May 14, 2013

To

All Approved Mortgagees

Subject

Interest Rates for Loss Mitigation Home Retention Options

Purpose

The purpose of this Mortgagee Letter is to provide guidance for determining the interest rates to use when implementing FHA’s Loss Mitigation Home Retention options.

Effective Date

The policies in this Mortgagee Letter are to be implemented by mortgagees for Trial Payment Plans offered on or after July 1, 2013.

Affected Policy

This Mortgagee Letter amends the definition of “Market Rate”, and supersedes where there is conflict, the policies described in Mortgagee Letters 2012-22, 2011-28, and 2009-35.

Market Rate

For purposes of this Mortgagee Letter, the term “Market Rate” is now defined as a rate that is no more than 25 basis points greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30 year fixed-rate conforming mortgages (US average), rounded to the nearest one-eighth of one percent (0.125%), as of the date a Trial Payment Plan is offered to a borrower.


Trial Payment Plan Interest Rate

The Interest Rate for a Trial Payment Plan must not be greater than the aforementioned Market Rate.
A borrower’s monthly mortgage payment including principal, interest, taxes, and insurance (PITI) under a permanent modification must not be more than the borrower’s mortgage payment, (including PITI) under the Trial Payment Plan.

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