



## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: October 22, 2010**

**To: All Approved Mortgagees**

### **Mortgagee Letter 10-36**

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**Subject** Requirements for Combined Loan Amounts

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**Purpose** This Mortgagee Letter eliminates the requirement that the sum of all liens not exceed the geographical maximum mortgage limit *for both purchase and refinance transactions*. Only the FHA-insured first lien is subject to FHA's maximum mortgage limits. This Mortgagee Letter supersedes ML 2010-24 in its entirety.

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**Effective Date** This guidance is effective for case numbers assigned on or after September 7, 2010.

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**Affected Topics** The topic summarized on the next page was created as a result of this change in guidance. Below are the blocks affected. Changes will be integrated into the FHA Single Family On-Line Handbooks shortly.

HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance
5.C.2.c, Financing from Private Individuals or Other Organizations
5.C.4.d, Secondary Financing by a Nonprofit Agency Not Considered an Instrumentality of the Government
5.C.5.a, Repayment Terms for Secondary Mortgages



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### Mortgagee Letter 10-36, Continued

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#### **Summary – FHA Guidance on Combined Loan to Value Requirements**

This Mortgagee Letter supersedes ML 2010-24. Mortgagee Letter 2010-24 rescinded the unlimited Combined Loan-to-Value (CLTV) ratio for refinance transactions, and reinstated the requirement that the total of an FHA-insured first mortgage and any subordinate lien may not exceed both the applicable FHA loan-to-value ratio and geographical maximum mortgage amount.

FHA is eliminating the second requirement that the sum of all liens does not exceed the geographical maximum mortgage limit *for both purchase and refinance transactions*. Effective September 7, 2010, only the FHA-insured first lien is subject to FHA's geographical maximum mortgage limits.

FHA still requires that the combined loan amount of the FHA-insured first mortgage and any subordinate lien not exceed the applicable FHA loan-to-value (LTV) ratio. The following programs may have different LTV ratio requirements:

- Refinance of Borrowers in Negative Equity Positions
- Streamline Refinance Transactions

Existing or modified subordinate liens may remain outstanding, and/or new subordinate liens may be offered to facilitate the transaction, provided that the new FHA-insured first mortgage meets the eligibility criteria for mortgages with secondary financing from private individuals, other organizations or nonprofit agencies not considered an instrumentality of the government which outlined in HUD Handbook 4155.1, paragraph 5.C [as amended by this mortgagee letter].

**Reference:** For more information on:

- refinancing borrowers in a negative equity position, see Mortgagee Letter 2010-23
- streamline refinance transactions, see HUD Handbook 4155.1 3.C.2.f and 3.C.3.b

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#### **Questions**

Please address any questions about the topics addressed in this Mortgagee Letter to the FHA Resource Center at 1-800-CALLFHA. Persons with hearing or speech impairments may reach this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

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#### **Signature**

David H. Stevens  
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