



HARP Refinance Guide

How You can Benefit
from the HARP Program



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HARP: How It Can Help You

When the Federal Housing Finance Agency introduced the Home Affordable Refinance Program, or HARP, back in 2009, the goal was to help borrowers who were “underwater” with their home loan. Those whose mortgage was greater than the value of the property simply could not refinance.

Up until HARP was introduced, a homeowner needed about 10% equity in their homes to qualify for a refinance. Many were considered lucky to have even zero equity, since some homeowners owed twice as much as their home was worth.

HARP was introduced with much fanfare. It had a slow start. But after a bumpy first couple of years, it seems to have finally made a difference helping homeowners take advantage of lower rates, regardless of the home’s current value.



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Some Homeowners Don't Realize they Qualify for HARP

Some homeowners were rejected when HARP was introduced, and never tried again when the program was expanded in March 2012. Others don't think they qualify, but have never actually applied with a lender to find out for sure. Or the borrowers no longer occupied the property and didn't know they could use HARP for second homes and investment properties.

If any of these scenarios sound familiar to you, or you're finally getting around evaluating a HARP, it's time to get off the fence. Mortgage rates are still hovering around historic lows yet there's no guarantee how long they'll stay there.

The HARP Qualification Basics

While the HARP program is usually easy to qualify for, there are some basic guidelines:

- The current loan must have funded before June 1, 2009
- The current loan must be owned by Fannie Mae or Freddie Mac
- You must be current on your loan with all payments made within 30 days of the due date in the last six months, and no more than 1 late payment in the last 12 months.
- You must prove the ability to afford the new monthly payments
- The loan amount must not exceed the conforming loan limit for your area
- Your new loan must be more than 80 percent of the current value of your property
- The HARP program expires December 31, 2015.

The HARP Qualification Basics

HARP 1.0 (Original HARP Refinance)

- Created April 2009
- Had a 125% loan-to-value limit
- Most lenders would not lend above 105%
- Current mortgage had to have been secured by Fannie Mae or Freddie Mac prior to June 1, 2009
- FHA, USDA, VA, and jumbo loans not eligible

HARP 2.0 (Current Program)

- Created March 2012
- Must have 6 months of continuous, on-time mortgage payments
- Loan must be sold to Fannie Mae or Freddie Mac before June 1, 2009.
- No maximum loan-to-value for 30 year fixed-rate loans
- 105% loan-to-value limit for adjustable rate mortgages
- Must have a loan-to-value of over 80%
- Only available for Freddie Mac- and Fannie Mae-backed mortgages
- Only one HARP refinance allowed per property. If you used HARP you cannot use it again.



Hopes for HARP 3.0 #MyRefi

Although HARP has helped millions of homeowners, many believe it is still too restrictive. Out of the estimated 12 million homeowners¹ who could benefit from a refinance, only 2.2 million have refinanced with HARP². That's why there have been many ideas and proposals on how to make the program more accessible.

Menendez-Boxer Bill

This bill, named the Responsible Homeowner Refinance Act of 2013 was introduced by U.S. Senators Robert Menendez (D-NJ) and Barbara Boxer (D-CA). If passed by Congress, this bill would make the following changes to HARP¹:

1. Reduce upfront fees
2. Eliminate appraisal costs for all borrowers
3. Remove restrictions so that more lenders offer HARP, increasing competition and lowering costs to the borrower.
4. Make HARP available to homeowners with greater than 20% equity in their home.

The “Merkley Mortgage”

Officially called the Rebuilding American Homeownership Assistance (RAHA) Pilot Project, this program was introduced by Senator Jeff Merkley (D-OR) and is currently in its testing phase. It is currently available only to residents of Multnomah County, Oregon. Here are some highlights from the program³:

1. The current loan does not have to be owned by Fannie Mae or Freddie Mac
2. The homeowner must be underwater on their mortgage
3. The homeowner must plan to live in the home for 5+ years
4. The current mortgage must be in good standing

Borrowers under the “Merkley Mortgage” have the option to refinance into a

15-year or **30**-year fixed rate

If this loan program is successful, it’s feasible that it could be rolled out in other states or even nationwide.

#MyRefi

The Whitehouse rolled out a plan to save the average homeowner \$3,000 per year called #MyRefi. This plan, its name meant to garner support from social media, aims to streamline the refinance process so that all 12 million homeowners with Fannie/Freddie mortgages have a fair shot at refinancing. The result would be an improved economy, as billions of dollars would pour into goods and services instead of higher mortgage payments. To learn more, visit WH.Gov/refi.



The Step-by-Step Process

The process for applying for and being approved for a HARP loan is similar to the process you experienced when you obtained your initial conventional home loan. Find a conventional lender, explain that you're exploring a HARP loan, and the lender will take it from there.

However, there are some things you can do ahead of time to make sure your HARP loan closes on time under the terms you're promised. MyMortgageInsider.com has put together a step-by-step guide so that you can prepare for your HARP refinance.

1. Find Out Who Owns Your Loan

Here's a **huge** HARP tip: Fannie Mae and Freddie Mac do not take mortgage payments directly. That means that no matter where you send your monthly payment, there's a good chance that Fannie Mae or Freddie Mac may own your mortgage.

For many homeowners, the fact that they send their payments to a bank or servicer may have made them think that their loan wasn't owned by Fannie Mae or Freddie Mac. Yet there's a big difference between the entity that owns your loan and to whom you send your payments.

The bank or mortgage company that you make payments to each month is the loan "servicer." The loan servicer is responsible for collecting mortgage and escrow payments from borrowers and performs this service on behalf of the owner of the mortgage.

To find out whether Fannie or Freddie own your loan, [click here](#) to check Fannie Mae's database and [click here](#) to check Freddie Mac records.

These are Fannie Mae and Freddie Mac sites where you can check if they own your loan. You will be asked to enter your property address and some other information.

Another way to find out is by calling your servicer.

Once you find out that your mortgage is owned by either Fannie or Freddie, you're ready to take the next step.

2. Find a Lender

HARP loans are available from most lenders who issue conventional loans. You don't have to apply for a HARP loan with the same lender you used the last time. This means you have the ability to shop around for the best interest rate. HARP rates and fees will vary from lender to lender and since you only have one opportunity to have a HARP loan, it's important to get the best deal possible.

Let lenders compete for your business and treat the HARP loan as you would any other mortgage and find the best combination of rate and fees that you can.

It's important to keep in mind that you can have your credit pulled multiple times from mortgage lenders within a 14-day period. It's true that an inquiry reduces your credit score slightly, but multiple credit pulls from mortgage companies within 14 days only counts as one inquiry. So shop away!



3. Watch for Underwriting Overlays

While HARP loans don't have a limit on loan-to-value, lenders may apply their own internal guidelines called "overlays." These additional guidelines can supersede any HARP requirements so it's important to know if your potential lender has any overlays that might prevent your loan from closing.

For example, even though HARP doesn't have a maximum loan-to-value requirement, an individual lender may limit the loan to no more than 150 percent of the current value of the home. Or, a HARP lender may have a 660 credit score requirement instead of 640.

If you have any special concerns, get them answered up front before you select your HARP lender. There's no use giving a lender your information for a quote if they can't perform the refinance due to overlays.

4. Apply for the HARP Loan

During the initial conversation with a loan officer, he or she should be able to tell you with fair certainty whether you qualify for HARP. To reach this conclusion, your lender will need information like your name, address, social security number, employment history, and how much you have in checking/savings/retirement accounts. The loan application can be done over the phone, in person, or even over the internet in some cases. Usually it takes only 10 minutes to complete an application.

Your lender will send you a quote of the interest rate closing costs. Once you have received quotes and chosen the best lender, you will need to provide some documentation to move your file into underwriting. Here are some items you may need:

- Most recent pay stubs covering 30 days
- W2 forms from the previous two years
- Copies of most recent income tax returns
- Contact information for your homeowner's insurance agent
- If you're self-employed, provide a year-to-date Profit and Loss statement
- Most recent bank statements covering 60 days, all pages.

5. Take Care of Second Liens

If you have a second mortgage or an existing line of credit, your second lien lender will have to subordinate to the new HARP loan. In other words, the second mortgage holder needs to put their loan in a lower priority on title, since the new HARP loan has to be in the highest position. This ensures that the new HARP loan is repaid first if the home is foreclosed on. No lender will close a HARP loan in second position.

The only way to “subordinate” your existing second mortgage is to obtain a subordination agreement. Your lender should be versed in obtaining these and it’s not something you need to worry too much about.

However, you will need to provide your lender with all the contact information regarding your second mortgage so the subordination process can get started early. Subordination agreements can take anywhere from a few days to 6 weeks or longer depending on the second mortgage holder, so make sure your lender orders it right away.

6. Lock your Loan

Make sure you lock your loan when you’re happy with the rate. This can be done at any point of the loan process.

It’s true that rates can go down after you lock, but they can also go up. The best strategy is to find a rate you’re happy with and lock it in. If rates rise, they may not come back down.

Be sure you lock your loan for a longer period than you think it will take to close the loan. For instance, if you believe your loan will take an additional two weeks to close, it’s best to get a 30 day lock. It’s cheaper to get a longer lock than to have to extend it because you ran out of time. In today’s lending environment, delays and unforeseen events in the loan process are fairly common.

Use MyMortgageInsider.com as a resource to keep up with mortgage rate news. [Click here](#) for the latest updates.

7. Provide Loan Conditions

Your lender will ask you for “conditions” of the loan. These are items the underwriter has noticed are missing or need further explanation. There is about a 95% chance that you will need to supply additional documentation beyond the initial loan package submitted upfront.

Some examples of conditions are:

- Updated paystubs or bank statements that are now too old
- Explanation letters for periods in which you were unemployed
- Explanation/documentation of any large deposits on your bank statements
- Utility bills, if you are applying for an owner-occupied loan and there is any reason to question whether you live there.
- Explanation if W2s or tax returns do not match IRS records (your lender pulls information directly from the IRS and matches it with the documentation you provide).
- Anything else the underwriter needs to make your loan file 100% explained and documented.

As an aside, some of the things your lender will ask for may seem unnecessary, or downright intrusive. This is normal. Today’s lenders are more cautious than ever and it’s their duty to prove every aspect of the application beyond a shadow of a doubt. Do your best to provide the information or documentation quickly and without complaint. It will help you get your refinance closed more quickly.

8. Sign Loan Documents

Once all conditions are submitted and reviewed by the underwriter, your HARP lender will issue a final approval. At this point, final loan documents are sent to the escrow company.

An agent from the escrow company will call you to set up a signing date. If any funds are needed to close the loan, the escrow agent will tell you the amount.

9. Review the Settlement Statement (HUD-1)

Before you attend your signing appointment, you'll be provided with a copy of your settlement statement. This statement, also called a HUD-1, will itemize all closing costs associated with your loan, your final loan amount and how much money, if any, you need to close the loan. (You may need to pay money to close if your new loan amount did not cover the existing loan payoff amount and all closing costs.)

This is the time to review your closing costs and have any and all questions answered before you attend your settlement. Doing so ensures a smooth closing. If there is something wrong, it's best to find it and fix it before attending the signing.

10. Review Loan during the “Right of Rescission” Period

Once you sign final loan documents, your loan can't officially close/fund until 4 days later (not including Sundays or holidays) - if you are refinancing an owner-occupied property. For instance, if you sign final loan documents on a Friday, your loan can't fund until Wednesday of the next week.

This is called the “right of rescission” period. During this time, you can cancel your loan without penalty, except for any hard costs of the loan, such as an appraisal or credit report. This time period is mandated by law to allow the customer to review and think on the decision to refinance. The rescission period is not required on second homes or investment properties.

Most borrowers have made their decision by this point, and rescissions are fairly rare. But, it's a good chance to review your decision to refinance one last time.

11. Be on Call for the Loan Funding

After the rescission period, your lender will disburse all funds necessary to pay off your existing loan, pay for third party services such as title and escrow, and any settle any other costs of the refinance.

There is a chance your lender will ask for additional documentation on the day of funding. Often, lenders do one final audit of the file. Sometimes, they will discover an additional item not yet requested. This can be frustrating, but it's best to supply any requested items quickly.

You will get confirmation from you loan officer that the loan is funded. Then, your jurisdiction will record the refinance in its public records. Once that happens, your HARP refinance is complete!



Frequently Asked Questions about HARP

The savvy borrower should ask lots of questions prior to embarking on the HARP refinance process. Here are some common things HARP borrowers ask:

Can I pull a little extra out to make some home improvements?

No, HARP loans restrict any cash back to the borrower at the closing table. A small amount is allowed (under \$250) only due to slight variances in numbers during the loan process.

Do I have to pay for my closing costs or can I include them in my loan amount?

Customary closing costs may be rolled into the final loan amount, up to certain limit. In addition, you can also ask your lender if there is a lender credit available to help offset all or part of your closing costs.

Do rental properties qualify for a HARP loan?

Yes, investment properties may qualify as long as the existing loan is owned by Fannie Mae or Freddie Mac. However, interest rates for investment properties will be slightly higher than rates for owner occupied homes.

I can't refinance my FHA loan into a HARP?

No. If you have an existing FHA loan, contact a lender about an FHA streamline.

I refinanced with the original HARP program when it was first introduced, but rates are lower now, am I eligible for another HARP?

No. Under current rules, borrowers are only eligible for one HARP loan.

Do I need to obtain private mortgage insurance (PMI) with a HARP loan?

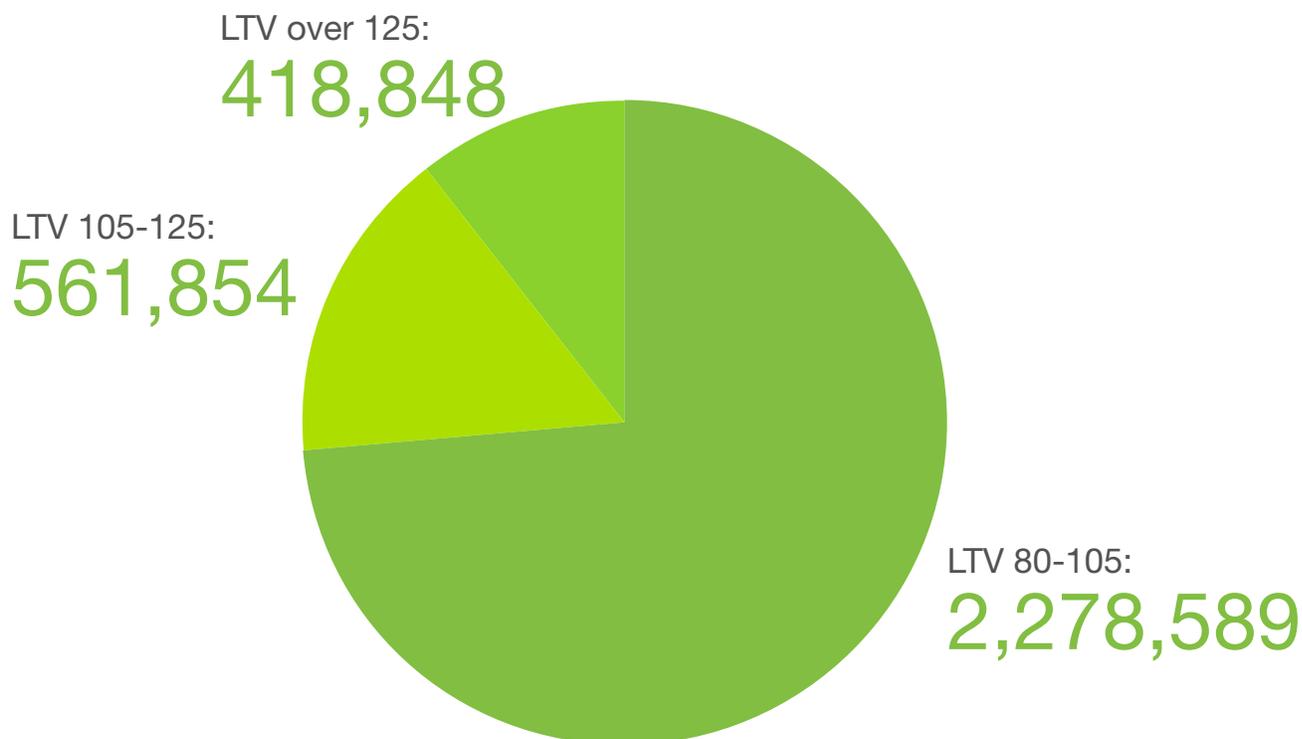
If you're paying mortgage insurance now, your lender will transfer you PMI policy to the new HARP loan. (Not all lenders can close a HARP loan that needs a PMI transfer.) However, if you didn't have mortgage insurance when you took out your existing loan, you won't need mortgage insurance with a new HARP loan.

Do I need a new appraisal?

Many HARP loans receive an appraisal waiver, meaning no appraisal is needed. However, some HARP loans will require an appraisal due to the property or the borrower's situation.

HARP total refinances since inception:

3,259,291



States where the HARP Refinance is most popular

Loan Count:

Arizona: 431,000 HARP loans

Florida: 302,000 HARP loans

Michigan: 2016,000 HARP loans

HARP made up a significant portion of refinance activity in these states:

Georgia: 30%

Florida: 29%

Michigan 25%

Fannie Mae and Freddie Mac currently own about half of all US mortgages which is equal to:

Almost **31** million home loans

\$5 trillion in mortgages

There's a good chance your loan is owned by Fannie Mae or Freddie Mac. Fannie and Freddie don't directly receive payments. So you might have a Fannie or Freddie loan even if you send your monthly payment to a bank or mortgage servicer.

- To check if Fannie Mae owns your mortgage, see www.knowyouroptions.com/loanlookup
- To check if Freddie Mac owns your mortgage, see <https://www.freddiemac.com/corporate>

I'm Ready to Apply for HARP

The easiest way to apply is to [click here](#) to verify your HARP eligibility. Our lenders are HARP experts and have helped thousands of homeowners just like you. Even if you don't think you are eligible, or have general questions about refinancing, contact these knowledgeable professionals to get your questions answered.

Don't wait. Today's historic rates won't last forever. Go to MyMortgageInsider.com today and apply for your HARP refinance!

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