Refinancing: What Counselors Need to Know

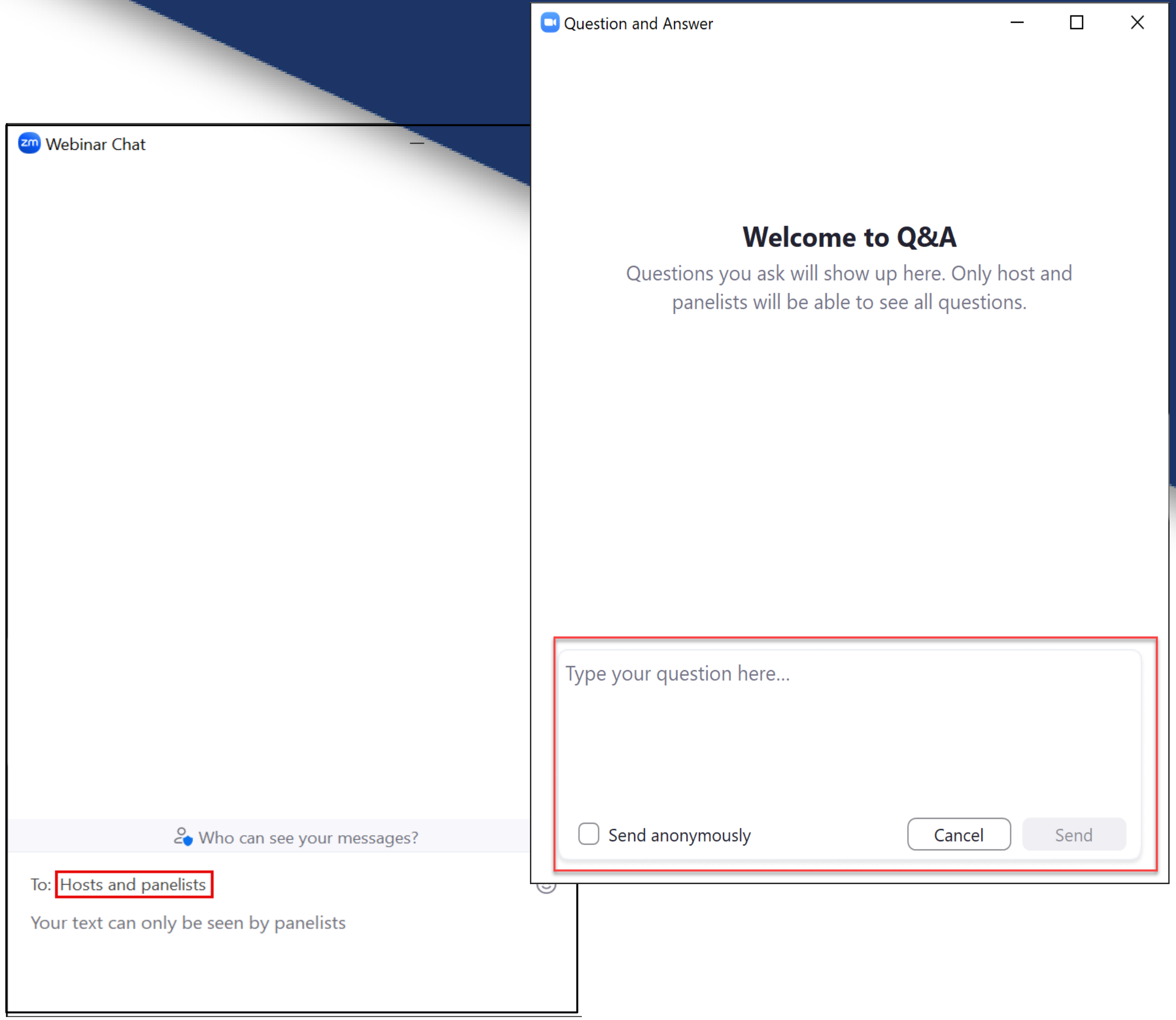
Office of Housing Counseling

December 12, 2024

OFFICE OF HOUSING COUNSELING

Zoom Logistics

- Participants are in listen only mode
- Chat
  - Submit any technical issues via the Chat box
    - Send the message to the Host
- Q&A
  - Submit any content related questions via Q&A box
    - You can also send questions to housing.counseling@hud.gov



Webinar Logistics

- Webinar is being recorded
- Slides are posted along with any handouts. The recording and transcript will be available in 7-10 days on the HUD Exchange: https://www.hudexchange.info/programs/housing-counseling/webinars/
- Click the "Get Credit" button on the training page to add the course to your transcript. You must have a HUD Exchange account
- Presentation materials were sent prior to the webinar

Agenda Overview

- Introduction to Refinancing
- Financial Considerations
- Eligibility & Requirements
- The Refinancing Process
- Refinancing Options
- Risks and Considerations
- HUD Requirements & Reporting
- Conversation with Housing Counseling Agencies
- Resources & Tools
- Q and A

Jerrold H. Mayer – Director, HUD Office of Outreach and Capacity Building

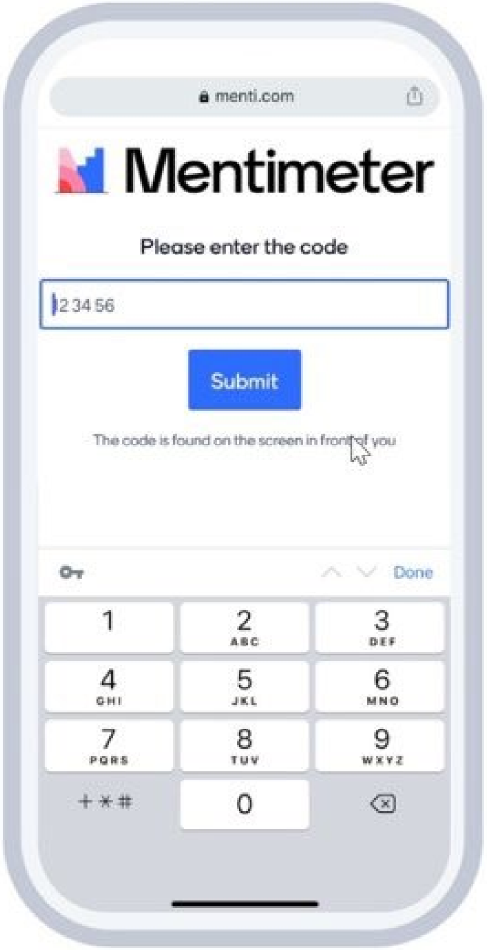
Welcome

Presenters

- **Judy Ayers Britton**, Housing Counseling Consultant, Ayers Britton Consulting LLC
- **Jason Zavala,** President, MitiGate, Inc.

Feedback and Polling

- There will be questions provided in Mentimeter to start off this presentation.
- When prompted by the icon to the right, please respond to questions at www.menti.com using your computer or smart phone



Time for Mentimeter!

Introduction to Refinancing

Introduction

- What is refinancing?
- What is the purpose?
- How can refinancing benefit your clients?

Financial Considerations

Refinancing Considerations

- Closing costs and fees
- Impact on credit score
- Tax implications
- Debt-to-income ratios
- Effect on down payment assistance programs
- Mortgage Insurance Premium (MIP) / Private Mortgage Insurance (PMI)

Eligibility & Requirements

Refinancing Requirements

- Loan qualifications
  - Credit
  - Income
  - Equity in the property
- Documentation needed
  - Personal identification
  - Financial statements
  - Current mortgage information
  - Other information

The Refinancing Process

1. Identify your financial needs
2. Assess product options
3. Initiate the loan application*
4. Decide whether to lock in a rate
5. Provide supporting documentation for underwriting
6. Obtain an appraisal
7. Close the loan

*A 30–45-day period is common to complete this effort once the application has begun.

Refinancing Options

Fannie Mae

Max LTV: 97%

PMI: Yes (if LTV > 80%)

Appraisal: Yes

Cash-out Allowable: Yes

Cost: 0.5%-1.5% (varies)

Freddie Mac

Max LTV: 97%

PMI: Yes (if LTV > 80%)

Appraisal: Yes

Cash-out Allowable: Yes

Cost: 0.5%-1.5% (varies)

Best For: 700+ credit, at least 5% funds for closing

FHA

Best For: 600+ credit

Max LTV: 96.5%

MIP: Yes

Appraisal: Yes

Cash-out: Yes

Cost: 1.75% UFMIP + 0.8%-1.5% Annual MIP

203(k)

Regular (full documentation)

Streamlined (reduced documentation)

VA

Best For: Qualified veterans with valid certificate of eligibility

Max LTV: 100%

MI: No

Appraisal: Yes

Cash-out: Yes

Cost: 1.4%-3.6%

USDA

Max LTV: 100%

MI: Yes

Appraisal: Yes

Cash-out: No

Cost: 1% Guarantee Fee + 0.35% Annual Fee

Best For: 640+ credit living in a rural area & income less than 115% AMI

No Down Payment

Alternatives to Refinancing

- Home Equity Loans and Home Equity Lines Of Credit
- Local, State, and Federal options
- Other alternatives

Risks and Considerations

Risks and Considerations

- Things to Consider When Refinancing
  - Potential Pitfalls
  - Timing
  - Possible scams

HUD Requirements & Reporting

HUD Reporting

- File documentation
- 9902 Reporting
  - Section 9 – One-on-one counseling
  - Section 10 – Outcome of counseling services
- Common outcomes: Households...
  - b. received info on fair housing, fair lending, and/or accessibility rights
  - c. developed a budget customized to current situation
  - d. improved their financial capacity
  - e. gained access to resources to improve their housing situation
  - o. were able to improve home conditions or home affordability
  - p. prevented or resolved a forward mortgage default

Conversation with Housing Counseling Agencies

Jennifer Fraser, Director of Stakeholder Engagement & Grants - GreenPath Financial Wellness

Jackie Boies, Sr. Director, Counseling and Counselor Support – Money Management International

Resources & Tools

Resources

- Financial calculators
- Educational material
- Referral network

Other Resources

- HUD.gov – Single Family – FHA refinancing
- Freddie Mac – Understanding Your Options for Refinancing
- Fannie Mae – Mortgage Refinancing Options
- USDA – Rural Development – Refinance Options for Section 502 Direct and Guaranteed Loans
- VA – Start My VA Loan Refinance
- CFPB – Should I Refinance Handout

Question & Answers

Thank you for joining us!

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