

Streamline Refinance – FHA Streamline Refinance Guidelines & Rates

Note: FHA Streamline Refinance information is accurate as of March 5, 2015.

What Is An FHA Streamline Refinance?

The FHA Streamline Refinance is a special mortgage product, reserved for homeowners with existing FHA mortgages. FHA Streamline Refinances are the fastest, simplest way for FHA-insured homeowners to refinance their respective mortgages into today's mortgage rates.

The FHA Streamline Refinance program's defining characteristic is that it does not require a home appraisal. Instead, the FHA will allow you to use your original purchase price as your home's current value, regardless of what your home is actually worth today.

In this way, with its FHA Streamline Refinance program, the FHA does not care if you are underwater on your mortgage. Rather, the program encourages underwater mortgages. Even if you owe *twice* what your home is now worth, the FHA will refinance your home without added cost or penalty.

The "appraisal waiver" has been a huge hit with U.S. homeowners, allowing unlimited loan-to-value (LTV) home loans via the FHA Streamline Refinance program. Homeowners in places like Florida, California, Arizona and Georgia have benefitted greatly, as have homeowners in other states and cities affected by last decade's housing market downturn.

Beyond this "no appraisal" feature, however, the FHA Streamline Refinance behaves very much like any other loan product. It's available as a fixed rate or adjustable mortgage; it comes as a 15- or 30-year term; and there's no FHA prepayment penalty to worry about.

Another big plus is that FHA mortgage rates are the same in the FHA Streamline Refinance as with a "regular" FHA loans. There's no penalty for being underwater, or for having very little equity.

FHA Streamline: No Verification of Job, Income, Credit

Another big plus is that the FHA Streamline Refinance is fairly easy for which to qualify.

Earlier this decade, in an effort to help U.S. homeowners, the FHA abolished most of the typical verifications required to get a mortgage. So, today, as it's written in the FHA's official mortgage guidelines:

1. Employment verification is not required with an FHA Streamline Refinance
2. Income verification is not required with an FHA Streamline Refinance

3. Credit score verification is not required with an FHA Streamline Refinance

There's no need for a home appraisal, either, so when you put it all together, you can be (1) out-of-work, (2) without income, (3) carry a terrible credit rating and (4) have no home equity. Yet, you can *still* be approved for an FHA Streamline Refinance.

That's not as crazy as it sounds, by the way.

To understand why the FHA Streamline Refinance is a smart program for the FHA, we have to remember that the FHA's chief role is to insure mortgages -- not "make" them.

It's in the FHA's best interest to help as many people as possible qualify for today's low mortgage rates. Lower mortgage rates means lower monthly payments which, in theory, leads to fewer loan defaults.

This is good for homeowners that want lower mortgage rates and for the FHA -- but mostly for the FHA.

Are You FHA Streamline Refinance Eligible?

Although the FHA Streamline Refinance eschews the "traditional" mortgage verifications of income and credit score, as examples, the program does enforce minimum standards for applicants. The official FHA Streamline Refinance guidelines are below. Note that not all mortgage lenders will underwrite to the official guidelines of the Federal Housing Administration.

Perfect, 3-Month Payment History Is Required

The FHA's main goal is to reduce its overall loan pool risk. Therefore, it's number one qualification standard is that homeowners using the Streamline Refinance program must have a perfect payment history stretching back 3 months. 30-day, 60-day, and 90-day lates are not allowed. One mortgage late payment is allowed in the last 12 months. Loans must be current at the time of closing.

210-Day "Waiting Period" Between Refinances

The FHA requires that borrowers make 6 mortgage payments on their current FHA-insured loan, and that 210 days pass from the most recent closing date, in order to be eligible for a Streamline Refinance.

Employment and Income Are Not Verified

The FHA does not require verification of a borrower's employment or annual income as part of the FHA Streamline process. There is no Verification of Employment, nor are there paystubs, W-2s or tax returns required for approval. You can be unemployed and get approved for a FHA Streamline Refinance so long as you still meet the other program requirements.

Credit Scores Are Not Verified

The FHA does not verify credit scores as part of the FHA Streamline Refinance program. Instead, it uses payment history as a gauge for future loan performance. This means that FICO scores below 640, below 620, below 580, and below 500 are eligible for Streamline Refis.

The Refinance Must Have "Purpose"

Streamline Refinance applicants must demonstrate that there's a Net Tangible Benefit in the refinance; a legitimate reason for refinancing. Loosely, Net Tangible Benefit is defined as reducing the (principal + interest + mortgage insurance) component of the mortgage payment by 5 percent or more. Another allowable Net Tangible Benefit is to refinance from an adjusting ARM into a fixed rate loan. Taking "cash out" to pay bills is not an allowable Net Tangible Benefit.

Loan Balances May Not Increase To Cover Loan Costs

The FHA prohibits increasing a Streamline Refinance's loan balance to cover associated loan charges. The new loan balance is limited by the math formula of (Current Principal Balance + Upfront Mortgage Insurance Premium). All other costs -- origination charges, title charges, escrow population -- must be either (1) Paid by the borrower as cash at closing, or (2) Credited by the loan officer in full. The latter is called a "zero-cost FHA Streamline".

Appraisals Not Required

The FHA isn't concerned about home value -- it's insuring your loan regardless. Therefore, the FHA does not require appraisals for its Streamline Refinance program. Instead, it uses the original purchase price of your home, or the most recent appraised value, as its valuation point. Homes that are underwater are still FHA Streamline-eligible.

Give us a call today before rates go UP!

Note: When all your information has been received you will be contacted by an Allied First Bank - Loan Specialist who will review all your options, provide all supporting documentation and schedule a closing around your schedule with a Escrow/Title Company local in your area – **it's that easy!**

Remember we work for you and earn your business throughout the loan process as you are never obligated.