Delayed financing is a special type of cash-out refinance where borrowers are exempt from the 6 month waiting period typically required to enter into a cash-out refinance transaction.

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What Is Delayed Financing?

Delayed financing is a special type of cash-out refinance where borrowers are exempt from the 6 month waiting period typically required to enter into a cash-out refinance transaction. What's the catch? The borrower must have purchased the home with their own funds; there may not be any liens secured against the property.

This is particularly common in competitive real estate markets where borrowers need to act fast. All-cash buyers have a better chance of standing out from competing bids and getting the home at a lower price since their offer isn't contingent on financing.

Another example where delayed financing can be applied is an "un-lendable" foreclosure property. Homes without running water, for example, are un-lendable because no person could reasonably live there and property standards are not met. The same is true for homes with broken windows, lead paint, or a busted roof. Via a Delayed Financing transaction, a buyer can purchase a home with cash, make the necessary home repairs, and then re-coup their initial cash investment.

There are specific underwriting requirements that must be met when looking to complete a delayed financing transaction. They vary by loan program and are summarized below:

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Conventional DU or LP

- Loans are qualified and priced as **cash-out** refinances
- **Purpose of Refinance** must be input as "Cash-out"
- No longer than 6 months has elapsed since the original cash acquisition of the property (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan)
- The original purchase transaction must have been an arm's length transaction documented by an executed HUD-1 Settlement statement confirming that no mortgage financing was used to obtain the subject property.

- The preliminary title search/report must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property
- The source of funds for the purchase transaction must be fully documented (examples: bank statements, personal loan documents, or a HELOC on another property).
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value).
- For additional details and requirements, visit Section B2-1.2-03 of the FNMA Selling Guide or Chapter 24.6 of the FHLMC Selling Guide.

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Portfolio: Jumbo Advantage

- Loans are qualified as **Rate & Term Refinances** (Maximum Loan Amount, FICO, LTV, DTI), allowing for maximum financing.
- Loans are priced in Marksman under the Jumbo Advantage Delayed Financing Programs
- The **Purpose of Refinance** in the system must be input as "Shellpoint Delayed Financing" – this allows the loan to be underwritten as a rate & term refinance, but moved through the system as a cash-out
- No longer than 6 months has elapsed since the original cash acquisition of the property
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for a rate and term refinance based on the lessor of the purchase price or the current appraised value).
- The maximum cash back to the borrower may exceed the standard $400,000 maximum cash back for a cash-out transaction
- Property must have been purchased using the borrower(s) own funds
- An executed HUD-1 from the original purchase and documentation to show the down payment and closing costs used for the purchase were from the borrower's own funds (no borrowed, gift, or shared funds)

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