



Bankers Advisory

COMPLIANCE MONITOR

January 9, 2015

FHA Reduces Mortgage Insurance Premium as of January 26th

By Anna DeSimone, President

On September 18, 2012 the Federal Financial Institutions Examination January 9, 2015, HUD issued Mortgagee Letter 2015-01, "Reduction of Federal Housing Administration (FHA) annual Mortgage Insurance Premium (MIP) rates and Temporary Case Cancellation Authority." The purpose of the mortgagee letter is to communicate revised annual MIP rates for FHA Title II forward mortgages and provide opportunity for cancellation of existing case numbers in order to utilize the MIP rates contained in the ML.

Background

Pursuant to its statutory mandate, FHA continuously strives to achieve the appropriate balance between meeting the housing needs of the borrowers FHA's mortgage insurance programs were created to serve and minimizing the level of risk undertaken relative to the insurance of those mortgages. FHA has determined that the appropriate balance of its statutory operational goals now requires a reduction of the rate of annual MIP charged pursuant to Section 203(c)(2)(B) of the National Housing Act (NHA). As provided in this ML, the total annual MIP charged pursuant to sections 203(c)(2)(B) and (C) for most Title II Single Family forward mortgages has been revised as provided in this ML.

Effective Date

This ML is effective for case numbers assigned **on or after January 26, 2015**.

Affected Topic

This ML reduces the rate for annual MIP for all Title II forward mortgages, with terms greater than 15 years, **except;**

- single family forward streamline refinance transactions that are refinancing existing FHA loans that were endorsed on or before May 31, 2009;
- Section 247 mortgages (Hawaiian Homelands)

This ML supersedes the annual MIP rates established in ML 2013-4. All other sections of ML 2013-4 remain in effect.

Revision to Annual Mortgage Insurance Premium

The following table shows the existing and the new annual MIP rates by amortization term, base loan amount and Loan to Value (LTV) ratio. **All New MIP amounts set forth in this table are effective for case numbers assigned on or after January 26, 2015.**

Term > 15 Years			
Base Loan Amt.	LTV	Previous MIP	New MIP
≤ \$625,500	≤ 95.00%	130 bps	80 bps
≤ \$625,500	> 95.00%	135 bps	85 bps
> \$625,500	≤ 95.00%	150 bps	100 bps
> \$625,500	> 95.00%	155 bps	105 bps
Term ≤ 15 Years			
≤ \$625,500	≤ 90.00%	45 bps	45 bps
≤ \$625,500	> 90.00%	70 bps	70 bps
> \$625,500	≤ 78.00%	45 bps	45 bps
> \$625,500	78.01% - 90.00%	70 bps	70 bps
> \$625,500	> 90.00%	95 bps	95 bps

Case Cancellation

To allow mortgagees to obtain the reduced annual MIP rates contained in this ML for loans in process with active FHA Case Numbers, FHA will temporarily approve cancellation requests for active FHA Case Numbers within 30 days of the effective date of this ML.

FHA will provide operational details on case cancellations through FHA Info notifications and on FHA's lender information page available at www.hud.gov/lenders.

4001.1 FHA Single Family Housing Policy Handbook

The policy in this ML is being incorporated into the 4000.1 FHA Single Family Housing Policy Handbook.

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