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- CHAPTER 1. INCREASE IN INTEREST RATE HOME
MORTGAGE AND LOAN INSURANCE PROGRAMS
- 1-1. GENERAL. This chapter includes instructions applicable to all home mortgage and loan insurance programs shown in Appendix 4 and is to be utilized whenever the maximum FHA interest rate for these programs is increased. It is expected that mortgagees who have committed to lend at the previous rate will honor their commitments or adjust any discounts or points to be collected as equitably as possible.
- 1-2. APPLICATIONS IN PROCESS. All applications for conditional and firm commitments on hand or in process are eligible for, and will be processed at, the new maximum interest rate. All conditional commitments, Form 2800-5, whether initial, reissued or amended, will show the new maximum interest rate. This will be accomplished by the Valuation Clerk or the Commitment Appraiser, who will, with a ball point pen, cross out the rate shown in "Commitment Terms" and enter the new maximum interest rate in the adjacent space. All firm commitments, Form 2900-4, including initial conversions and reconsiderations, will be processed at the new maximum interest rate unless the mortgagee requests a lower rate. The Mortgage Credit Clerk will ensure that the new maximum rate is shown on each such commitment.
- 1-3. OUTSTANDING CONDITIONAL COMMITMENTS. Outstanding conditional commitments, Form 2800-5, bearing a rate lower than the new maximum interest rate may be converted to firm commitments at the new rate. Conditional commitments should not be returned to the HUD office solely to effect a change in interest rate.
- 1-4. OUTSTANDING FIRM COMMITMENTS. Outstanding firm commitments, Form 2900-A, showing an interest rate lower than the new maximum rate should not be returned for revision. Upon submission of closing documents showing a rate of interest not in excess of the new maximum rate, endorsement will be effected at the rate shown. However, should a commitment be returned for an interest rate amendment, changes must be shown in red ink and initialed by the authorized agent. Underwriting reprocessing for the sole purpose of reflecting a change in interest rate will not be done.
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The higher rate of interest is not applicable to home mortgages which have been endorsed for mortgage insurance.

- 1-5. EXTENSIONS OF COMMITMENT TERMS OR REOPENING OF EXPIRED COMMITMENTS. Applications for extension of conditional or firm commitment terms or for the reopening of expired conditional or firm commitments will be processed at the new maximum interest rate unless a lower rate is requested by the mortgagee.
- 1-6. MORTGAGE INSURANCE CERTIFICATION. Mortgages will be endorsed for insurance at the interest rate specified in the credit instrument, provided it does not exceed the new maximum rate. The fact that the prior conditional or firm commitment specified a lower rate will not be questioned. When the rate at endorsement differs from the rate shown on the executed firm commitment, Form 2900-4, the commitment will not be changed. The insertion of the correct interest rate on the ADP copy of the mortgage insurance certificate, Form 9100-2, is very important. The fractional part of the rate must be shown in eighths, as in the following example for an 8-1/2 percent rate: "84".
- 1-7. MAXIMUM ALLOWABLE DISCOUNTS; SECTION 203.27 OF THE REGULATIONS. Directors will immediately re-examine the need for discounts in those types of transactions described in Section 203.27 (a)(4) of the Regulations, and make such corresponding adjustments as may be necessary as a result of the increased rate of interest.
- 1-8. PAYMENT RATES AND MIP FACTORS FOR HOME MORTGAGES. Payment rates and mortgage insurance premium factors for various interest rates, including the new maximum rate, are included in FHA No. 2025 and supplements, entitled "Amortization, Insurance Premium and Outstanding Principal Balance Tables."
- 1-9. HOMEOWNERSHIP ASSISTANCE APPLICATIONS IN PROCESS AND OUTSTANDING. With respect to applications for Section 235 homeownership assistance in process, it will not be necessary for mortgagees to submit to the HUD office for reprocessing those applications,

Form 3100, approved for assistance payments in connection with outstanding firm commitments issued under Sections 235 and 237. Since the approved Form 3100 is to be retained by the mortgagee as a basis for billing for assistance payments, mortgagees are authorized to amend these forms to reflect the required changes in the total monthly payment and in the assistance payments as calculated under formulas (1) and (2). The billing, of course, is to be based on that formula yielding the lower amount. The copy of Form 3100 in the case binder is to be amended to reflect the new interest rate. All such changes on Form 3100 will be initialed by the processing official, who will enter the date opposite the last change made.

- 1-10. OBLIGATION OF CONTRACT AUTHORITY - SECTIONS 235 AND 237. There is no change in the amount of contract authority to be obligated for Section 235 and 237 cases approved for assistance payments. The standard amount per case will continue to be used until offices are advised otherwise.
- 1-11. FACTORS FOR COMPUTING ASSISTANCE PAYMENTS UNDER SECTION 235(b). Appendix 1 contains the factors, per \$1,000, needed to compute the difference between the amount of principal, interest and mortgage insurance premium on a Section 235 mortgage at the specified new interest rate, and the amount of principal and interest on a mortgage at 1 percent, for the first amortization year. These factors will be used to calculate the level of monthly assistance payments under formula (2). If the amount of the monthly assistance payments calculated by using formula (1) is less, this lesser amount will be used for billing FHA.