



# *GSE Activity Report*

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Wednesday, April 28, 2021

## *Refi Reboot*

### Summary

As we [anticipated](#), FHFA today [announced](#) a new refi product aimed at increasing the benefits of ultra-low rates for under-served borrowers and, we would guess, also distracting political attention from the continuing contretemps over [investor-property limitations](#).

### Impact

According to FHFA, these loans would save low-income borrowers as much as \$200 a month, a mighty sum for most. To ensure this, eligible loans would need to save borrowers at least \$50 and have a rate cut of at least 50 bps, a requirement that also should prevent undue churning. To make these extra appealing to borrowers, the GSEs will provide as much as a \$500 offset for appraisal costs and waive the 50 bps up-front adverse-refi fee for UPBs of less than \$300,000. However and importantly, LLPAs remain; it is unclear if FHFA's savings count LLPAs or if, as we suspect, the range provided reflects not only differing borrowers, but also differing fees.

Additional requirements are that:

- the refied loan is GSE-purchased;
- borrowers have incomes below 80% of the area median and have not missed a payment in the past six months;
- LTVs are below 97%;
- DTIs are below 65%;
- the borrower has credit score over 620; and
- other TBD eligibility requirements to be aligned between Fannie and Freddie are met.

It remains to be seen how lenders and MIs price these loans. The \$500 appraisal credit is, where applicable, fronted by the lender and reimbursed by the GSE, putting the lender out of pocket for at least a while. The interest-rate cut required for refi is also substantial, perhaps allowing little margin for appealing fees. Investor pricing is of course also unknown. This was likely negotiated with the GSEs ahead of the launch and perhaps also included in the savings benefit cited by FHFA, but no public statements permit evaluation. If FHA matches this product and offers better terms, volume will of course head that-away.

### Outlook

FHFA says these loans will come to market ASAP this summer. We shall see.

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