Relief Refinance Mortgages – Open Access

An expanded LTV/TLTV/HTLTV refinance solution for all Freddie Mac Sellers

The Freddie Mac Relief Refinance MortgageSM – Open Access helps borrowers refinance even if you are not currently servicing their mortgage. This offering is designed to assist borrowers who are making timely mortgage payments, but have been unable to refinance due to declining home values. A portion of this offering, mortgages with LTV ratios greater than 80 percent, represents our business implementation of the Home Affordable Refinance program (HARP).

With no maximum LTV/TLTV/HTLTV ratios for fixed-rate mortgages, relief from standard mortgage insurance requirements, and the ability to submit through Loan Prospector®, you can refinance more borrowers into mortgages that better position them for a successful long-term homeownership experience.

Borrower Profile

- Experienced declining property values or could benefit from refinancing into mortgages with terms that better position them for long-term homeownership.
- Are timely on their mortgage payments.

Key Features

- May be originated by any Freddie Mac-approved Seller/Servicer.
- No maximum LTV ratio requirement for fixed-rate loans. ARMs may not exceed 105 percent LTV ratio.
- No maximum TLTV and HTLTV ratios.
- Relief from standard mortgage insurance requirements.
- Must be submitted to Loan Prospector®.
- Reduced income and asset documentation requirements.
- Use of Home Value Explorer® (HVE), Freddie Mac's automated valuation model, to determine property value for certain properties.
- Allows omission of a borrower for any reason, subject to conditions.
## General Eligibility Requirements
- The mortgage being refinanced must:
  - Be a first-lien, conventional mortgage currently owned or securitized by Freddie Mac.
  - Have a Freddie Mac settlement date on or before May 31, 2009.
  - Be seasoned for at least three months.
  - The Servicer of the mortgage being refinanced may be any Freddie Mac-approved Servicer.
- Restructured mortgages are eligible to be refinanced as Relief Refinance Mortgages. Such Relief Refinance Mortgages are eligible to be delivered to Freddie Mac through a flow purchase contract.
- If the mortgage being refinanced was considered for and/or received a Freddie Mac modification, it is eligible to be refinanced as a Relief Refinance Mortgage. See Single-Family Seller/Servicer Guide (Guide) Section B24.2 (a) for detailed requirements.
- If the mortgage being refinanced has mortgage insurance or mortgage pool insurance, it is eligible for refinancing. See Guide Section B24.3 (h) for requirements.
- If the mortgage being refinanced has recourse, indemnification, or other credit enhancements defined in Guide Section B24.2 (a), it is ineligible to be refinanced as a Relief Refinance Mortgage – Open Access and will receive an ELV 64 message code in Loan Prospector indicating that the loan is ineligible.

## Borrower Benefit
The Relief Refinance Mortgage must result in at least one of the following:
- Reduction in the interest rate of the first-lien mortgage.
- Replacement of an ARM, Initial Interest® Mortgage (or any mortgage with an interest-only period) or a balloon/reset mortgage with a fixed-rate, fully amortizing mortgage.
- Reduction in the amortization term of the first-lien mortgage.
- Reduction in the monthly principal and interest payment of the first-lien mortgage.

## Eligible Mortgage Products
- Conventional 15-, 20- or 30-year fixed-rate, fully amortizing mortgages.
- Conventional 5/1, 7/1 or 10/1 fully amortizing adjustable-rate mortgages (ARMs).
- The Relief Refinance Mortgage – Open Access may be a super conforming mortgage.
- If the mortgage being refinanced is a fixed-rate mortgage, the new Relief Refinance Mortgage – Open Access may not be an ARM.

## Eligible Property Types
- 1- to 4-unit primary residences.
- 1-unit second homes.
- 1- to 4-unit investment properties.

## Refinance Proceeds
- The refinance proceeds must be used only to:
  - Pay off the first mortgage (amount includes the UPB and accrued interest through the payoff date).
  - Pay related closing costs, financing costs and prepaids/escrows, not to exceed the lesser of four percent of the current UPB of the mortgage being refinanced or $5,000.
  - Disburse to the borrower (or any other payee), not to exceed $250.
- In the event that there are remaining proceeds from the Relief Refinance Mortgage – Open Access 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 new refinance mortgage at closing and must be clearly reflected on the HUD-1 form or other equivalent closing statement.
  - The proceeds may not be used to pay off or pay down any junior liens.
  - Under no circumstances may cash disbursed to the borrower (or any other payee) exceed the maximum permitted amount.

## Maximum LTV/TLTV/HTLTV
- There is no maximum LTV ratio for fixed-rate mortgages.
- The maximum LTV ratio for ARMs is 105 percent.
- There are no maximum TLTV/HTLTV ratio requirements.
- The LTV and TLTV ratios for Texas Equity Section 50(a)(6) Mortgages must not exceed 80 percent.

## Mortgage Insurance
For an LTV ratio greater than 80 percent:
- If the mortgage being refinanced has mortgage insurance coverage, then the same mortgage insurance coverage percentage must be maintained for the Relief Refinance Mortgage – Open Access. Seller must comply with any requirements established by the applicable mortgage insurer to transfer and maintain existing mortgage insurance coverage.
- If the mortgage being refinanced does not have mortgage insurance coverage, then no mortgage insurance coverage is required for the Relief Refinance Mortgage – Open Access.
- Refer to Guide Section B24.4 for special delivery requirements related to mortgage insurance for Relief Refinance Mortgages – Open Access.

## Lender Contributions
For effective mortgages with Application Received Dates on or after April 30, 2013, the following is guidance for the use of lender contributions as outlined in Guide Section B24.3(j):
- A lender may provide the borrower with a cash or a cash-like contribution that is not reflected on the HUD-1 form or an equivalent settlement statement, provided it does not exceed $500 and repayment is not required. The contribution is not considered cash out to the borrower and does not have to be included in the calculation of mortgage proceeds.
**Underwriting Requirements**
- A lender may provide a contribution towards the payoff of the mortgage being refinanced, provided that it does not exceed $2,000 and repayment is not required. The contribution must be reflected on the settlement statement. The contribution is not considered cash out to the borrower provided it does not result in cash disbursed to the borrower exceeding $250.
- 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 above.
- Except as modified by Chapter B24, Relief Refinance Mortgages – Open Access must meet all of the underwriting requirements in the Guide as of the note date.
- Relief Refinance Mortgages – Open Access must be submitted to Loan Prospector.
- Relief Refinance Mortgages – Open Access with a risk class of Caution and no A-minus eligible purchase eligibility message must be manually underwritten in accordance with Guide Chapters 37 and B24.
- Relief Refinance Mortgages – Open Access must, at a minimum, meet the income and asset documentation requirements of Guide Section B24.3(f) regardless of the documentation level returned by Loan Prospector.
- For Relief Refinance Mortgages – Open Access that are higher priced mortgage loans and with an Application Received Date on or after January 10, 2014, see Guide Section B24.3 (d) and (e) for additional requirements.
- Noncredit payment references are prohibited and may not be used to establish an acceptable credit reputation.
- The borrower(s) obligated on the note on the Relief Refinance Mortgage – Open Access must be the same as the borrower(s) obligated on the note on the mortgage being refinanced, except that:
  - A borrower on the mortgage being refinanced may be omitted from the Relief Refinance Mortgage for any reason.
  - A borrower who is not on the mortgage being refinanced may be added to the Relief Refinance Mortgage, except that a non-occupying borrower may not be added to a mortgage secured by a primary residence.
  - In all cases, at least one borrower(s) from the mortgage being refinanced must be retained.
- Mortgages secured by investment properties and second homes are not subject to the requirements related to the number of financed properties in Guide Sections 22.22.1 and 22.22.

**Collateral Assessment**
- The Seller may use HVE or a new appraisal to determine property value.
- HVE may be used for certain 1- to 2-unit properties for Loan Prospector submissions. See Guide Section B24.3 (g) for detailed requirements on the use of HVE. In connection with the use of HVE:
  - The Seller is relieved of representations and warranties for the value, condition and marketability of the mortgaged premises provided that, as of the settlement date, the Seller is not aware of any circumstances or conditions that would adversely affect the value, condition or marketability of the mortgaged premises.
  - The date of the HVE estimate (HVE Value Date) must be no more than 120 days prior to the note date.
- Sellers are not required to obtain a new appraisal or a new HVE point value estimate if the Relief Refinance Mortgage is delivered more than 120 days from the note date.
- If a new appraisal is obtained, the Seller must obtain a full interior/ exterior appraisal that meets the requirements of Guide Chapter 44:
  - Sellers are not responsible for the representations and warranties regarding the value, condition and marketability of the property secured by the Relief Refinance Mortgage.
  - Freddie Mac will accept appraisal reports with a UAD property condition rating of C5 or C6 and/or a UAD quality rating of Q6 completed on an “as-is” basis; the appraisal does not have to be completed “subject to” substantial or significant needed repairs being completed.
  - The Seller is not responsible for the completeness and accuracy of the appraiser's description of the mortgaged premises and the accuracy of, and support for, the appraiser's opinion of market value of the mortgaged premises.
  - For super conforming Relief Refinance Mortgages – Open Access, the special appraisal and collateral documentation requirements in Guide Section L33.6 do not apply.
- For Mortgages secured by the properties in condominium projects, the Seller must represent and warrant that the project is not a hotel/resort project or houseboat project, a timeshare project or a project with fragment or segmented ownership. The project must have insurance that meets the applicable requirements.

**Secondary Financing**
- Existing junior liens may be refinanced simultaneously with the first mortgage provided the junior lien is being refinanced for one of the following purposes:
  - A reduction in the interest rate of the junior lien.
  - To replace an ARM, an interest-only junior lien, or a junior lien with a balloon or call option with a fixed-rate, fully amortizing junior lien.
  - A reduction in the amortization term of the junior lien.
  - A reduction in the monthly payment of the junior lien.
- The unpaid principal balance of the new junior lien cannot be more than the unpaid principal balance, at the time of payoff, of the junior lien being refinanced.
- If the junior lien being refinanced is a fixed-rate junior lien, the new junior lien cannot be an ARM.
- An existing junior lien must be subordinate to the Relief Refinance Mortgage – Open Access, regardless of whether the junior lien is refinanced simultaneously with the first-lien mortgage.
  - An increase in the current unpaid principal amount of any junior lien is permitted for any reason not related to the Relief Refinance Mortgage transaction.
  - No new secondary financing is permitted.
## DELIVERY REQUIREMENTS

### Delivery Requirements
- See Guide Section B24.4 (d) for special delivery instructions for Relief Refinance Mortgages – Open Access. Sellers must deliver the following ULDD Data Points:
  - **Refinance Program Identifier:** "Relief Refinance Open Access"
  - **Related Loan Investor Type:** "FRE"
  - **Related Investor Loan Identifier:** <Associated FRE Loan #>
- If applicable, Sellers must deliver the following ULDD Data Points:
  - **Investor Feature Identifier:** "H03" (Indicating an HVE point value estimate is used to determine value)
  - **MI Certificate Identifier** (Certificate number of existing mortgage insurance policy transferred to the Relief Refinance Mortgage – Open Access or the replacement certificate number)
  - **MI Coverage Percent** (If the mortgage being refinanced has mortgage insurance and the LTV ratio of the Relief Refinance Mortgage – Open Access is greater than 80 percent, insert the same percentage of loss coverage.)
- If the Relief Refinance Mortgage – Open Access is delivered without mortgage insurance, Sellers must deliver the following ULDD Data Point:
  - **Primary MI Absence Reason Type/Primary MI Absence Reason Type Other Description:** "Other-No MI Based on Mortgage Being Refinanced"

### Delivery Fees
- Postsettlement delivery fees from Exhibit 19 apply.
- For mortgages with LTV ratios less than or equal to 80 percent, the total of all delivery fees is capped at 200 basis points.
- For mortgages with LTV ratios greater than 80 percent, the following delivery fee caps must be applied:
  - Zero basis points for non-investment property fixed-rate mortgages with amortization terms of less than or equal to 20 years.
  - 75 basis points for non-investment property fixed-rate mortgages with amortization terms of greater than 20 years.
  - 75 basis points for non-investment property mortgages that are ARMs.
  - 200 basis points for investment properties.

### Eligible Executions
- All Relief Refinance Mortgages – Open Access may be sold to Freddie Mac through the following executions:
  - **Fixed-rate Cash**
    - Servicing retained
    - Concurrent transfer of servicing
    - Servicing released sales process for mortgages with LTV ratios less than or equal to 105 percent LTV
  - **Fixed-rate Guarantor**
  - **Relief Refinance Mortgages with LTV ratios less than or equal to 105 percent** may also be sold to Freddie Mac through the following executions:
    - **WAC ARM Cash**
    - **WAC ARM Guarantor**
    - **MultiLender Swap**
  - **Fixed-rate cash contracts for Relief Refinance Mortgages with LTV ratios greater than 105 percent** may only include Relief Refinance Mortgages at these higher LTV ratios. Sellers must take out separate fixed-rate contracts based on the specific LTV range for the contract.
    - To identify these fixed-rate cash contracts, select the appropriate range using the "LTV Range for the Contract" field located on the "Take Out Cash Contract" screen in the selling system. Select:
      - ">105% - <=115%" for LTV ratios greater than 105 percent and less than or equal to 115 percent.
      - ">115%" for LTV ratios greater than 115 percent.
    - A cash adjustor applies to all fixed-rate Relief Refinance Mortgages with LTV ratios greater than 105 percent that are sold to Freddie Mac for cash. The cash adjustor will be reflected in the cash pricing shown in the selling system once the Seller allocates mortgages to the contract.
  - To obtain the cash adjustor value for a mortgage prior to taking out a commitment in the selling system, review the matrix, **Cash Adjustor for Relief Refinance Mortgages**, available on the selling system welcome page.

### Securities and Pooling Requirements
- All current pooling requirements apply, including the specific requirements for super conforming mortgages.
- Fixed-rate and adjustable-rate Relief Refinance Mortgages with LTV ratios less than or equal to 105 percent may be pooled with other mortgages without additional pooling requirements.
- Fixed-rate Relief Refinance Mortgages with LTV ratios greater than 105 percent must be pooled separately in PC pools comprised entirely of Relief Refinance Mortgages with LTV ratios greater than 105 percent. These PC pools are not eligible for sale in the TBA market.
- Fixed-rate Relief Refinance Mortgages with LTV ratios greater than 125 percent must not be pooled together with mortgages having LTV ratios less than 125 percent. Instead, the mortgages must be pooled in PC pools with a prefix designation specifically for Relief Refinance Mortgages having LTV ratios greater than 125 percent. The PC pool may include both Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access.

See Guide Section B24.4 (g) for additional pooling requirements.

---

**Learn more about Relief Refinance Mortgages – Open Access**

- Review the information found in Chapter B24 of the *Single-Family Seller/Servicer Guide*
- Call 800-FREDDIE
- Visit FreddieMac.com