

Relief RefinanceSM/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 RefinanceSM/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 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. More than 3 million borrowers have refinanced under this program since its inception. HARP has been extended several times; currently it is set to expire on December 31, 2016.

BORROWER CRITERIA

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

PROGRAM NAME	Relief Refinance SM /Home Affordable Refinance Program
AGENCY	Freddie Mac
EXPIRATION DATE	December 31, 2016
APPLICATIONS	No program-specific application is required. For information on becoming a Freddie Mac seller, see http://www.freddie.mac.com/singlefamily/doingbusiness/
WEB LINK	http://www.harp.gov
CONTACT INFORMATION	institutional_eligibility@freddiemac.com (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 http://www.harp.gov/Default.aspx?Page=363

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 allowed if allowed by the cooperative's sales documents.

LOAN CRITERIA

Loan limits: FHFA publishes Freddie Mac's conforming loan limits annually. For 2016, a one-unit property has a loan limit ranging from \$417,000 to \$625,500 depending on geography. Certain high-cost areas are also taken into consideration.

Original loan requirements: The loan must be 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 Prospector® 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.

ADDITIONAL INFORMATION

The Home Affordable Modification Program (HAMP), not covered in this guide, is meant for homeowners with a documented financial hardship. HARP is designed for borrowers who are not experiencing problems that could impact their ability to pay.

In marketing both the Fannie Mae and Freddie Mac versions of HARP to prospective users, lenders must give the same amount of advertising to both programs.

The refinance process must provide a benefit to the borrower, including:

- reduction in the borrower's monthly principal and interest payment;
- reduction in the interest rate;
- reduction in the amortization term; or
- movement to a more stable product.

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.
- The program has been extended several times but is likely to end in 2016.

SIMILAR PROGRAMS

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

RESOURCES

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

About Loan Prospector®

<http://www.loanprospector.com/about/>

About Home Value Explorer®

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