bulk sales path.
Delivery Fees	<ul style="list-style-type: none"> ▪ A cash-out refinance postsettlement delivery fee applies, in addition to any other fees assessed based on the individual characteristics of the mortgage. See Guide Exhibit 19 for details at www.FreddieMac.com/singlefamily/pdf/ex19.pdf. ▪ Freddie Mac's cash-out refinance delivery fee is not billed for special purpose cash-out refinance mortgages delivered in accordance with the requirements of Guide Section 17.18.

Learn more about Freddie Mac Cash-out Refinances

- Refer to Chapter 24 of the *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com