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# FEDERAL HOUSING FINANCE AGENCY



## NEWS RELEASE

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For Immediate Release  
September 29, 2009

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### **FHFA Refinance Report Underscores Impact of Interest Rates on Refinance Volumes**

Washington, DC – Fannie Mae and Freddie Mac refinanced more than 3.2 million mortgage loans in 2009 through August of this year. In the month of August alone, nearly 360,000 mortgages were refinanced. The numbers were announced today by Edward J. DeMarco, Acting Director of the Federal Housing Finance Agency (FHFA), in its monthly report on Enterprises' refinance volumes and the Administration's Making Home Affordable Refinance Program (HARP).

“Successful refinancing is a key element of the ongoing efforts to stabilize the housing market,” said DeMarco. “So far, more than 260, 000 homeowners who are current on their mortgage payments have been assisted through the HARP and other streamlined refinance programs administered by Fannie Mae and Freddie Mac,” said DeMarco. “The number is certain to grow as expanded refinance opportunities go into effect this fall.”

In July, FHFA announced the expansion of HARP to allow borrowers with LTVs up to 125 percent to participate. Fannie Mae began accepting deliveries of refinanced whole loans with LTVs over 105 percent up to 125 percent on September 1. Fannie Mae will begin taking deliveries for mortgage-backed securities (MBS) for loans with LTVs over 105 percent up to 125 percent on October 1. Freddie Mac will begin accepting deliveries of these loans on October 1. This will allow more borrowers to refinance and to do so without added mortgage insurance requirements, a previous barrier to refinancing.

The report, which covers January 1, 2009 through August 31, 2009, shows an increase in refinancing in the first half of the year as mortgage rates dropped. Refinance volumes fell from July to August in response to a sharp rise in mortgage rates in June. Refinance volumes are strongly influenced by mortgage rates with the effect most visible on a one- to two- month lag.

Operational challenges and capacity constraints on an industry-wide scale have limited HARP loan traction to date but expectations are for increased volume in the months ahead.

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*The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$6.3 trillion in funding for the U.S. mortgage markets and financial institutions.*



# Federal Housing Finance Agency

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## Refinance Report August 2009

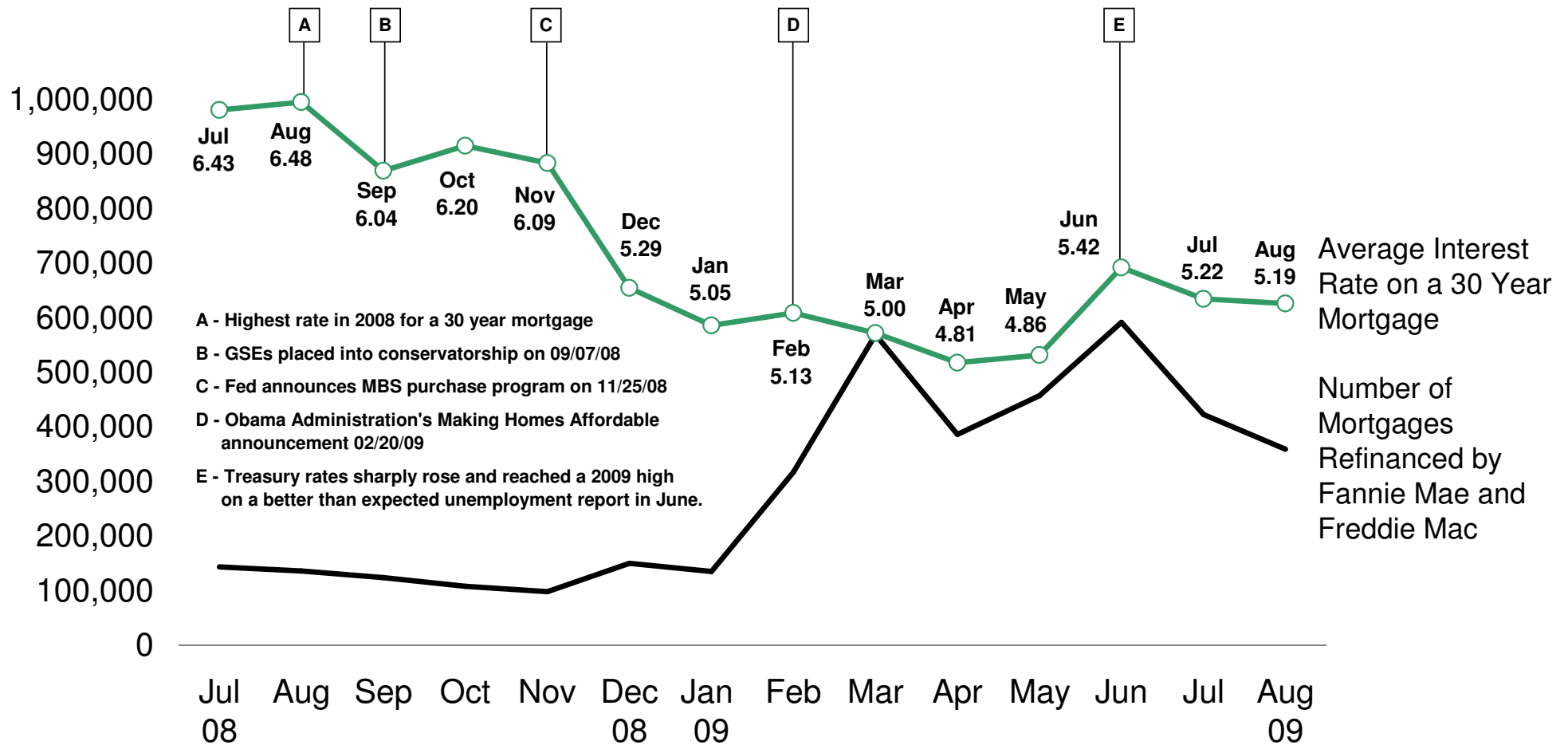
***Note:** The initial version of the Refinance Report was labeled August 2009 but reflected data through July 2009. Starting with this report and moving forward, the report date will reflect the date of the data being reported.*

# Fannie Mae and Freddie Mac Refinance Volume Trends

January 1, 2009 through August 31, 2009



Refinance volume rose in the first half of 2009 as mortgage rates fell. In June, mortgage rates rose sharply, driving refinance volume lower.



Sources

\* Mortgage rates are from the Freddie Mac Primary Mortgage Market Survey, monthly average, from the Freddie Mac website.

# Fannie Mae and Freddie Mac Refinance Volumes

January 1, 2009 through August 31, 2009



## Fannie Mae and Freddie Mac Refinance Volumes

	August 2009	Inception to Date <sup>1</sup>	Year to Date
<b>Total Refinances</b>	358,689	2,215,495	3,236,542
<b>HARP LTV &gt;80% - 105%</b>	32,142	93,070	93,070
<b>All Other Streamlined Refis</b>	39,773	170,032	170,032

**Notes**

**Fannie Mae:** HARP Refinance Loans are defined as Fannie Mae to Fannie Mae refinance loans with limited and no cash out that are owner occupied with LTV's over 80 to 105. Fannie Mae began accepting deliveries of refinanced whole loans with LTVs over 105 percent up to 125 percent on September 1. Fannie Mae will begin taking deliveries for mortgage-backed securities (MBS) for loans with LTVs over 105 percent up to 125 percent on October 1.

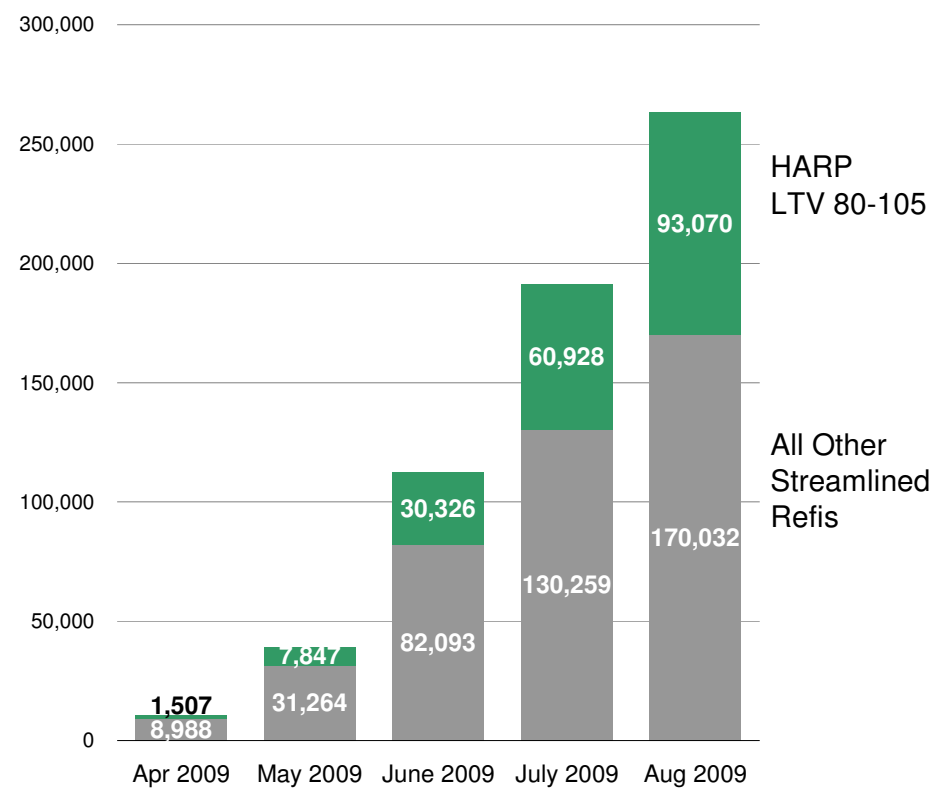
**Freddie Mac:** HARP Refinance Loans are defined as first lien Freddie Mac to Freddie Mac refinance loans with limited and no cash out that are owner occupied with LTV's over 80 to 105. Beginning October 1, lenders will be able to deliver HARP loans with LTVs greater than 105 and less than or equal to 125.

**All Other Streamlined Refis** are streamlined refinances that do not qualify as HARP >80% - 105% refinances. Fannie Mae implements streamlined refinances through the Refi Plus product for manual underwriting and DU Refi Plus product for loans underwritten through Desktop Underwriter. The product is available for refinances of existing Fannie Mae loans only. Freddie Mac implements streamlined refinances through the Relief Refinance Mortgage product. Loans may be originated by any Freddie Mac approved servicer.

<sup>1</sup>Inception to Date - Since April 1, 2009

Monthly totals may change due to ongoing reconciliation.

## Fannie Mae and Freddie Mac Cumulative Refinance Volumes



# Fannie Mae and Freddie Mac Refinance Volumes

January 1, 2009 through August 31, 2009



	August 2009	Inception to Date <sup>1</sup>	Year to Date
<b>Total Refinances</b>			
Fannie Mae	193,814	1,295,208	1,882,518
Freddie Mac	164,875	920,287	1,354,024
<b>HARP LTV &gt;80% -105%</b>			
Fannie Mae	15,295	47,442	47,442
Freddie Mac	16,847	45,628	45,628
<b>All Other Streamlined Refis</b>			
Fannie Mae	27,847	134,237	134,237
Freddie Mac	11,926	35,795	35,795

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## Operational Aspects of Implementing HARP

January 1, 2009 through August 31, 2009



Lenders have had to adjust the loan underwriting process to distinguish HARP loans from traditional loans. Whereas lenders require mortgage insurance for loans with a greater than 80 percent LTV in the traditional refinancing process, HARP waives these requirements.

LTV of new loan	LTV of original loan	Traditional Refinancing Process	HARP Process
> 80	80 (or less)	<ul style="list-style-type: none"> <li>Order new mortgage insurance</li> </ul>	<ul style="list-style-type: none"> <li>New mortgage insurance not required.</li> </ul>
> 80	> 80	<ul style="list-style-type: none"> <li>Cancel old mortgage insurance</li> <li>Order new mortgage insurance</li> </ul>	<ul style="list-style-type: none"> <li>Don't cancel old mortgage insurance</li> <li>Coordinate with original mortgage insurer to transfer mortgage insurance to new loan</li> </ul>