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Freddie Mac allows financing of 125% of home value

Atlanta Business Chronicle - by [Bryant Ruiz Switzky](#)

Freddie Mac announced Wednesday that it would offer loan-to-value ratios on home mortgage refinancings of up to 125 percent for qualified borrowers.

The announcement comes as the Obama administration raised the maximum allowable loan-to-value (LTV) ratio from 105 percent.

As a result of this change, qualified borrowers will be able to obtain McLean, Va.-based Freddie Mac's (NYSE: FRE) Relief Refinance Mortgages with loan amounts up to 125 percent of the current value of their property. The higher LTV ratio is expected to give homeowners – especially those in markets that have experienced sharp declines in home values -- more options to refinance into mortgages with terms that better position them for long-term homeownership, the company said.

“This is a change that will put affordable refinancing opportunities within reach of performing borrowers who have suffered the effects of local home price erosion,” said Don Bisenius, executive vice president in a statement. “Today’s announcement also underscores Freddie Mac’s commitment to make the Obama administration’s Making Home Affordable program a gateway to successful long-term homeownership for as many borrowers as possible.”

To encourage borrowers with 30-year fixed rate mortgages to consider a shorter 25-year term, Freddie Mac is providing a special price incentive to lenders. The incentive only applies to Relief Refinance Mortgages with LTV ratios between 105 percent and 125 percent. The 25-year term will result in borrowers paying less interest over the life of their loan and over time improving their overall equity position.

Freddie Mac’s Relief Refinance Mortgage is available to borrowers who are current on mortgages that are owned or guaranteed by Freddie Mac.

Freddie Mac’s Relief Refinance Mortgage allows borrowers to finance closing costs, financing costs and escrows up to \$5,000 or 4 percent of the current unpaid principal balance of the mortgage being refinanced, whichever is less. Mortgage insurance is not required if the existing mortgage does not require it. Otherwise, mortgage insurance coverage on the new loan must be the same as on the original mortgage.

Borrowers who apply for Relief Refinance Mortgages through their current servicer will not need to be re-underwritten in most cases. When borrowers apply for Relief Refinance Mortgages through lenders other than their current servicer, the lender must re-underwrite the borrower through Loan Prospector, Freddie Mac’s automated underwriting service, the company said.

The expanded LTV ratios are available now when borrowers apply for Relief Refinance Mortgages through their current servicer and will become available Oct. 1 when borrowers apply through any lender affiliated with Freddie Mac.

Freddie Mac also said the resulting impact on prepayments for certain Freddie Mac mortgage participation certificates, may vary, depending on borrower response and other factors.

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