



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

January 31, 2013

To: All Approved Mortgagees

Mortgagee Letter 2013-04

Subject Revision of Federal Housing Administration (FHA) policies concerning cancellation of the annual Mortgage Insurance Premium (MIP) and increase to the annual MIP

Purpose Consistent with FHA's ongoing efforts to strengthen the Mutual Mortgage Insurance Fund, FHA is:

- revising the period for assessing the annual MIP;
- removing the exemption from the annual MIP for loans with terms of 15 years or less and Loan to Value (LTV) ratios of less than or equal to 78 percent at origination; and
- increasing the annual MIP on all forward mortgages **except** single family forward streamline refinance transactions that refinance existing FHA loans that were endorsed on or before May 31, 2009 (see ML 2012-4).

Effective Date The section of this ML that increases the annual MIP is effective for case numbers assigned **on or after April 1, 2013**, except as noted below.

The following sections of this ML are effective for all mortgages with FHA case numbers assigned on or after **June 3, 2013**:

- revision to the period for assessing the annual MIP;
 - removal of the exemption from the annual MIP for loans with terms of 15 years or less and LTVs of less than or equal to 78 percent at origination;
 - increase in the annual MIP for mortgages with terms less than or equal to 15 years and LTV ratios less than or equal to 78 percent at origination.
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Affected Topics This ML:

- rescinds the automatic cancellation of the annual MIP collection announced in MLs 2000-38 and 2000-46;
- rescinds ML 2011-35, under which mortgages with terms of 15 years or less and LTVs of less than or equal to 78 percent at time of origination were exempt from the annual MIP; and
- rescinds and updates Sections 7.3.a, 7.3.c, 7.3.d, 7.3.e, 7.3.f, and 7.3.g of HUD Handbook 4155.2 as appropriate.

This ML increases the annual MIP on all forward mortgages previously announced in ML 2012-4, **except** single family forward streamline refinance transactions that are refinancing existing FHA loans that were endorsed on or before May 31, 2009; the rate for those streamline transactions remains at the level announced in ML 2012-4.

Revision to the Period for Assessing Annual MIP

For loans with FHA case numbers assigned on or after **June 3, 2013**, FHA will collect the annual MIP for the maximum duration permitted under statute. See 12 U.S.C. § 1709(c)(2)(B).

- For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP)) less than or equal to 90 percent LTV, the annual MIP will be assessed until the end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first.
- For any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent, FHA will assess the annual MIP until the end of the mortgage term or for the first 30 years of the term, whichever occurs first.

Note: FHA calculates LTV as a percentage by dividing the loan amount (prior to the financing of any UFMIP) by the lesser of the purchase price (if applicable) or the appraised value of the home. For streamline refinances without appraisals, FHA uses the original appraised value of the property to calculate the LTV.

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Revision to the Period for Assessing Annual MIP (continued)

The table below shows the previous and the new duration of annual MIP by amortization term and LTV ratio at origination.

Term	LTV (%)	Previous	New
≤ 15 yrs	≤ 78	No annual MIP	11 years
≤ 15 yrs	> 78 – 90.00	Cancelled at 78% LTV	11 years
≤ 15 yrs	> 90.00	Cancelled at 78% LTV	Loan term
> 15 yrs	≤ 78	5 years	11 years
> 15 yrs	> 78 – 90.00	Cancelled at 78% LTV & 5 yrs	11 years
> 15 yrs	> 90.00	Cancelled at 78% LTV & 5 yrs	Loan term

Increase to Annual Mortgage Insurance Premium

Under Public Law 111-229(1)(b), FHA may adjust its mortgage insurance premium rates, as measured in basis points (bps), by Mortgagee Letter.

The first table shows the previous and the new annual MIP rates by amortization term, base loan amount and LTV ratio. **All MIPs in this table are effective for case numbers assigned on or after April 1, 2013.**

Term > 15 Years			
Base Loan Amt.	LTV	Previous MIP	New MIP
≤ \$625,500	≤ 95.00%	120 bps	130 bps
≤ \$625,500	> 95.00%	125 bps	135 bps
> \$625,500	≤ 95.00%	145 bps	150 bps
> \$625,500	> 95.00%	150 bps	155 bps
Term ≤ 15 Years			
≤ \$625,500	78.01% - 90.00%	35 bps	45 bps
≤ \$625,500	> 90.00%	60 bps	70 bps
> \$625,500	78.01% - 90.00%	60 bps	70 bps
> \$625,500	> 90.00%	85 bps	95 bps

The second table shows the previous and the new effective annual MIP rates for loans with an LTV of less than or equal to 78 percent and with terms of up to 15 years. **The new annual MIP for these loans is effective for case numbers assigned on or after June 3, 2013.**

Term ≤ 15 Years			
Base Loan Amt.	LTV	Previous MIP	New MIP
Any Amount	≤ 78.00 %	0 bps	45 bps

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Exceptions to MIP Duration Changes

The changes to the duration of the annual MIP as specified in this ML are effective for all Single Family FHA programs for which FHA charges an annual MIP except:

- Title I
 - Home Equity Conversion Mortgages (HECM)
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Exceptions to Announced MIP Increases.

The increases in the annual MIP specified in this ML apply to all mortgages insured under FHA's Single Family Mortgage Insurance Programs except:

- Streamline refinance transactions of existing FHA loans that were endorsed on or before May 31, 2009 (see ML 2012-04)
 - Title I
 - Home Equity Conversion Mortgages (HECM)
 - Section 247 (Hawaiian Homelands)
 - Section 248 (Indian Reservations)
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Information Collection Requirements

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned an OMB control number of 2502-0583. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

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 TTY by calling the Federal Information Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Carol J. Galante
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