

Issue Date: **9.11.2015**

Effective Date: **9.14.2015**

No: **2015-09-02**

FHA Net Tangible Benefit Changes

Effective with FHA case numbers obtained on or after September 14, 2015, HUD has further defined the net tangible benefit requirement for Streamline Refinances.

Streamline Refinance refers to the refinance of an existing FHA-insured Mortgage requiring limited Borrower credit documentation and underwriting. There are two different streamline options available.

(i) Credit Qualifying

The Mortgagee must perform a credit and capacity analysis of the Borrower, but no appraisal is required.

(ii) Non-Credit Qualifying

The Mortgagee does not need to perform credit or capacity analysis or obtain an appraisal.

Net Tangible Benefit of Streamline Refinances

A Net Tangible Benefit is a reduced Combined Rate, a reduced term, and/or a change from an ARM to a fixed rate Mortgage that results in a financial benefit to the Borrower.

Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate.

The Mortgagee must determine that there is a net tangible benefit to the Borrower meeting the standards in the chart below for all Streamline Refinance transactions.

From	To		
	Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate
Fixed Rate	At least 0.5 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.
Any ARM With Less Than 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.
Any ARM With Greater Than or Equal to 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.

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Reduction in Term

The net tangible benefit test is met if:

- The mortgage term is reduced;
- The new interest rate does not exceed the current interest rate; and
- The combined principal, interest and MIP payment of the new Mortgage does not exceed the combined principal, interest and MIP of the refinanced Mortgage by more than \$50.

Questions: Please address all questions to: LoanScenarios@ResMac.com