



*"We Make Mortgages Happen"*

Date: March 8, 2011  
From: Ashton Ewing/Kim Roddy  
To: Clients and Staff  
Re: Bulletin 2011-01 - Recent FHA Refinance Changes and Clarification\*

**The following are clarifications of existing guidelines and are effective immediately:**

**All Refinance – Subordinate Liens** - If there is an existing subordinate lien on the property, such as a Home Equity Line of Credit (HELOC), the entire lien must be subordinated at refinance. For the calculation of the Combined Loan to Value (CLTV) ratio, the mortgagee must use the maximum accessible credit limit of the existing subordinate lien.

**Streamline Refinance – Seasoning of the Refinanced Mortgage** - On the date of FHA case number assignment:

- The mortgagor must have made at least six payments on the FHA insured mortgage that is being refinanced, and
- At least six full months must have passed since the first payment due date of the refinanced mortgage, and
- At least 210 days have passed from the closing date of the mortgage being refinanced.

For example: If the FHA case number on the mortgage being refinanced was closed on or before December 1, and if mortgagor's first payment on that mortgage was due on January 1, the mortgagee may request assignment of an FHA case number for the refinancing mortgage no earlier than July 1.

**Cash-Out Refinance – Acceptable Payment History** - The Lender must document that the mortgagor has an acceptable payment history. The payment history is acceptable if the mortgagor (regardless of AUS decision):

- Is current, and
- Has made all payments on the mortgage being refinanced within the month due for the previous 12 months.
- For mortgages with more than 6 months and less than 12 months of payment history, the mortgagor must have made all payments when due. Mortgages with less than 6 months of payment history are not eligible for a cash-out refinance.

**Guidelines subject to change without notice**

\*Source: FHA Mortgagee Letter 2011-11