

# Chapter 4301: Refinance Mortgages

## 4301.1: Refinance Mortgages (09/04/24)

Freddie Mac will purchase refinance Mortgages under the terms of the Purchase Documents including this chapter.

**A refinance Mortgage** is either:

- A Mortgage, the proceeds of which are used to pay off an existing Mortgage or Mortgages secured by the Mortgaged Premises with the cancelation of the existing promissory note(s) and the execution of a new promissory note and Security Instrument, or
- A Mortgage secured by Mortgaged Premises previously owned free and clear by the Borrower

**Freddie Mac purchases the following types of refinance Mortgages:**

- A “no cash-out” refinance, including:
  - ☐ Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages
  - ☐ Refi Possible<sup>®</sup> Mortgages
- A cash-out refinance
- A special purpose cash-out refinance

Note: A Mortgage the proceeds of which are used to pay off an Interim Construction Financing must meet requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, including, but not limited to, how the transaction type (purchase or refinance) is determined.

## 4301.2: Borrower requirements for refinance Mortgages (09/04/24)

When an existing Mortgage will be satisfied through a refinance transaction, one of the following requirements must be met:

- 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 resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period and the Mortgage file contains documentation evidencing that the Borrower has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or
- At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises (for example, in the case of divorce, separation or dissolution of a domestic partnership)

Note: A Living Trust may be made irrevocable by a Settlor's death. To be an eligible Borrower at the time of the refinance transaction, the Borrower must continue to be a Living Trust that meets Freddie Mac's revocability and, as applicable, other eligibility requirements.

## 4301.3: Refinance practices (04/02/25)

This section contains requirements related to:

- [Allowable refinance practices](#)
- [Unacceptable refinance practices and remedies](#)
- [Prepayment speed monitoring and reporting](#)

### (a) Allowable refinance practices

A Seller/Servicer may:

- Present refinance or payoff information to any Borrower who requests such information
- Conduct broad-based refinance advertising, telephone or other campaigns directed at broad categories of Borrowers, such as those with Mortgages in their Servicing portfolio, Borrowers with Mortgage coupons above a certain level, certain Mortgage products (e.g., conventional fixed-rate Mortgages or ARMs) or Mortgages secured by Mortgaged Premises in particular geographic areas

### (b) Unacceptable refinance practices and remedies

A Seller/Servicer may not:

- Deliver any Mortgage to Freddie Mac obtained from a Mortgage Broker or Correspondent if the Seller has knowledge or reason to believe that the Mortgage Broker or Correspondent has received an application to refinance or has agreed to refinance the Mortgage (even if the agreement is not in writing)

- Sell or deliver a Mortgage to Freddie Mac if the Seller has knowledge or reason to believe that the Borrower has entered into, or has agreed to enter into, a refinancing arrangement (even if the agreement is not in writing)
- Sell or deliver a Mortgage to Freddie Mac without full and accurate disclosure of all material information about the Mortgage (see Sections 4201.1, 4201.10, 6201.16 and 8101.8). Any information related to refinancing or proclivity for refinancing is considered material information to Freddie Mac.
- Originate a cash-out refinance Mortgage or a purchase transaction Mortgage with the intention of refinancing that Mortgage as a “no cash-out” refinance Mortgage prior to sale to Freddie Mac. The “no cash-out” refinance Mortgage is ineligible for sale to Freddie Mac. See Section 4301.4 for requirements related to the required age of the Mortgage being refinanced when the subject transaction is a “no cash-out” refinance Mortgage.

Except as stated in Section 4302.2 for Refi Possible<sup>®</sup> Mortgages, in advertising or implementing refinance terms, a Seller/Servicer may not:

- Intentionally target Freddie Mac-owned Mortgages
- Segregate Mortgages in its own portfolio from those sold to Freddie Mac for different treatment in terms of refinance advertising, offers or practices

A Seller/Servicer must incorporate adequate controls in its origination and refinancing procedures to prevent unacceptable refinance practices by the Seller/Servicer or any of its Mortgage Brokers and Correspondents.

A Seller/Servicer that (i) engages in unacceptable refinance practices, (ii) knowingly sells or delivers Mortgages to Freddie Mac from Mortgage Brokers or Correspondents it knew, or should have known, were engaging in unacceptable refinance practices, or (iii) fails to maintain proper controls for such Mortgages being sold or delivered to Freddie Mac will be subject to any or all of the remedies available to Freddie Mac at law or in equity and pursuant to this Guide and relevant Purchase Documents.

Those remedies include, but are not limited to:

- Disqualification,
- Suspension, and/or
- Requiring the Seller/Servicer to make Freddie Mac whole for losses, including losses associated with repurchases at par for Mortgages purchased at premium prices and/or

losses associated with claims made by security investors. With respect to claims by such investors, the disposition of such claims is solely within the discretion of Freddie Mac.

A Seller/Servicer that has any questions about compliance with Freddie Mac requirements should contact its Freddie Mac account manager (or other designated Freddie Mac personnel) to ensure compliance with Freddie Mac's requirements and to facilitate full and accurate disclosure of all pertinent information.

### **(c) Prepayment speed monitoring and reporting**

Freddie Mac expects the Seller/Servicer to monitor the prepayment levels of its Mortgages, particularly refinance Mortgages. If the Seller/Servicer becomes aware of circumstances likely to result in unusually high prepayment rates on Mortgages purchased from it by Freddie Mac, it must notify its Freddie Mac account manager immediately.

If requested to do so by Freddie Mac, the Seller/Servicer is obligated to cooperate fully and promptly with Freddie Mac personnel and to provide adequate information in trying to determine the reason and a solution for any such high prepayment rates. Freddie Mac reserves the right to initiate on its own an investigation of high prepayment rates of a particular Seller/Servicer.

## **4301.4: “No cash-out” refinance Mortgages (12/04/24)**

A “no cash-out” refinance Mortgage is a Mortgage for which the proceeds may be used only as described in this section.

A “no cash-out” refinance Mortgage must meet the Borrower requirements in Section 4301.2.

This section contains requirements related to:

- [Allowable uses of proceeds from a “no cash-out” refinance Mortgage](#)
- [Allowable uses of proceeds for Refi Possible<sup>®</sup>, CHOICERenovation<sup>®</sup> and GreenCHOICE Mortgages<sup>®</sup>](#)
- [Treatment of excess proceeds](#)

### **(a) Allowable uses of proceeds from a “no cash-out” refinance Mortgage**

Proceeds from a “no cash-out” refinance Mortgage may be used only to:

- **Pay off the principal and interest due**, which may include the payoff of a balance deferred under a loss mitigation plan, for the following:

- ☐ First Mortgage, regardless of its age, provided the first Mortgage was used to acquire the property, regardless of the age of the first Mortgage, or
- ☐ First Mortgage, originated as a refinance transaction, with a Note Date no less than 30 days prior to the Note Date of the “no cash-out” refinance Mortgage, as documented in the Mortgage file (e.g., on the credit report or the title commitment).

Note: The amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage for Construction Conversion Mortgages and Renovation Mortgages.

- **Pay off any costs or fees associated** with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.)
- **Pay off or pay down any junior liens** secured by the Mortgaged Premises that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance Mortgage.
  - ☐ The Borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises, provided that the junior lien meets the requirements for secondary financing in Section 4204.1 and/or Affordable Seconds® in Section 4204.2, as applicable
  - ☐ If a junior lien was paid off as part of the “no cash-out” refinance transaction, the Seller must maintain documentation in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property
- **Pay any required share of appreciation** due to the subsidy provider per the resale restricted covenants, subject to the requirements in Section 4406.8(b)
- **Pay related Closing Costs.**

Note: Real estate taxes that are past due and/or delinquent, as defined by the taxing authority, may not be paid with the proceeds of the “no cash-out” refinance Mortgage, except that if the transaction results in cash out as permitted in the following bullet, these funds may be used to pay the delinquent taxes.

- **Disburse cash out to the Borrower (or any other payee)** up to the greater of 1% of the new refinance Mortgage or \$2,000
- **Pay off the outstanding balance of a land contract or contract for deed** if the following requirements from Section 4404.1 are met:
  - ☐ A copy of the executed land contract or contract for deed must be included in the Mortgage file

- ❑ The land contract or contract for deed must have been executed at least 12 months prior to the Application Received Date
- ❑ The Mortgage file must include third-party documentation evidencing payments in accordance with the land contract or contract for deed for the most recent 12-month period
- ❑ The loan-to-value ratio must be calculated using the current appraised value of the Mortgaged Premises
- **Pay off a Property Assessed Clean Energy (PACE) or PACE-like obligation**, subject to the additional requirements in Section 4301.8

**(b) Allowable uses of proceeds for Refi Possible, CHOICERenovation and GreenCHOICE Mortgages**

- For **Refi Possible Mortgages**, see the limitations on the uses of proceeds in Section 4302.5
- For **CHOICERenovation Mortgages**, proceeds may be used to pay off the existing Mortgage debt and/or finance the eligible renovations as described in Section 4607.6, subject to the additional requirements in Sections 4607.7(c) and 4607.7(d), as applicable
- For **GreenCHOICE Mortgages**, proceeds may be used to pay an Existing Debt, as defined in Section 4606.1(c), subject to the additional requirements in Section 4606.3(b), and to finance eligible improvements as described in Section 4606.1(b), subject to the additional requirements in Section 4606.3(a)

**(c) Treatment of excess proceeds**

If there are remaining proceeds from the “no cash-out” refinance Mortgage 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 Settlement/Closing Disclosure Statement. See Section 6302.32 for special delivery requirements for Mortgages with principal curtailments.

Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed the maximum permitted for “no cash-out” refinance Mortgages.

## 4301.5: Cash-out refinance Mortgages (09/04/24)

A cash-out refinance Mortgage is a Mortgage for which there are no specific restrictions on the use of the proceeds.

This section contains requirements related to:

- [Occupancy requirement for Primary Residences](#)
- [Six-month ownership requirement for the Mortgaged Premises](#)
- [Cash-out refinance Mortgage paying off a First Lien Mortgage](#)
- [Cash-out refinance Mortgage on a property owned free and clear](#)
- [Credit Fees](#)

### (a) Occupancy requirement for Primary Residences

For a cash-out refinance Mortgage secured by a Primary Residence, all Borrowers must occupy the Mortgaged Premises.

### (b) Six-month ownership requirement for the Mortgaged Premises

For all cash-out refinance Mortgages, at least one Borrower must have been on title to the Mortgaged Premises for at least six months prior to the Note Date or as follows:

- **Leasehold estates:** When the property is a leasehold estate, at least one Borrower must have been lessee on the ground lease or lease agreement of the subject leasehold estate for at least six months
- **Cooperative Unit:** When the property is a Cooperative Unit, at least one Borrower must have held Cooperative Shares corresponding to the Cooperative Unit that is the subject of the Cooperative Share Loan for at least six months
- **Title held by limited liability company (LLC) or limited partnership (LP):** When title to the property is held by an LLC or LP, the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided:
  - ☐ At least one Borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and
  - ☐ Title must be transferred from the LLC or LP into the Borrower's name on or before the Note Date

Note: Special purpose cash-out refinance Mortgages must comply with the ownership requirement for the Mortgaged Premises in Section 4301.6.

Exception: If none of the Borrowers have been on title to the Mortgaged Premises for at least six months prior to the Note Date of the cash-out refinance Mortgage, the requirement(s) in the following table must be met:

Exceptions to six-month title requirement	
Scenario	Requirements
Inheritance or legal award	At least one Borrower on the refinance Mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)
Delayed financing	<p>For delayed financing, all of the following requirements must be met:</p> <ul style="list-style-type: none"><li>■ The Settlement/Closing Disclosure Statement or an alternative form required by law from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction.</li><li>■ The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property</li><li>■ The source of funds used to purchase the subject property must be fully documented</li><li>■ If funds were borrowed to purchase the subject property:<ul style="list-style-type: none"><li>❑ Cash-out proceeds must be used to pay off or pay down the borrowed funds, as reflected on the Settlement/Closing Disclosure Statement for the refinance transaction</li></ul></li></ul>



	<ul style="list-style-type: none"> <li>❑ Additional cash-out is permitted only when all borrowed funds are paid in full</li> <li>❑ The payment on any remaining outstanding balance of the borrowed funds must be included in the debt payment-to-income ratio as described in Section 5401.2</li> <li>■ The amount of the refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs as documented by the Settlement/Closing Disclosure Statement or an alternative form required by law for the purchase transaction, less any gift funds used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction.</li> <li>■ There must have been no affiliation or relationship between the buyer and seller of the purchase transaction</li> </ul>
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**(c) Cash-out refinance Mortgage paying off a First Lien Mortgage**

When a cash-out refinance Mortgage is used to pay off an existing First Lien Mortgage, the following requirements apply:

- A cash-out refinance Mortgage must meet the Borrower requirements in Section 4301.2
- When proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the Mortgage file (e.g., on the credit report or title commitment)

Exceptions: The 12-month seasoning requirement for the Mortgage being refinanced does not apply when:

- The cash-out refinance Mortgage is a special purpose cash-out refinance Mortgage that meets the requirements in Section 4301.6,
- The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC),

- The cash-out refinance Mortgage is a Construction Conversion or Renovation Mortgage, or
- The purpose of the cash-out refinance Mortgage is to convert the Manufactured Home to legally classified real property under applicable State law

**(d) Cash-out refinance Mortgage on a property owned free and clear**

A Mortgage placed on a property previously owned free and clear by the Borrower is considered a cash-out refinance Mortgage.

Exceptions:

- **CHOICERenovation<sup>®</sup> Mortgages** when proceeds are used only to finance the eligible renovations. as described in Section 4607.6, are considered “no cash-out” refinance Mortgages. See Section 4607.4(b) for additional information regarding the use of proceeds
- **GreenCHOICE Mortgages<sup>®</sup>** are considered “no cash-out” refinance Mortgages when proceeds are used only to finance eligible improvements. as described in Section 4606.1(c) and must comply with all other requirements

**(e) Credit Fees**

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to certain cash-out refinance Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

## 4301.6: Special purpose cash-out refinance Mortgages (06/04/25)

A special purpose cash-out refinance Mortgage is a cash-out refinance Mortgage where the owner of a property uses the proceeds to buy out the equity of a co-owner.

A special purpose cash-out refinance Mortgage must meet the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio requirements for cash-out refinance Mortgages in:

- Section 5703.8(a) for Mortgages secured by a Manufactured Home
- Section 4203.1(b) for all other Mortgages

A special purpose cash-out refinance Mortgage must meet all requirements of the Guide that apply to cash-out refinance Mortgages, except as specifically modified below.

This section contains requirements related to:

- [Allowable uses of proceeds from a special purpose cash-out refinance Mortgage](#)
- [Special Borrower requirements](#)
- [Documentation requirements](#)
- [Credit Fees](#)

### (a) Allowable uses of proceeds from a special purpose cash-out refinance Mortgage

The loan amount of a special purpose cash-out refinance Mortgage is limited to amounts used to buy out the equity of the co-owner, which may include:

- Paying off the first Mortgage, regardless of age
- Paying off junior liens secured by the Mortgaged Premises.

Note: The Borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises if the requirements of Section 4204.1 for Mortgages with secondary financing and/or Section 4204.2 for Affordable Seconds<sup>®</sup>, are met.

- Paying related Closing Costs

### (b) Special Borrower requirements

The following requirements 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.)
- The Borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their Primary Residence. (Parties who inherited an interest in the property are exempt from this requirement.)
- The Borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the property transfer terms of the property transfer and disposition of the refinance proceeds
- The Borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction

**(c) Documentation requirements**

The Seller must retain the following in the Mortgage file:

- Documentation evidencing that the Borrower and the co-owner jointly occupied the Mortgaged Premises as their Primary Residence, if applicable
- A copy of the written agreement stating the terms of property transfer and the disposition of the refinance proceeds

**(d) Credit Fees**

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to special purpose cash-out refinance Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

## 4301.7: Texas Equity Section 50(a)(6) Mortgages (02/05/25)

This section contains requirements related to:

- [General requirements for Texas Equity Section 50\(a\)\(6\)](#)
- [Eligible Mortgages](#)
- [Refinances of Texas Equity Section 50\(a\)\(6\) Mortgages](#)
- [Mortgaged Premises; appraisal; fair market value](#)
- [Loan-to-value \(LTV\) and total LTV \(TLTV\) ratios](#)
- [Eligibility to sell and service Texas Equity Section 50\(a\)\(6\) Mortgages](#)
- [Texas Equity Uniform Instruments and other documents](#)
- [Special representations and warranties](#)
- [Specific remedies](#)
- [Related provisions](#)

### **(a) General requirements for Texas Equity Section 50(a)(6)**

The generally accepted commercial terms used to describe Mortgages originated under Article XVI of the Texas Constitution (“cash-out refinance”, “rate-term refinance”) may not correspond to the meaning given the same or comparable terms when used in Chapter 4301.

Sellers must understand the distinctions between Freddie Mac’s refinance definitions in Chapter 4301 and the provisions of Section 50(a)(6) and are responsible for determining:

- When Section 50(a)(6) applies, regardless of the definitions of cash-out and “no cash out” refinance transactions used in Chapter 4301
- Whether the proposed refinance of a Mortgage secured by the Borrower’s homestead in the State of Texas is a Mortgage that must be originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution

### **(b) Eligible Mortgages**

A Texas Equity Section 50(a)(6) Mortgage must be:

- A conventional First Lien Mortgage that is a:
  - Fixed-rate Mortgage, or
  - 3/6-Month, 5/6-Month, 7/6-Month or 10/6-Month ARM
- A cash-out refinance Mortgage as described in Section 4301.5 or a “no cash-out” refinance Mortgage as described in Section 4301.4, depending on the applicable facts

A Texas Equity Section 50(a)(6) Mortgage may not be a special purpose cash-out refinance Mortgage.

**(c) Refinances of Texas Equity Section 50(a)(6) Mortgages**

Sellers may refinance a Texas Equity Section 50(a)(6) Mortgage into:

- Another Texas Equity Section 50(a)(6) Mortgage, or
- A refinance Mortgage permitted by Section 50(a)(4) of Article XVI of the Texas Constitution (a “Section 50(a)(4) Mortgage”)

Note: Section 50(a)(4) Mortgages used to pay off a Texas Equity Section 50(a)(6) Mortgage and meeting all applicable Texas Constitutional requirements are not subject to the requirements of this section and are eligible for sale to Freddie Mac as “no cash-out” refinance Mortgages, provided all requirements of Section 4301.4 are met.

**(d) Mortgaged Premises; appraisal; fair market value**

Each Mortgage must be secured by a Mortgaged Premises that is:

- A 1-unit Primary Residence,
- Located in the State of Texas, and
- The Borrower’s homestead

A Living Trust that meets the eligibility requirements of Section 5103.5 may be a Borrower for a Texas Equity Section 50(a)(6) Mortgage if the Living Trust also meets the requirements for a “qualifying trust” under Texas law for purposes of owning residential property that qualifies for the homestead exemption.

The Seller must provide an appraisal that:

- Meets Freddie Mac requirements, and

- Complies with Section 50(a)(6)(Q)(ix) and Section 50(h) of Article XVI of the Texas Constitution

To meet the requirements for acknowledgment of fair market value, the Seller must:

- Along with the owner of the homestead, execute a written acknowledgment of the “fair market value” of the homestead property as of the date the extension of credit is made
- Attach the appraisal report to the acknowledgment

**(e) LTV and TLTV ratios**

The maximum LTV and TLTV ratios for Texas Equity Section 50(a)(6) Mortgages must not exceed 80% and must be lower if necessary to comply with the LTV/TLTV ratio requirements of Sections 4203.1(b) and 4301.4 for “no cash out” and cash out refinances, as applicable.

**(f) Eligibility to sell and service Texas Equity Section 50(a)(6) Mortgages**

Unless otherwise notified in writing, Sellers are eligible to deliver Texas Equity Section 50(a)(6) Mortgages.

The Servicer must be eligible to service Texas Equity Section 50(a)(6) Mortgages in accordance with Section 8104.1 and related Servicing provisions.

**(g) Texas Equity Uniform Instruments and other documents**

Texas Equity Section 50(a)(6) Mortgages must be originated using the most recent version of the following special Fannie Mae/Freddie Mac Texas Home Equity Uniform Instruments:

Texas Equity Uniform Instruments and other required forms	
Instrument type	Required forms
<b>Note</b>	<ul style="list-style-type: none"> <li>■ Texas Home Equity Note (Fixed Rate - First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3244.1</li> <li>■ Texas Home Equity Fixed/Adjustable Rate Note – 30-day Average SOFR (First Lien) Form 3442.44</li> </ul>
<b>Security Instrument</b>	Texas Home Equity Security Instrument (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1
<b>Rider</b>	Texas Home Equity Fixed/Adjustable Rate Rider – 30-day Average SOFR (First Lien) Form 3142.44

<b>Borrower Affidavit</b>	Texas Home Equity Affidavit and Agreement (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185.  The affidavit must be recorded together with the Security Instrument and any applicable riders.
<b>Condominium Rider</b>	Texas Home Equity Condominium Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44, if the property is a Condominium Unit
<b>Planned Unit Development (PUD) Rider</b>	Texas Home Equity Planned Unit Development Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44, if the property is in a PUD

Seller may access the Fannie Mae/Freddie Mac Texas Home Equity Uniform Instruments at <https://sf.freddie.mac.com/tools-learning/uniform-instruments/overview>.

The Seller must prepare, obtain and/or provide any and all other documentation that the Seller determines is necessary to originate Texas Equity Section 50(a)(6) Mortgages in compliance with all applicable laws.

#### (h) Special representations and warranties

Seller represents and warrants that:

1. Neither the Seller nor its Correspondents or Mortgage Brokers have been found by any federal regulatory agency to have engaged in the practice of refusing to make loans because the applicants for the loans reside in a certain area or the property proposed to secure the loans is located in a certain area
2. All refinance Mortgages that fall within the provisions of Section 50(a)(6) of the Article XVI of the Texas Constitution have been originated as Texas Equity Section 50(a)(6) Mortgages and comply with Section 50(a)(6) of Article XVI and related provisions of the Texas Constitution, as amended, and all other applicable laws.

Note: Freddie Mac recommends that the Seller obtain advice from Texas legal counsel that confirms that the Seller's lending and servicing policies, procedures and practices are in compliance with Section 50(a)(6) of Article XVI of the Texas Constitution, all other applicable Texas Constitutional provisions, statutes, court decisions, regulations and rules and applicable State and federal law.

3. The estate or interest in the Mortgaged Premises is vested in the Borrower. There is no defect in the Borrower's title to the Mortgaged Premises.
4. The Mortgage is a valid and enforceable First Lien on the Mortgaged Premises



### (i) Specific remedies

Any action taken, or not taken, in connection with the origination of a Texas Equity Section 50(a)(6) Mortgage that results in any of the following (even if such action is a result of lender's effort to cure a failure to comply with the provision of the Section 50(a)(6)) is a breach of the representations and warranties in this Section 4301.7, and Freddie Mac shall be entitled to any of the remedies stated in Section 3601.1, including the right to require the Seller to repurchase the Mortgage immediately upon Freddie Mac's request, at a price determined in accordance with Section 3602.4:

- A forfeiture of any principal or interest due under the Mortgage
- The invalidation of the Mortgage as a First Lien
- The abatement of accrual of interest and the Borrower's obligations under the Mortgage
- A reduction in the principal amount of the Mortgage
- Any modification of the amount, interest rate, term or other provision of the Mortgage

### (j) Related provisions

In addition to the requirements in this section, other requirements related to Texas Equity Section 50(a)(6) Mortgages are described in the following Guide provisions:

Additional requirements related to Texas Equity Section 50(a)(6) Mortgages	
Topic	Guide provisions
Refinance Mortgages	Chapter 4301
Title insurance	Sections 4702.1, 4702.3 and 4702.5
Delivery requirements	Section 6302.16
Special Servicing	Sections 8104.1, 8201.1 and 9206.13

## 4301.8: Refinance of Mortgages secured by properties subject to an energy retrofit loan (09/04/24)

For the purposes of the Guide, a Property Assessed Clean Energy (PACE) or PACE-like obligation (either referred to as a "PACE obligation") refers to any energy retrofit loan that is:

- Used to finance energy efficiency improvements, and

- Repaid through a property tax assessment

For the “no cash-out” refinance of Mortgages secured by properties subject to PACE obligations that result in or provide for First Lien priority and where the PACE obligations are paid off with the Mortgage proceeds, the following requirements apply:

- The new refinance Mortgage must be originated in accordance with the requirements of Section 4301.4 for “no cash-out” refinance Mortgages
- The Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac
- The PACE obligation must be paid in full
- The Mortgage file must include evidence that the obligation being paid off is a PACE obligation that results in or provides for First Lien priority
- The Seller must deliver ULDD Data Point *Investor Feature Identifier* valid value “H61” when delivering a Freddie Mac-owned “no cash-out” refinance Mortgage used to pay a PACE obligation. See Section 6302.16(b)(ii) for more information.

For the cash-out refinance of Mortgages secured by properties subject to PACE obligations and where the PACE obligations are paid off with the Mortgage proceeds, the following requirements apply:

- The new refinance Mortgage must be originated in accordance with the requirements of Section 4301.5 for cash-out refinance Mortgages
- If the PACE obligation results in or provides First Lien priority, the PACE obligation must be paid in full with the Mortgage proceeds

Mortgages secured by properties that are energy efficient and are also subject to PACE obligations may be eligible for purchase under the provisions of Chapter 4606 for GreenCHOICE Mortgages®.