

## Relief Refinance<sup>SM</sup>/Home Affordable Refinance Program (HARP)

Helps responsible borrowers with little or no home equity refinance into more affordable mortgages

### BACKGROUND AND PURPOSE

The purpose of the Relief Refinance<sup>SM</sup>/Home Affordable Refinance Program (HARP) is to help borrowers with little or no equity in their homes refinance into more affordable mortgages. HARP is for borrowers whose loans are owned by Freddie Mac or Fannie Mae. HARP targets borrowers with high loan-to-value (LTV) ratios and who have limited delinquencies over the 12 months before refinancing. Changes possible through HARP include lower interest rates, shorter loan terms, or changing from an adjustable to a fixed-rate mortgage. HARP guidelines have been simplified and relaxed over the life of the program, meaning that even people who were previously turned down may now be eligible for HARP refinancing. For example, in 2011, the LTV ceiling was removed for fixed-rate mortgages, property appraisal requirements were waived in certain circumstances, certain risk fees for borrowers selecting

shorter amortization terms were eliminated, and certain representations and warranties were waived. In 2013, the eligibility date was changed from the date the loan was acquired by Freddie Mac or Fannie Mae to the date on the note, increasing the pool of eligible borrowers.

HARP was introduced in March 2009 to address the decline in home values that occurred over the previous few years. HARP must be renewed annually by Congress.

### BORROWER CRITERIA

**Original loan requirements:** The loan must be owned or guaranteed by Freddie Mac (e.g., no Fannie Mae, VA, FHA, or USDA loans).

PROGRAM NAME	Relief Refinance <sup>SM</sup> /Home Affordable Refinance Program
AGENCY	Freddie Mac
EXPIRATION DATE	December 31, 2018. Congress must renew annually.
APPLICATIONS	No program-specific application is required. For information on becoming a Freddie Mac seller, see <a href="http://www.freddiemac.com/singlefamily/doingbusiness/">http://www.freddiemac.com/singlefamily/doingbusiness/</a>
WEB LINK	<a href="http://www.harp.gov">http://www.harp.gov</a>
CONTACT INFORMATION	<a href="mailto:institutional_eligibility@freddiemac.com">institutional_eligibility@freddiemac.com</a> (ask for a call back in your email)
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	National. HARP tracks the number of eligible loans by state and MSA. Information is available quarterly at <a href="http://www.harp.gov/Default.aspx?Page=363">http://www.harp.gov/Default.aspx?Page=363</a>

**Age of loan:** The original loan must have been originated on or before May 31, 2009.

**Loan-to-value limits:** The original loan must be above 80 percent LTV, with no upper limit on LTV for fixed-rate mortgages.

**Delinquency:** No late mortgage payments in the last six months, no more than one 30-day late payment in the last 12 months.

**Income limits:** This program has no income limits.

**Credit:** The minimum credit score for a one- to four-unit primary residence is 660.

**Occupancy and ownership of other properties and property type:**

HARP refinances may be performed on primary residences, investment properties, and second homes (single units only).

**Special populations:** No benefit is conferred by being a member of a special population.

**Property type:** Single-family homes of one- to four-units, manufactured homes, planned unit developments, and condominiums are allowed. Units in cooperatives are permitted if allowed by the cooperative's sales documents.

## LOAN CRITERIA

**Loan limits:** FHFA publishes Freddie Mac's conforming loan limits annually. See Resources for a link to the current limits. Certain high-cost areas are also taken into consideration.

**Original loan requirements:** The loan must be owned or guaranteed by Freddie Mac.

**Adjustable-rate mortgages:** 5/1, 7/1 and 10/1 ARMs are allowed but must result in a principal and interest reduction if refinancing from a fixed-rate mortgage. LTV is capped at 105 percent.

**Post-settlement delivery fee:** For primary residences with LTV ratios greater than 80 percent, Freddie Mac caps the delivery fee at zero percent for loans with terms less than 20 years, and 0.75 percent for loans with terms of more than 20 years.

**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 or the standard coverage applies.
- If the mortgage being refinanced does not have mortgage insurance, then no mortgage insurance coverage is required.

## POTENTIAL BENEFITS

Lenders do not need to perform new underwriting or review new appraisals in most cases.

Freddie Mac has reduced the fees it charges lenders that help borrowers refinance into less risky, shorter-term loans.

## POTENTIAL CHALLENGES

This program has several barriers to being a source of new business. Eligible properties are concentrated in a few markets. Also, if borrowers are going through a new lender, the lender will need to perform a new appraisal and underwriting, eliminating the processing efficiencies offered by the program.

If payments are going up by more than 20 percent, requalification is necessary, meaning more work for lenders assisting borrowers who are making substantial changes to their mortgages.

**Fees:** For fixed-rate loans with LTV ratios greater than 80 percent, Freddie Mac's fee is zero percent on loans with terms less than 20 years, with a 0.75 percent cap on loans with terms of more than 20 years.

**Underwriting:** Loans must be fully underwritten using Loan Product Advisor® or manual underwriting.

**Appraisal:** Either Home Value Explorer® (HVE) or a full new appraisal can be used to determine collateral value. See Guide Section B24.3(g) for detailed requirements on the use of HVE.

## Potential Benefits

- Lenders do not need to perform new underwriting or review new appraisals in most cases.
- Freddie Mac has reduced the fees it charges lenders that help borrowers refinance into less risky, shorter-term loans.
- Lenders now need less paperwork for income verification, and have the option of qualifying a borrower by documenting that the borrower has at least 12 months of mortgage payments in reserve.
- If lenders underwrite a HARP loan they did not initially underwrite, the reps and warrants on the loan will sunset in 12 months rather than 36 for other Freddie Mac products.

## Potential Challenges

- This program has several barriers to being a source of new business. Eligible properties are concentrated in a few markets. Also, if borrowers are going through a new lender, the lender will need to perform a new appraisal and underwriting, eliminating the processing efficiencies offered by the program.
- If payments are going up by more than 20 percent, requalification is necessary, meaning more work for lenders assisting borrowers who are making substantial changes to their mortgages.
- Congress must annually extend the program.

## SIMILAR PROGRAMS

- Fannie Mae Refi Plus™/Home Affordable Refinance Program (HARP)
- FHA Streamline Refinance

## **RESOURCES**

Direct access to the following web links can be found at <https://www.fdic.gov/mortgagelending>.

### **Delivery fees**

<http://www.freddiemac.com/singlefamily/pdf/ex19.pdf>

### **Find out if Freddie owns the loan**

<https://ww3.freddiemac.com/loanlookup/>

### **Program guidelines: See Chapter 24.3 of Freddie Mac's Seller/Servicer Guide FAQs.**

[http://www.freddiemac.com/singlefamily/factsheets/sell/relief\\_refi\\_faqs.html](http://www.freddiemac.com/singlefamily/factsheets/sell/relief_refi_faqs.html)

### **About Loan Product Advisor®**

<http://www.freddiemac.com/loanadvisorsuite/loanproductadvisor/>

### **About Home Value Explorer®**

<http://www.freddiemac.com/hve/hve.html>

### **FHFA Conforming loan limits**

<http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx>