

**MPF Announcement:**

2023-62

**Date:**

August 21, 2023

**Alert:**

**Clarification**

New Policy

**Policy Update**

Reminder

Training Information

**Audience:**

Compliance/Legal

Program Management

**Origination**

Quality Control

Servicing

Underwriting

**Product:**

MPF Government MBS

**MPF Traditional**

MPF Xtra<sup>®</sup>

**Effective Date:**

**Immediately** (*unless otherwise noted*)

## MPF Traditional Selling – Refinance Eligibility Updates

Updated the following refinance eligibility requirements:

### Limited Cash-Out Refinances

- Clarified that the proceeds may be used to satisfy additional amounts required to pay off the existing first mortgage, including a deferred balance resulting from previous loss mitigation, and late fees.
- Clarified when a transaction is considered ineligible as a limited cash-out refinance and must be treated as a cash-out refinance.
- Revised the eligibility requirements to stipulate that at least one Borrower on the new mortgage loan must be a current owner of the subject property (on title) at the time of the initial loan application. Exceptions to this policy are permitted in the following scenarios:
  - the borrower acquired the property through an inheritance or was legally awarded the property via a legal settlement or divorce decree, or
  - the property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust.

**Effective Immediately:** PFIs are encouraged to comply with this policy change immediately but must do so for new loan applications beginning October 1, 2023.

For additional see MPF Traditional Selling Guide section 2.6.2.1 Limited Cash-Out Refinance.

### Cash-Out Refinances

- Clarified the seasoning requirements to include permissible ownership exceptions.

For additional see MPF Traditional Selling Guide section 2.6.2.2 Limited Cash-Out Refinance.

### Reference

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