



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

September 1, 2010

MORTGAGEE LETTER 2010-28

TO: ALL APPROVED MORTGAGEES

SUBJECT: Changes to FHA Mortgage Insurance Premiums

On August 12, 2010, the President signed into law, Public Law 111-229, which provides the Secretary of Housing and Urban Development (HUD) with additional flexibility regarding the amount of the premiums charged for Federal Housing Administration (FHA) single family housing mortgage insurance programs. Specifically, the new law permits HUD to increase the amount of the annual mortgage insurance premium that HUD is authorized to charge. For mortgages involving an original principal obligation of less than or equal to 95 percent of the appraised value of the property, the amount of the authorized annual premium is increased to 1.5 percent (from .50 percent) of the remaining insured principal balance. For mortgages involving an original principal obligation that is greater than 95 percent of the appraised value of the property, the amount of the authorized annual premium is increased to 1.55 percent (from 0.55 percent) of the remaining insured principal balance. Although the law authorized HUD to go up to these amounts, HUD is not doing so at this time, as described below. The Act authorizes HUD to adjust the amount of the annual mortgage insurance premiums through Federal Register Notice or Mortgagee Letter.

HUD has decided to raise the annual premium and correspondingly lower the upfront premium, except for Home Equity Conversion Mortgages (HECM), so that FHA is in a better position to address the increased demands of the marketplace and return the Mutual Mortgage Insurance (MMI) fund to congressionally mandated levels without disruption to the housing market. Based on the new authority, effective for FHA loans for which the case number is assigned on or after October 4, 2010, FHA will lower its upfront mortgage insurance premium (except for HECMs) simultaneously with an increase to the annual premium which is collected on a monthly basis. This policy change will decrease upfront premiums for purchase money and refinance transactions, including FHA-to-FHA credit-qualifying and non-credit qualifying streamlined refinance transactions.

Programs Not Affected by the Premium Changes

The upfront and annual premiums and the requirements described in this Mortgagee Letter apply to all mortgages insured under FHA's Single Family Insurance Programs except those listed below:

- Title I
- HOPE for Homeowners (H4H)
- Section 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations)
- Section 223(e) (declining neighborhoods)
- Section 238(c) (Military Impact areas in Georgia and New York)

Upfront Premiums

Effective for FHA loans for which the case number is assigned on or after October 4, 2010, for FHA traditional purchase and refinance products, the upfront premium, shown in basis points below, will be charged for all amortization terms.

Mortgage Type	Upfront Premium Requirement
Purchase Money Mortgages and Full-Credit Qualifying Refinances	100 BPS
Streamline Refinances (all types)	100 BPS

Annual Premiums

Effective for FHA loans for which the case number is assigned on or after October 4, 2010, FHA will increase the annual premiums collected on a monthly basis. For FHA traditional purchase and refinance products, the annual premium, shown in basis points below, is to be remitted on a monthly basis, and will be charged based on the initial loan-to-value ratio and length of the mortgage according to the following schedule:

LTV	Annual Premiums for Loans > 15 Years
= or < 95 percent	85 BPS
>95 percent	90 BPS

The annual premium for amortization terms equal to or less than 15 years remains unchanged and is collected according to the following schedule.

LTV	Annual Premiums for Loans = or < 15 Years
= or < 90 percent	-None-
>90 percent	25 BPS

Cancellation of FHA's Annual Mortgage Insurance Premiums

The cancellation policies defined in Mortgagee Letters 2000-38 and 2000-46 remain unchanged.

First-Time Homebuyer with HUD-Approved Pre-Purchase Counseling

The National Housing Act, as amended by the Housing and Economic Recovery Act in 2008, authorizes upfront premiums of up to 3.00 except these premiums cannot exceed 2.75 percent for first-time homebuyers who complete HUD-approved pre-purchase counseling. Since the upfront premium rate of 1.00 percent remains below the statutory cap, no variable rate is provided for under this Mortgagee Letter for first-time homebuyers who receive HUD-approved counseling.

Home Equity Conversion Mortgage (HECM) Loans

Effective for all HECM loans for which the case number is assigned on or after October 4, 2010, FHA will increase the annual premium which is collected on a monthly basis. This policy change will not affect the upfront premiums collected.

The annual premium, shown in basis points below is to be remitted on a monthly basis, and will be charged according to the following schedule:

Premium Type	Basis Points
Upfront	2 BPS
Annual	1.25 BPS

If you should have any questions concerning this Mortgagee Letter, please call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

David H. Stevens
Assistant Secretary for Housing-
Federal Housing Commissioner