

Bulletin 22-04

Updates to FHA Streamline Program

HUD issued an updated version of the 4000.1 on October 26, 2021. The updates include changes to the loan term requirements when using loan term for the net tangible benefit and clarification on which fields may be left blank when completing the redesigned version of the 1003 (dated 1/2021) for a non-credit qualifying Streamline

Update to Net Tangible Benefit (NTB) Term Reduction Requirements

HUD updated the net tangible benefit term reduction policy to specify that a **minimum 3 year term reduction is required** to use term reduction as the NTB to the borrower

- A term reduction qualifies as an NTB when all of the following are met:
 - A minimum of 3 years reduction in term, measured from the **remaining** term (*new*), **and**
 - The loan must be going to a fixed rate product (fixed to fixed, ARM to fixed); ARM to ARM or fixed to ARM **ineligible, and**
 - The remaining amortization period of the existing mortgage is reduced, **and**
 - **Fixed to Fixed:** The new interest rate is **below** the combined interest rate, **or**
 - **ARM to Fixed:** The new rate cannot be > 2% above the prior combined rate, **and**
 - The combined principal, interest, and MIP payment of the new loan does not exceed the combined principal, interest, and MIP payment of the refinanced loan by more than \$50

- A term reduction of < 3 years is **ineligible** to satisfy NTB requirements (*new*). One of the following must be met to satisfy NTB requirement:
 - The borrower must have a reduced combined interest rate, **or**
 - The borrower must be changing from an **ARM to a fixed, and**
 - The requirements in the chart below must be met (*no change* to current policy)

From	To	Requirement for New Combined Rate
Fixed rate	Fixed rate	New rate must be a minimum 0.5% below the prior combined rate
Fixed rate	Hybrid ARM	New rate must be a minimum 2% below the prior combined rate
Any ARM with < 15 months to next payment change date	Fixed rate	New rate cannot be > 2% above the prior combined rate
Any ARM with < 15 months to next payment change date	Hybrid ARM	New rate must be a minimum 1% below the prior combined rate
Any ARM with ≥ 15 months to next payment change date	Fixed rate	New rate cannot be > 2% above the prior combined rate
Any ARM with ≥ 15 months to next payment change date	Hybrid ARM	New rate must be a minimum 1% below the prior combined rate

Completing the 1003 on Non-Credit Qualifying Streamlines

HUD allows an abbreviated 1003 on NCQ Streamlines. The sections that may be left blank have been updated to align with the redesigned version of the 1003 dated 1/2021. The following sections **may be left blank**:

- **Sections 1b to 1e** – Current Employment/Self-Employment and Income
- **Section 2** – Financial Information – Assets and Liabilities
- **Section 3** – Financial Information – Real Estate
- **Section 5** – Declarations except for 5a, Occupancy, **which must be completed**

The FHA Streamline guidelines have been updated and posted on the Homebridge website at www.HomebridgeWholesale.com

The updated requirement to require a minimum of three years term reduction when using term reduction as the NTB **is required for case numbers assigned on or after January 24, 2022**

If you have any questions, please contact your Account Executive