



April 27, 2017 | The AFR 411 2017-09

American Financial Resources, Inc.



Attention: AFR Lending Partners

Topics in this edition of The AFR 411 include:

- **Fannie Mae Student Loan Cash-Out Refinance**
- **FNMA SEL-2017-04**

This 411 supersedes the current guidelines outlined in the applicable Program Matrices. All updated guidelines will be highlighted and the matrices will show a revised date once they have been modified.

Fannie Mae Student Loan Cash-Out Refinance

Effective Monday, May 1, 2017, AFR will begin accepting FNMA Student Loan Cash-Out Refinance transactions. As announced by Fannie Mae in SEL-2017-04 dated April 25, 2017, FNMA introduced this feature as a cost-effective alternative to use existing home equity to pay off student loan debt. The loan-level price adjustment that applies to cash-out refinance transactions will be waived when all the requirements in the table below have been met.

Student Loan Cash-out Refinance Features		
Student Loans Eligible for Payoff	<ul style="list-style-type: none">• At least one student loan must be paid off. Loan proceeds must be paid directly to the student loan servicer at closing.• Only student loans for which the borrower is personally obligated can be paid through the transaction.• Student loan debt must be paid in full with the proceeds – partial payments of student loan debt are not permitted.	New policy
Eligibility	The standard cash-out refinance LTV, CLTV, and HCLTV ratios apply per the <i>Eligibility Matrix</i>	Aligns with cash-out refinance
Underwriting Method	DU only	New policy
Maximum Cash Back	Lesser of 2% or \$2k (over and above the student loan payoff)	Aligns with limited cash-out refinance
Mortgage Payoff	1 st mortgage and purchase-money seconds	Aligns with limited cash-out refinance
Other Requirements	<ul style="list-style-type: none">• Property cannot be listed for sale at time of disbursement• Payoff of taxes ineligible unless escrow account is established• Payoff of delinquent taxes ineligible	Aligns with limited cash-out refinance

Lenders must deliver the following Special Feature Code (SFC) 841, Student Loan Cash-Out Refinance, at the time of delivery.

NOTE: The *Eligibility Matrix*, *Special Feature Codes*, and *Loan-Level Price Adjustment Matrix* will be updated to reflect the applicable changes.

AFR will require the loan to be registered and locked using the Program Name, Purpose and Special Feature Code listed below:

Program Name:

- FNMA – Student Loan Refi

Purpose:

- Cash-Out Refinance

Special Feature Code (SFC)

- Delegated Correspondent transactions must have SFC 841 on the DU findings included in the package at time of submission.

FNMA SEL-2017-04

AFR will adopt all applicable Selling Guide Updates announced in [Selling Guide Announcement SEL-2017-05](#).