Streamline FHA Program

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Introduction

Streamline refinances are designed to lower the monthly principle and interest payments on a current FHA insured mortgage and must involve no cash back to the borrower (except for minor closing adjustments after signing that result in a maximum of $500 back). Streamline refinances can be made with or without an appraisal. On refinances with an appraisal, form HUD 92564-VC** is required.

CAIVRS need not be checked however, LDP and GSA are still required. Credit reports meeting minimum credit score requirements (discussed later) are required by Nations Direct Mortgage on all streamlines, including both non-credit qualifying and credit qualifying loans.

The streamlined version of the URLA may be used. It omits sections IV, V, VI and a-k of VIII. The URLA need not be signed by the borrower(s) until loan closing.

The mortgage amount may never exceed the statutory county limits except by the amount of any new upfront MIP.

The term of the new mortgage must be the lesser of 30 years or the remaining term of the mortgage plus 12 years.

For loan amounts less than or equal to $417,000 "total" loan amount, a 640 minimum FICO score is required, even on non credit qualifying refinances. Both streamlines with and without appraisals are eligible.

For loan amounts greater than $417,000 "total" loan amount, a 660 minimum credit score is required, even on non credit qualifying refinances. Only streamlines without appraisals are eligible for the jumbo loan amounts.

Seasoning Requirements and Payment History

A minimum of 6 months seasoning from the first payment date of the prior first mortgage, is required.
The borrower must be 0x30 in the last 12 months and must be current at the time of underwriting, docs and funding. The borrower(s) may not make payments forward in order to qualify. If the borrower(s) has owned the home less than 12 months, there must be no other delinquency on any other mortgages tied to the borrower or on any prior rented property, within the last 12 months.

Maximum Mortgage Calculation - Streamlines Without Appraisal

The maximum insurable mortgage is the lower of the two calculations to follow:

1) Original Loan Amount. The original principal balance on the mortgage (which will include any new upfront MIP from original loan) plus the new upfront premium that will be charged on the refinance, or;
2) Existing Debt. Add the sum of the existing FHA insured first lien, closing costs and the prepaid expenses necessary to establish the escrow account and subtract any refund of upfront MIP. The existing first lien may include the interest charged by the servicing lender when the payoff is not received on the first day of the month as is typically assessed on FHA mortgage but, may not included delinquent interest, late charges or escrow shortages.

This calculation applies only to owner occupied properties. While FHA may allow certain investment properties, Nations Direct will streamline only owner occupied properties.

New closing costs in excess of the calculations above may not be rolled into a streamline without appraisal. If the loan is short to close, the broker may credit lender closing costs, third party closing costs, pre-paid items, the broker may lower their fees, the borrower(s) may source and come in with the money or the parties may do a combination. For benefit purposes, on streamline loans without an appraisal, the new payment must simply be reduced in accordance with HUD guidelines. When the borrower(s) must bring more than two months PITI to closing on a streamline without appraisal, an acknowledgement from the borrower(s) must be provided prior to loan documents being requested (we have found that without acknowledgement, many end up not signing once the borrower is aware of the amount they must bring in).

Maximum Mortgage Calculation - Streamlines With Appraisals

The maximum insurable mortgage is the lower of the appropriate LTV or the sum of the existing indebtedness, related closing costs and prepaid expenses for the refinance; both described below:

1) LTV ratio applied to appraised value. Multiply the appraised value of the property by the appropriate LTV ratio.
2) Existing Debt. Add the sum of the existing FHA insured first lien, closing costs, and prepaid expenses necessary to establish the escrow account and subtract any refund of UFMIP due. The existing first lien may include the interest charged by the servicing lender when the payoff is not received on the first day of the month as is typically assessed on FHA mortgages but, may not include delinquent interest, late charges or escrow shortages.

For benefit purposes, on any streamline loan with appraisal where the last refinance was within the last twelve months, net tangible benefit will be calculated based on original and new closing costs. A HUD from the prior transaction must be provided.

Credit Qualifying Refinances

Credit qualifying streamlines contain all the normal features of a streamline refinance but, provide a level of assurance of continued performance on the mortgage. The lender must provide evidence that the remaining borrowers have an acceptable credit history and ability to make payments. *All credit qualifying streamline refinance transactions must be run through Total Scorecard (DU) and render an approve/eligible decision. Any streamline that requires subordination of a current second trust deed must also credit qualify with an approve/eligible decision.*

Purposes:

1) When there is deletion of an original borrower.
2) When a change in the mortgage term will result in an increase of the mortgage payment.
3) Following an assumption of a mortgage that does not contain restrictions (e.g. due-on-sale clause). *There are different restrictions for assumptions which occurred less than 6 months and greater than 6 months ago. Consult HUD guidelines for more information.*
4) Following an assumption of a mortgage in which the transferability restriction (e.g. due-on-sale clause) was not triggered, such as in a property transfer resulting from a divorce decree or by devise or descent. *There are different restrictions for assumptions which occurred less than 6 months and greater than 6 months ago. Consult HUD guidelines for more information.*

The following must be considered when processing a credit qualifying transaction:

1) Mortgage Amount. The maximum loan amount is the same as described above in sections "without appraisal" and "with appraisal".
2) Credit Documentation/Qualifying. The lender must provide a verification of income, a credit report, compute the debt-to-income ratios and determine that the borrower(s) will continue to make mortgage payments. A DU approve/eligible decision is required and all conditions of that DU must be met.

Additional Information

Please refer to section 1-10, D. of the HUD handbook 4155.1 for additional information on streamline refinances:
http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4155.1/41551HSGH.pdf

While streamlines are allowed on multiple sections of the FHA act, Nations Direct allows on 203(b) and 234(c). Manufactured homes, second homes and investment properties are not allowed.