FHA STREAMLINE

(C) Streamline Refinances

Streamline Refinance may be used when the proceeds of the Mortgage are used to extinguish an existing FHA-insured first mortgage lien. Mortgagees must manually underwrite all Streamline Refinances in accordance with the guidance provided in this section.

(2) Borrower Eligibility

(a) Occupancy Requirements

(i) Standard

Streamline Refinances may be used for Principal Residences, HUD-approved Secondary Residences, or non-owner occupied Properties.

(ii) Required Documentation

The Mortgagee must review one of the following to evidence that the Borrower currently occupies the Property as their Principal Residence:
- Borrower's employment documentation;
- utility bills; or
- direct electronic verification by a Third Party Verification (TPV) vendor verifying the Borrower's address is the same as that of the subject Property.

(5) Streamline Refinance Non-credit Qualifying

(a) Borrower Eligibility

A Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing Mortgage remain as Borrowers on the new Mortgage. Mortgages that have been assumed are eligible provided the previous Borrower was released from liability.

(b) Payment History Requirements

(i) Standard

Non-credit Qualifying

The Borrower must have made all Mortgage Payments for all Mortgages on the subject Property within the month due for the six months prior to case number assignment and have no more than one 30-Day late payment for the previous six months for all Mortgages on the subject Property. The Borrower must have made the payments for all Mortgages secured by the subject Property within the month due for the month prior to mortgage Disbursement.

(a) Mortgage Seasoning Requirements

On the date of the FHA case number assignment:
- the Borrower must have made at least six payments on the FHA-insured Mortgage that is being refinanced (where the FHA-insured Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement);
- at least six full months must have passed since the first payment due date of the Mortgage that is being refinanced;
- at least 210 Days must have passed from the Closing Date of the Mortgage that is being refinanced; and
- if the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption.

Use of Estimates in Calculating Maximum Mortgage Amount

The Mortgagee may utilize estimates in calculating the maximum mortgage amount to the extent that the total mortgage amount does not result in the Borrower receiving greater than $500 cash back at mortgage Disbursement.

(k) Maximum Combination Loan-to-Value Ratio and Subordinate Financing

Existing subordinate financing, in place at the time of case number assignment, must be resubordinated to the Streamline Refinance. New subordinate financing is permitted only where the proceeds of the subordinate financing are used to:

- reduce the principal amount of the existing FHA-insured Mortgage; or
- finance the origination fees, other closing costs, prepaid items, or Discount Points associated with the refinance.

(c) Net Tangible Benefit of Streamline Refinances

Fixed Rate New Combined Rate
At least 0.5 percentage points below the prior Combined Rate.

Reminders:

- **Every time an updated payoff is provided, the underwriter needs to recalculate the loan amount**
- **Have an accurate estimate when the loan is closing so the underwriter can calculate the correct FHA MIP refund amount, as this will affect the maximum loan amount**
- **You can obtain an FHA maximum mortgage worksheet from the Mega Capital Website**
- **You cannot include closing costs with an FHA streamline, even if you order an appraisal**
- **Verification of income is not required**
- **Verbal VOE required**
- **Verify 1003 reflects employment history information**