



# FACT SHEET: LOW-INCOME BORROWER REFINANCE OPTION

## LOW-INCOME BORROWER REFINANCE OPTION

### BACKGROUND

On Wednesday, April 28, 2021, the Federal Housing Finance Agency (FHFA) announced that it is directing Fannie Mae and Freddie Mac (the Enterprises) to implement a new refinance option targeting low-income borrowers with Enterprise-backed single-family mortgages.

Despite the recent high levels of refinancing in the mortgage market, low-income borrowers have been less likely to take advantage of the favorably low mortgage interest rate environment than higher-income borrowers. This initiative is intended to encourage eligible low-income borrowers to refinance and lower both their interest rates and their monthly mortgage payments.

### BORROWER BENEFITS

Borrowers eligible for this refinance option will benefit from a reduced interest rate and a lower monthly mortgage payment. This option will require that borrowers receive a meaningful benefit from refinancing: a minimum of a 50 basis point reduction in their interest rate and savings of at least \$50 in their monthly mortgage payment. In addition, borrowers will receive a maximum \$500 credit from the lender if an appraisal is required. The Enterprises will provide the lender a credit of \$500 upon the loan's sale to an Enterprise. Finally, for loans with low-income borrowers and loan balances at or below \$300,000, the Enterprises will waive the 50 basis point up-front adverse market refinance fee that the Enterprises otherwise charge to lenders.

### BORROWER ELIGIBILITY

In order to be eligible for this option, a borrower must:

- Have an Enterprise-backed mortgage on a 1-unit single-family property that is owner-occupied.
- Have an income at or below 80% of the area median income.
- Have no missed payments in the past six months, and no more than one missed payment in the past 12 months.
- Not have a mortgage with a loan-to-value ratio greater than 97%, a debt-to-income ratio above 65%, or a FICO score lower than 620.

Other eligibility restrictions apply and will be aligned across the Enterprises regardless of whether the borrower has a Fannie Mae-backed mortgage or a Freddie Mac-backed mortgage.

### IMPLEMENTATION

The Enterprises plan to work with their respective lenders to make this option available to eligible borrowers as soon as possible. FHFA will work with the Enterprises and lenders to encourage robust marketing and outreach efforts to reach eligible borrowers and maximize participation rates for this refinancing option.