



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: September 21, 2011

To: All Approved Mortgagees

Mortgagee Letter 11-35

Subject Annual Mortgage Insurance Premium for Loans With Terms of 15 Years or Less and a Loan to Value (LTV) ratio of 78 Percent or Less at Origination

Purpose This Mortgagee Letter provides clarification on Annual Mortgage Insurance Premiums for loans with forward amortization terms of 15 years or less and an LTV of 78 percent or less at origination.

Effective Date This Mortgagee Letter is effective for case numbers assigned on or after April 18, 2011.

Affected Topics The topics summarized on the following pages were created as a result of these changes in premiums and case number guidance. Below is a list of the blocks in Handbook 4155.2 that are affected. Changes will be integrated into the FHA Single Family On-Line Handbooks shortly.

HUD 4155.2 Lender's Guide to Single Family Mortgage Insurance Process
7.3.c, Automatic Cancellation of the Annual Premium
7.3.e, UFMIP and Annual MIP for Mortgages With Terms More Than 15 Years

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Mortgagee Letter 11-35, Continued

**Summary –
Mortgage
Insurance
Premiums**

When Mortgagee Letter 2011-10 was issued, it did not address forward mortgage amortization terms of 15 years or less when the loan-to-value (LTV) ratios at loan origination are at 78 percent or less. Currently the annual MIP is canceled for mortgages with amortization terms of 15 years or less when the LTV reaches 78 percent. Therefore, this Mortgagee Letter confirms that Annual Mortgage Insurance Premiums are *not charged* for all forward mortgages with

- Amortization terms of 15 years or less, *and*
- LTVs at or below 78 percent at the time of origination

Additionally, when the changes to the annual MIP were made to HUD Handbook 4155.2 through Mortgagee Letter 2011-10, Section 7.3.c was inadvertently left out of the list of affected topics. Therefore, this Mortgagee Letter clarifies that the references to the automatic termination of MIP in Section 7.3.c of HUD Handbook 4155.2 will be updated to reflect that the annual MIP terminates for mortgages with amortization terms of 15 years or less when the LTV reaches 78 percent and that no annual MIP is charged when the initial LTV for such mortgages is at or below 78 percent. There are no other changes to the Annual Mortgage Insurance Premiums, and there are no changes to the Upfront Mortgage Insurance Premium (UFMIP).

The chart below is effective for case numbers assigned on or after April 18, 2011 for forward mortgage amortization terms.

Mortgage Insurance Premiums		
Loan Terms > 15 years		
UFMIP = 100 basis points (bps)	Annual Premium	
LTV	Through 4/17/2011*	On/After 4/18/2011**
≤ 95.00 percent	85 bps	110 bps
> 95.00 percent	90 bps	115 bps
Loan Terms ≤ 15 years		
UFMIP = 100 bps	Annual Premium	
LTV	Through 4/17/2011*	On/After 4/18/2011**
≤ 78.00 percent	None	None
78.01 percent - 90.00 percent	None	25 bps
> 90.00 percent	25 bps	50 bps
*For case numbers assigned on/before April 17, 2011		
**For case numbers assigned on/after April 18, 2011		

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Mortgagee Letter 11-35, Continued

Note: The chart above applies to all mortgages insured under FHA's Single Family Mortgage Insurance Programs *except*

- Title I
- Home Equity Conversion Mortgages (HECM)
- HOPE for Homeowners (H4H)
- Section 223(e) (Declining Neighborhoods)
- Section 238(c) (Military Impact areas in Georgia and New York)
- Section 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations)

Reference: For information on automatic cancellation of Annual Mortgage Insurance Premiums, see HUD Handbook 4155.2, 7.3.c

Questions

Please address any questions about the topics in this Mortgagee Letter to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Information Relay Service at 1-800-877-8339.

Signature

Carol J. Galante
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