Section C. Home Mortgage Insurance Programs

Overview

In This Section

This section contains the topics listed in the table below.

1. General Information on Home Mortgage Insurance Programs

Introduction

This topic contains general information on home mortgage insurance programs, including

- a description of the types of home mortgage insurance programs described in this section, and
- the enabling legislation for these programs.

Change Date

March 1, 2011

4155.2 1.C.1.a Types of Mortgage Insurance Programs

This section provides a brief description of all FHA single family mortgage insurance programs. Unless otherwise stated, FHA's single family programs are limited to primary residences only.

4155.2 1.C.1.b Enabling Legislation for Single Family Insurance Programs

All of the FHA's single family programs are authorized by the enabling legislation of Title II of the National Housing Act. Each program is generally referred to by its particular section of the Act.

Reference: For more information on FHA's home mortgage insurance programs, see HUD 4155.2 1.A.1.

2. Section 203(b) Home Mortgage Insurance

Introduction

This topic contains information on the Section 203(b) Home Mortgage Insurance program, including

- a description of Section 203(b) insurance
- the determination of the maximum insurable mortgage on purchases
- statutory loan limits
- maximum loan-to-value (LTV) ratios
- the required minimum investment policy
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.2.a Description of Section 203(b) Insurance

Section 203(b) Home Mortgage Insurance insures lenders against losses on mortgage loans used to

- finance the purchase of proposed, under construction, or existing one- to four-family dwellings or manufactured homes, or
- refinance indebtedness on existing housing.

4155.2 1.C.2.b Determination of the 203(b) Maximum Insurable Mortgage for Purchases

The maximum insurable mortgage under Section 203(b) is determined by the lesser of the

- statutory maximum loan limit, or
- applicable loan-to-value (LTV) ratio.

References: For information on

- statutory loan limits, see HUD 4155.2 1.C.2.c, and
- maximum LTV ratios, see HUD 4155.2 1.C.2.d.

Continued on next page

2. Section 203(b) Home Mortgage Insurance, Continued

4155.2 1.C.2.c Section 203(b) Statutory Loan Limits

Statutory loan limits for home mortgage loans under 203(b) in high-cost areas are based upon the median sales prices in the area. Statutory limits may be 50% higher in Alaska, Hawaii, Guam, and the Virgin Islands.

Note: Dollar limitations may be increased by up to 20% if the increase is directly attributable to the cost and installation of a solar energy system on the property.

Reference: Statutory loan limits may be found

- on the HUD website at www.hud.gov, or
- by accessing the FHA Connection at https://entp.hud.gov/clas/.

4155.2 1.C.2.d Section 203(b) Maximum LTV Ratios

The maximum LTV for a property depends upon the

- stage of construction:
  - proposed
  - under construction, or
  - existing
- appraised value and sales price (for a purchase), and
- borrower's decision credit score.

Note: Although the upfront mortgage insurance premium (UFMIP) may be financed, the underwriter should not include it when applying the appropriate LTV.

References: For more information on

- maximum LTVs for
  - properties in different stages of construction, see HUD 4155.1 2.B
  - refinance transactions, see HUD 4155.1 3.A.1.g
  - borrowers using 203(h), Mortgage Insurance for Disaster Victims, see HUD 4155.1 6.A.6.d
  - borrowers with non-traditional or insufficient credit histories, see HUD 4155.1 4.C.3.a, and
- minimum decision credit scores, see HUD 4155.1 4.A.1.c and HUD 4155.1 4.A.1.j.

Continued on next page

2. Section 203(b) Home Mortgage Insurance, Continued

4155.2 1.C.2.e Section 203(b) Required Borrower Minimum Downpayment

The borrower is required to invest the *difference* between the

- total acquisition cost (sales price, cost of any required repairs paid for by the borrower, and total closing costs to be paid by the borrower), and
- amount of the mortgage to be insured.

For a principal residence, the borrower's minimum downpayment requirement must be at least 3.5% of the appraised value of the property or the sales price, whichever is less.

4155.2 1.C.2.f Section 203(b) Mortgage Term

Under Section 203(b), the mortgage term is any term up to 30 years.

4155.2 1.C.2.g Section 203(b) MIP Payment

Under Section 203(b), mortgage insurance premiums are paid as upfront mortgage insurance premiums (UFMIP) and monthly.

4155.2 1.C.2.h Section 203(b) Refinancing

Refinancing is permitted.

3. Section 203(h) Home Mortgage Insurance for Disaster Victims

Introduction

This topic contains information on Section 203(h) Home Mortgage Insurance for Disaster Victims, including

- a description of the Section 203(h) program
- eligibility requirements
- the maximum insurable mortgage
- closing costs and prepaid expenses
- the minimum borrower cash investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.3.a Description of Section 203(h) Program

The Section 203(h) Home Mortgage Insurance for Disaster Victims program insures lenders against losses on mortgage loans on the principal residences of borrowers who are disaster victims.

Reference: For additional information on the Section 203(h) program, see 24 CFR 203.18(e).

Continued on next page

3. Section 203(h) Home Mortgage Insurance for Disaster Victims, Continued

4155.2 1.C.3.b Section 203(h) Eligibility Requirements

A loan must meet the following requirements in order to be eligible under Section 203(h):

- the loan must be for the purchase or reconstruction of a one-family dwelling
- the previous home (owned or rented) must have been
  - in an area that the President has declared a major disaster area, and
  - destroyed or damaged to such an extent that reconstruction or replacement is necessary, and
- the application must be submitted within one year of the President's declaration.

Notes:
- Documentation attesting to the damage of the previous home must accompany the loan application.
- If purchasing a new home, the home need not be located in the area where the previous home was located.

4155.2 1.C.3.c Section 203(h) Maximum Insurable Mortgage

The Section 203(h) program has the same statutory loan limits as those of the Section 203(b) program. The maximum LTV ratio limit is 100% percent, subject to the borrowers' minimum credit score as stated in HUD 4155.1 6.A.6.d.

References:
- For the Section 203(b) statutory loan limits, see HUD 4155.2 1.C.2.
- For information on the allowable amount of financing for eligible Section 203(h) borrowers, see HUD 4155.1 6.A.6.d..

4155.2 1.C.3.d Section 203(h) Closing Costs and Prepaid Expenses

Under the Section 203(h) program, closing costs and prepaid expenses must be paid

- by the borrower in cash, or
- through premium pricing.

Continued on next page

3. Section 203(h) Home Mortgage Insurance for Disaster Victims, Continued

4155.2 1.C.3.e Section 203(h) Minimum Borrower Cash Investment

The Section 203(h) insurance program has no minimum borrower cash investment requirement.

4155.2 1.C.3.f Section 203(h) Mortgage Term

The mortgage term for the Section 203(h) program is any term up to 30 years.

4155.2 1.C.3.g 203(h) MIP Payment

Under the Section 203(h) program, mortgage insurance premiums are paid as upfront mortgage insurance premium (UFMIP) and monthly.

4155.2 1.C.3.h Section 203(h) Refinancing Policy

Under the Section 203(h) program, refinancing is permitted in conjunction with rehabilitation.

4. Section 203(i) Home Mortgage Insurance for Outlying Areas

Introduction

This topic contains information on Section 203(i) Home Mortgage Insurance for Outlying Areas, including

- a description of Section 203(i) insurance
- the maximum insurable mortgage amount
- the statutory loan limit/LTV
- the minimum borrower investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.4.a Description of Section 203(i) Insurance

The Section 203(i) Home Mortgage Insurance for Outlying Areas insures lenders against losses on mortgage loans used to

- purchase proposed, under construction, or existing one-family dwellings (including manufactured homes), or
- refinance mortgages on existing one-family dwellings in rural areas or farm homes located on 2.5 or more acres of land adjacent to all-weather public roads.

Reference: For more information on Section 203(i), see 24 CFR 203.18(d).

4155.2 1.C.4.b Section 203(i) Maximum Insurable Mortgage

The maximum insurable mortgage is determined by the *lesser* of

- the statutory loan limit, or
- the applicable LTV ratio.

Continued on next page

4. Section 203(i) Home Mortgage Insurance for Outlying Areas, Continued

4155.2 1.C.4.c Section 203(i) Statutory Loan Limit/ LTV

The statutory loan limit for the Section 203(i) program is 75% of the amount available under Section 203(b). The Section 203(b) loan limit is found in HUD 4155.2 1.C.2.c.

The LTV is the same as that of the Section 203(b) program, found in HUD 4155.2 1.C.2.d.

Note: Loan limits may be increased by up to 20% if the increase is directly attributable to the cost and installation of a solar energy system on the property.

References:
- Statutory loan limits are available on the HUD website at www.hud.gov.
- For more information on the increase of loan limits and solar energy systems, see HUD 4155.1 6.D.

4155.2 1.C.4.d Section 203(i) Minimum Borrower Downpayment

The minimum borrower downpayment for the Section 203(i) program is the same as that for the Section 203(b) program, found in HUD 4155.2 1.C.2.e. The borrower may, under certain circumstances, borrow the required downpayment.

4155.2 1.C.4.e Section 203(i) Mortgage Term

Under the Section 203(i) program, the mortgage term is the same as that for the Section 203(b) program, found in HUD 4155.2 1.C.2.f.

4155.2 1.C.4.f Section 203(i) MIP Payment

Under the Section 203(i) program, mortgage insurance premiums are paid as upfront mortgage insurance premium (UFMIP) and monthly.

4155.2 1.C.4.g Section 203(i) Refinancing Policy

The refinancing policy under Section 203(i) is the same as that for Section 203(b), found in

- HUD 4155.1 3.A, and
- HUD 4155.1 3.B.

5. Section 203(k) Rehabilitation Home Mortgage Insurance and Streamlined Limited Repair Program

Introduction

This topic contains information on Section 203(k) Rehabilitation Home Mortgage Insurance, including

- a description of the Section 203(k) insurance program
- a description of the Streamlined (k) program
- Section 203(k) eligible improvements
- Section 203(k) eligibility for insurance *before* rehabilitation begins
- cases requiring two appraisals (not applicable on Streamlined (k))
- collection of a supplemental origination fee
- required Section 203(k) documentation
- the maximum insurable mortgage
- the minimum borrower downpayment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.5.a Description of Section 203(k) Insurance

The Section 203(k) Rehabilitation Home Mortgage Insurance insures lenders against losses on mortgage loans used to

- purchase and rehabilitate existing one- to-four-family dwellings (completed for more than one year) that will be used for residential purposes
- refinance and rehabilitate such structures and refinance the outstanding indebtedness (not applicable for Streamlined (k)), or
- rehabilitate a dwelling after it has been moved from one site to a new foundation (excluding manufactured homes).

Restriction: Section 203(k) should *not* be used unless the rehabilitation or improvement costs total a minimum of $5,000 (not applicable for Streamlined (k)).

Reference: For more information on Section 203(k) mortgages, see
- HUD 4240.4, *203(k), Rehabilitation Home Mortgage Insurance*, and
- 24 CFR 203.50.

Continued on next page

5. Section 203(k) Rehabilitation Home Mortgage Insurance and Streamlined Limited Repair Program, Continued

4155.2 1.C.5.b Description of Streamlined 203 (k)

FHA's Streamlined 203(k) program permits a borrower to

- finance up to an additional $35,000 into his/her mortgage to improve or upgrade his/her home before moving in, and
- quickly and easily tap into cash to pay for property repairs or improvements, such as those identified by a home inspector or FHA appraiser.

Note: Unlike the standard 203(k) program, any FHA-approved lender may originate a Streamlined 203(k) mortgage.

References: For more information on

- Section 203(k) mortgages, see HUD 4240.4, *203(k), Rehabilitation Home Mortgage Insurance*, and 24 CFR 203.50, and
- the Streamlined 203(k) program, see ML 2005-50, *Enhancements to "Streamlined (k)" Limited Repair Program*.

Continued on next page

5. Section 203(k) Rehabilitation Home Mortgage Insurance and Streamlined Limited Repair Program, Continued

4155.2 1.C.5.c Section 203(k) Eligible Improvements

Improvements eligible for Section 203(k) financing include

- structural alterations (not applicable on Streamlined (k))
- additions (not applicable on Streamlined (k))
- reconstruction (not applicable on Streamlined (k))
- remodeling (only minor remodeling allowed on Streamlined (k))
- new siding
- plumbing
- painting
- decking
- heating and/or air conditioning
- electrical systems
- roofing
- flooring and carpeting
- energy efficient improvements
- major landscape work (not applicable on Streamlined (k)), and
- pool repairs and pool fences.

Note: All health, safety, and energy efficient items must be addressed prior to completing general home improvements.

References: For more information on Section 203(k) mortgages, see

- HUD 4240.4, *203(k), Rehabilitation Home Mortgage Insurance,* and
- 24 CFR 203.50.

Continued on next page

5. Section 203(k) Rehabilitation Home Mortgage Insurance and Streamlined Limited Repair Program, Continued

4155.2 1.C.5.d Section 203(k) Eligibility for Insurance Before Rehabilitation Begins

A Section 203(k) mortgage is eligible for insurance *before* rehabilitation begins, provided that the mortgage proceeds allocated for the rehabilitation

- go into a Rehabilitation Escrow Account at closing, and
- will be disbursed as work progresses.

References: For more information on Section 203(k) mortgages, see

- HUD 4240.4, *203(k), Rehabilitation Home Mortgage Insurance,* and
- 24 CFR 203.50.

4155.2 1.C.5.e 203(k) Cases Requiring Two Appraisals

In some cases, a Section 203(k) mortgage requires two appraisals (not applicable on Streamlined (k) as follows:

- one on the "as is" value of the property, and
- a second on the estimated market value when the work is complete.

References: For more information on

- Section 203(k) mortgages, see HUD 4240.4, 203(k), *Rehabilitation Home Mortgage Insurance*, and 24 CFR 203.50,and
- as is appraisals of properties for Section 203(k) loans, see ML 94-11.

4155.2 1.C.5.f Section 203(k) Collection of a Supplemental Origination Fee

When the Section 203(k) mortgage involves insurance of advances and partial disbursements of the Rehabilitation Escrow Account, the lender may collect from the borrower a supplemental origination fee which

- compensates the lender for the additional cost of disbursements and inspections of the work, and
- is limited to the *greater* of
  - 1.5% of the portion of the mortgage allocated to rehabilitation, or
  - $350.

References: For more information on Section 203(k) mortgages, see

- HUD 4240.4, *203(k), Rehabilitation Home Mortgage Insurance,* and
- 24 CFR 203.50.

Continued on next page

5. Section 203(k) Rehabilitation Home Mortgage Insurance and Streamlined Limited Repair Program, Continued

4155.2 1.C.5.g Required Section 203(k) Documentation

Required documentation in the 203(k) mortgage application package must include, but is not limited to:

- drawings and specifications of the proposed improvements (not applicable on Streamlined (k))
- the rehabilitation cost estimate, and
- a work write-up showing that, when the property is completed, it will meet FHA's minimum property standards or, if more stringent, the local building codes (not applicable on Streamlined (k)).

Continued on next page

5. Section 203(k) Rehabilitation Home Mortgage Insurance and Streamlined Limited Repair Program, Continued

4155.2 1.C.5.h Section 203(k) Maximum Insurable Mortgage

To assure that the mortgage is adequately supported by the property value, the lender must calculate the maximum 203(k) mortgage amount using form HUD-92700, *203(k) and Streamlined (k) Maximum Mortgage Worksheet*. For instructions on completing the form, see HUD 4240.4, *203(k), Rehabilitation Home Mortgage Insurance*.

4155.2 1.C.5.i Section 203(k) Minimum Borrower Downpayment

The Section 203(k) minimum borrower downpayment is the same as that of the Section 203(b) program, found in HUD 4155.2 1.C.2.e.

4155.2 1.C.5.j Section 203(k) Mortgage Term

Section 203(k) mortgage term is the same as that for the Section 203(b) program found in HUD 4155.2 1.C.2.f.

4155.2 1.C.5.k Section 203(k) MIP Payment

Under the Section 203(k) program, mortgage insurance premiums are paid as upfront mortgage insurance premium (UFMIP) and monthly.

4155.2 1.C.5.l Section 203(k) Refinancing Policy

Refinancing a 203(k) mortgage is permitted in conjunction with rehabilitation.

6. Section 203(n) Single Family Cooperative Program

Introduction

This topic contains information on Section 203(n) Single Family Cooperative Program, including

- a description of the Section 203(n) program
- Section 203(n) occupancy requirements
- the maximum insurable mortgage
- the minimum borrower investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.6.a Description of Section 203(n) Program

The Section 203(n) Single Family Cooperative program insures lenders against losses on mortgage loans used to acquire corporate certificates (stock or membership) and occupancy certificates in cooperative housing projects covered by blankets mortgage insured under the National Housing Act.

Note: This program is *not* eligible for Direct Endorsement (DE) processing.

References: For more information on Section 203(n), see

- HUD 4240.3, *Application Through Insurance (Single Family) Section 203(n)*, and
- 24 CFR 203.43c.

4155.2 1.C.6.b Section 203(n) Occupancy Requirements

Under Section 203(n), the borrower

- must intend to occupy the unit, and
- is responsible for his/her share of common expenses or assessments and charges.

Continued on next page

6. Section 203(n) Single Family Cooperative Program,
Continued

4155.2 1.C.6.c 203(n) Maximum Insurable Mortgage

The maximum mortgage amount on a Section 203(n) mortgage is the

- remaining balance of the amount calculated per instructions for Section 203(b) in HUD 4155.2 1.C.2.b relating to owner-occupants, *minus*
- portion of the unpaid balance of the blanket mortgage which is attributable to the dwelling unit.

4155.2 1.C.6.d Section 203(n) Minimum Borrower Investment

The minimum borrower investment on a Section 203(n) mortgage is the same at that of a Section 203(b) mortgage, found in HUD 4155.2 1.C.2.e.

4155.2 1.C.6.e Section 203(n) Mortgage Term

The mortgage term on a Section 203(n) mortgage is not to exceed the *lesser* of

- 30 years
- the remaining term of the blanket mortgage, or
- 75% of the remaining economic life of the building improvements.

4155.2 1.C.6.f Section 203(n) MIP Payment

Under the Section 203(n) program, mortgage insurance premiums are paid as upfront mortgage insurance premium (UFMIP) and monthly.

4155.2 1.C.6.g Section 203(n) Refinancing Policy

Refinancing is not available on a Section 203(n) mortgage.

7. Section 220(d)(3)(A) Urban Renewal Mortgage Insurance

Introduction

This topic contains information on Section 220(d)(3)(A) Urban Renewal Mortgage Insurance, including

- a description of the Section 220 (d)(3)(A) program
- the area eligibility policy
- the maximum insurable mortgage
- statutory limits
- LTV ratios
- the minimum borrower investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.7.a Description of the Section 220(d)(3)(A) Program

The Section 220(d)(3)(A) Urban Renewal Mortgage Insurance program insures lenders against losses on mortgage loans used to rehabilitate one- to eleven-family dwellings, or build new ones in redevelopment areas.

Reference: For more information on Section 220(d)(3)(A) mortgage loans, see HUD 4245.1, *Section 220(d)(3)(A) and Section 220(h) Rehabilitation and Neighborhood Conservation Housing Insurance Program*.

4155.2 1.C.7.b Section 220(d)(3)(A) Area Eligibility

The Section 220(d)(3)(A) program is limited to areas

- of urban renewal or code enforcement, and
- designated by local government (and approved by FHA) for concentrated housing, physical development, and public service activities under a locally developed comprehensive strategy to upgrade and stabilize the area.

Continued on next page

7. Section 220(d)(3)(A) Urban Renewal Mortgage Insurance, Continued

---

4155.2 1.C.7.c Section 220(d)(3)(A) Maximum Insurable Mortgage

The maximum insurable mortgage under the Section 220(d)(3)(A) program is determined by the *lesser* of the statutory loan limit or the appropriate LTV ratio, using the cost of rehabilitation or construction instead of market value.

References: For information on the Section 220 (d)(3)(A)

- statutory loan limits, see HUD 4155.2 1.C.7.d, and
- LTV ratios, see HUD 4155.2 1.C.7.e.

4155.2 1.C.7.d Section 220(d)(3)(A) Loan Limits

Section 220(d)(3)(A) mortgages on structures of one to four family units have the same loan limits as those for Section 203(b), found in HUD 4155.2 1.C.2.c

For more information on loan limits for dwellings of five to eleven family units, see HUD 4245.1, *Section 220(d)(3)(A) and Section 220(h) Rehabilitation and Neighborhood Conservation Housing Insurance Program*.

Continued on next page

7. Section 220(d)(3)(A) Urban Renewal Mortgage Insurance,
Continued

4155.2 1.C.7.e Section 220(d)(3)(A) LTV Ratios

The table below provides information on LTV ratios for Section 220(d)(3)(A) mortgages.

Loan Type	LTV Ratio
Principal residence	The same as that for Section 203(b), found in HUD 4155.2 1.C.2.d.
Refinancing	The maximum mortgage is the sum of the following, plus closing costs: • FHA's estimated cost of the rehabilitation, and • the *lesser* of either the – "as is" value, or – amount required to refinance the existing debt.

4155.2 1.C.7.f Section 220(d)(3)(A) Minimum Borrower Downpayment

The minimum borrower downpayment on a Section 220(d)(3)(A) mortgage is the same as that for a Section 203(b) loan, found in HUD 4155.2 1.C.2.e.

4155.2 1.C.7.g Section 220(d)(3)(A) Mortgage Term

The mortgage term is the same as that for Section 203(b), found in HUD 4155.2 1.C.2.f.

4155.2 1.C.7.h Section 220(d)(3)(A) MIP Payment

Mortgage Insurance Premiums (MIP) are paid annually on Section 220 (d)(3)(A) loans. The Section 220 (d)(3)(A) program does not require an upfront mortgage insurance premium (UFMIP).

Reference: For more information on UFMIP, see HUD 4155.2 7.2.

Continued on next page

7. Section 220(d)(3)(A) Urban Renewal Mortgage Insurance, Continued

4155.2 1.C.7.i Section 220(d)(3)(A) Refinancing Policy	Refinancing on a Section 220(d)(3)(A) loan is permitted in conjunction with rehabilitation, but is not permitted on proposed construction. [moved from 1.C.7.e]

8. Section 220(h) Insured Improvement Loans Urban Renewal

Introduction

This topic contains information on Section 220(h) Insured Improvement Loans Urban Renewal, including

- a description of the Section 220(h) program
- the property eligibility policy
- the maximum insurable mortgage
- the minimum borrower investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.8.a Description of Section 220(h) Program

The Section 220(h) program insures lenders against losses on mortgage loans used for alterations, repairs, or improvements to existing one- to eleven-family dwellings in redevelopment areas.

Note: Cost certifications are required for five to eleven family dwellings.

References: For more information on Section 220(h) loans and Section 220 (d)(3)(A) urban renewal loans, see

- HUD 4155.2 1.C.7, and
- HUD 4245.1, *Section 220(d)(3)(A) and Section 220(h) Rehabilitation and Neighborhood Conservation Housing Insurance Program*.

4155.2 1.C.8.b Section 220(h) Property Eligibility

The property involved in a Section 220(h) loan must have been completed not less than 10 years before the date of application, unless the loan will be used primarily for

- major structural improvements
- correcting defects not apparent at completion, or
- correcting defects caused by fire, flood, or other casualty.

Continued on next page

8. Section 220(h) Insured Improvement Loans Urban Renewal, Continued

4155.2 1.C.8.c Section 220(h) Maximum Insurable Mortgage

The maximum insurable mortgage amount on a Section 220(h) mortgage loan cannot exceed the difference between any existing debt on the property and the Section 220(d)(3)(A) statutory loan limit for that size structure. Within this limit, the maximum insurable mortgage is the *lesser* of

- FHA's estimate of the cost of improvements
- $40,000, or
- $12,000 per family unit ($17,400 in high-cost areas).

References: For information on the

- Section 220(d)(3)(A) statutory loan limits, see HUD 4155.2 1.C.7.d, and
- Section 220(h) program, see HUD 4245.1, *Section 220(d)(3)(A) and Section 220(h) Rehabilitation and Neighborhood Conservation Housing Insurance Program*.

4155.2 1.C.8.d Section 220(h) Minimum Borrower Investment

There is no minimum borrower investment required on a Section 220(h) loan.

4155.2 1.C.8.e Section 220(h) Mortgage Term

The mortgage term on a Section 220(h) loan can be 10, 15, or 20 years.

4155.2 1.C.8.f Section 220(h) MIP Payment

Section 220 (h) mortgage insurance premium (MIP) is paid monthly. The Section 220(h) program does not require an upfront mortgage insurance premium (UFMIP).

Reference: For more information on MIP, see HUD 4155.2 7.3.

4155.2 1.C.8.g Section 220(h) Refinancing Policy

Refinancing is not available under the Section 220(h) program.

9. Section 223(e) Miscellaneous Housing Insurance

Introduction

This topic contains information on the Section 223(e) Miscellaneous Type Housing Insurance program, including

- a description of the Section 223(e) program
- the property eligibility policy
- the maximum insurable mortgage
- the minimum borrower investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.9.a Description of Section 223(e) Program

The Section 223(e) Miscellaneous Type Housing Insurance program insures lenders against losses on mortgage loans used to finance the repair, rehabilitation, construction or purchase of properties in older, declining urban areas.

References: For more information on the Section 223(e) program, see

- HUD 4260.1, *Miscellaneous Type Home Mortgage Insurance*, *Section 223(a), (e), and (d),* and
- 24 CFR 203.43a.

4155.2 1.C.9.b Section 223(e) Property Eligibility

Under the Section 223(e) program, the area must be reasonably viable, and the property cannot qualify for other single family programs.

Note: The appraiser must make the initial determination of property eligibility subject to Section 223(e).

4155.2 1.C.9.c Section 223(e) Maximum Insurable Mortgage

The maximum insurable mortgage on a Section 223(e) loan is the same as that of the appropriate section under which the loan is insured.

Continued on next page

9. Section 223(e) Miscellaneous Housing Insurance, Continued

4155.2 1.C.9.d Section 223(e) Minimum Borrower Investment

The minimum borrower investment on a Section 223(e) loan is the same as that of the appropriate section under which the loan is insured.

4155.2 1.C.9.e Section 223(e) Mortgage Term

The mortgage term on a Section 223(e) loan is the same as that of the appropriate section under which the loan is insured.

4155.2 1.C.9.f Section 223(e) MIP Payment

Mortgage insurance premiums (MIP) on Section 223(e) loans are paid monthly. The Section 223(e) program does not require an upfront mortgage insurance premium (UFMIP).

Reference: For more information on MIP, see HUD 4155.2 7.3.

4155.2 1.C.9.g Section 223(e) Refinancing Policy

Refinancing is not available under the Section 223(e) program.

10. [TBD]

11. Section 234(c) Mortgage Insurance for Condominium Units

Introduction

This topic contains information on Section 234(c) Mortgage Insurance for Condominium Units, including

- a description of the Section 234(c) program
- the project eligibility
- the borrower eligibility
- the maximum insurable mortgage
- the minimum borrower investment
- the mortgage term
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.11.a Description of the Section 234(c) Program

The Section 234(c) Mortgage Insurance for Condominium Units program insures lenders against losses on mortgage loans used to purchase or refinance individual units in FHA-approved condominium projects.

Reference: For more information on Section 234(c), see

- HUD 4150.1, *Valuation Analysis for Home Mortgage Insurance*, and
- 24 CFR 234.

4155.2 1.C.11.b Section 234(c) Project Eligibility

Under Section 234(c), the condominium project must be on FHA's list of approved condominium projects.

References: For more information on

- FHA's list of approved condominium projects, see the HUD website
- the condominium project approval process, see ML 09-46B
- temporary guidance for condominiums, see ML 09-46A and ML 11-03, and
- manufactured home condominium projects, see HUD 4155.1 4.B.1.b.

Continued on next page

11. Section 234(c) Mortgage Insurance for Condominium Units, Continued

4155.2 1.C.11.c Section 234(c) Borrower Eligibility

Borrower eligibility is the same as for Section 203(b).

Reference: For information on Section 203(b) borrower eligibility, see HUD 4155.1 4.A.

4155.2 1.C.11.d Section 234(c) Maximum Insurable Mortgage

The maximum insurable mortgage on a Section 234(c) loan is the same as that for Section 203(b), found in HUD 4155.2 1.C.2.b.

4155.2 1.C.11.e Section 234(c) Minimum Borrower Investment

The minimum borrower investment on a Section 234(c) loan is the same as that for Section 203(b), found in HUD 4155.2 1.C.2.e.

4155.2 1.C.11.f Section 234(c) Mortgage Term

The mortgage term on a Section 234(c) loan is the same as that for Section 203(b), found in HUD 4155.2 1.C.2.f.

4155.2 1.C.11.g Section 234(c) MIP Payment

Under the Section 234(c) program, mortgage insurance premiums are paid as upfront mortgage insurance premium (UFMIP) and monthly.

References: For more information on

- UFMIP, see HUD 4155.2 7.2.a, and
- monthly insurance premiums (MIP), see HUD 4155.2 7.3.

Continued on next page

11. Section 234(c) Mortgage Insurance for Condominium Units, Continued

4155.2 1.C.11.h Section 234(c) Refinancing Policy

The refinancing policy on a Section 234(c) loan is the same as that for Section 203(b).

Reference: For information on Section 203(b) refinancing, see

- HUD 4155.1 3.A, and
- HUD 4155.1 3.B.

12. Section 238(c) Mortgage Insurance in Military Impacted Areas (MIAs)

Introduction

This topic contains information on Section 238(c) Mortgage Insurance in Military Impacted Areas (MIAs), including

- a description of the Section 238(c) program
- the area eligibility policy
- the application eligibility policy, and
- MIP payment.

Change Date

March 1, 2011

4155.2 1.C.12.a Description of the Section 238(c) Program

The Section 238(c) Mortgage Insurance in Military Impacted Areas (MIA) program insures lenders against losses on mortgage loans financing the construction, repair, rehabilitation, or purchase of properties near any military installation in federally-impacted areas.

Reference: For more information on Section 238(c), see 24 CFR 203.43e.

4155.2 1.C.12.b Section 238(c) Area Eligibility

For an area to be eligible for FHA-insured mortgage loans under the Section 238(c) program, the Secretary of Defense must have certified that there

- is a need for additional housing in the area, and
- are no plans to close or relocate the military base for five years following the certification.

4155.2 1.C.12.c Section 238(c) Application Eligibility

Application eligibility for a Section 238(c) loan is the same as that of the appropriate section under which the loan is insured.

4155.2 1.C.12.d Section 238(c) MIP Payment

Mortgage Insurance Premiums (MIP) are paid monthly on a Section 238(c) loan.

Reference: For more information on MIP, see HUD 4155.2 7.3.

13. Section 245(a) Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs)

Introduction

This topic contains information on Section 245(a) GPMs and GEMs, including

- a description of GPMs
- eligible occupancy/property types on a GPM
- the maximum insurable mortgage on a GPM
- the GPM mortgage term
- MIP payment on a GPM
- authorized GPM plans
- the refinancing policy on GPMs
- a description of GEMs
- the maximum insurable mortgage on a GEM
- the minimum borrower investment on a GEM
- the GEM mortgage term
- GEM authorized plans
- MIP payment in a GEM, and
- the refinancing policy on a GEM.

Change Date

March 1, 2011

4155.2 1.C.13.a Description of Section 245(a) GPM

The Section 245(a) Graduated Payment Mortgage (GPM) program insures lenders against losses on mortgage loans involving graduated mortgage payments. The program facilitates early home ownership for households that expect their income to rise. Initially, monthly payments are smaller than payments in a level-payment mortgage, and gradually increase over time.

Five plans are available, varying in duration and rate of payment increase. Higher downpayments are required under some plans. Mortgages are insured under Section 203(b) or 234(c), pursuant to Section 245(a). The requirements of the applicable section must be met.

References: For more information on Section 245(a) GPMs, see

- HUD 4240.2, *The Graduated Payment Mortgage Program*, and
- 24 CFR 203.45.

Continued on next page

13. Section 245(a) Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs), Continued

4155.2 1.C.13.b Eligible Occupancy/ Property Types for Section 245(a) GPM

The GPM program is limited to single-family principal residences, including condominiums.

4155.2 1.C.13.c Section 245(a) GPM Maximum Insurable Mortgage

The principal amount of the GPM cannot exceed the *lesser* of

- the Section 203(b) statutory loan limit for the area
- the applicable 203(b) LTV ratio, or
- an amount which, when added to the deferred interest that will be added to the principal, does not exceed 97% of the value.

References: For information on the Section 203(b)

- statutory loan limits, see HUD 4155.2 1.C.2.c, and
- LTV ratios, see HUD 4155.2 1.C.2.d.

4155.2 1.C.13.d Section 245(a) GPM Mortgage Term

The GPM mortgage term is the same as that of Section 203(b), found in HUD 4155.2 1.C.2.f.

4155.2 1.C.13.e Section 245(a) GPM MIP Payment

The GPM Mortgage Insurance Premium (MIP) payment policy is the same as that of the appropriate section under which the loan is insured.

Continued on next page

13. Section 245(a) Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs), Continued

4155.2 1.C.13.f Authorized Section 245(a) GPM Plans

On GPM plans, monthly payments increase annually. Starting in the 6th year (for the 5 year plan) or the 11th year (for the 10 year plan), the monthly payments are level for the remaining term.

The table below lists the annual increases for the various plans.

Plan	Annual Payment Increase
Plan I (Code A)	2.5% each year for 5 years
Plan II (Code B)	5% each year for 5 years
Plan III (Code C)	7.5% each year for 5 years
Plan IV (Code D)	2% each year for 10 years
Plan V (Code E)	3% each year for 10 years

4155.2 1.C.13.g Section 245(a) GPM Refinancing Policy

Section 245(a) *cannot* be used

- to draw equity out of property owned by the borrower, or
- when the present financing does not contain a mandatory prepayment clause.

Refinancing an existing mortgage is *only* permitted when the

- owner is required to pay in full a conventional mortgage used to purchase a home and the mortgage required a balloon payment within 3 to 5 years
- borrower has contracted to have a home built and, when construction is complete, the construction loan must be paid-in-full, or
- borrower purchased a home on a land contract or contract for deed.

A borrower with a GPM *may* refinance at any time to a level-payment mortgage, if the

- borrower is eligible for a streamline refinance without an appraisal, or
- unpaid balance, including negative amortization, does not exceed the appropriate LTV ratio, based on a new appraisal.

Continued on next page

13. Section 245(a) Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs), Continued

4155.2 1.C.13.h Description of Section 245(a) GEM

The Section 245(a) Growing Equity Mortgage (GEM) program insures lenders against losses on mortgage loans that involve increasing mortgage payments. There is no interest deferral or negative amortization with a GEM. Scheduled increases in monthly payments are applied to reduce the principal, resulting in a shorter term and lower total cost to the borrower.

Mortgages are insured under Section 203(b), 203(k), or 234(c), pursuant to Section 245(a). Requirements of the appropriate section under which the loan is insured must be met.

Reference: For more information on Section 245(a) GEMs, see 24 CFR 203.47.

4155.2 1.C.13.i 245(a) GEM Maximum Insurable Mortgage

The GEM maximum insurable mortgage is the same as that for Section 203(b), found in HUD 4155.2 1.C.2.b.

4155.2 1.C.13.j Section 245(a) GEM Minimum Borrower Investment

The GEM minimum borrower investment is the same as that of Section 203(b), found in HUD 4155.2 1.C.2.e.

4155.2 1.C.13.k Section 245(a) GEM Mortgage Term

The GEM mortgage term varies with each plan and the mortgage interest rate.

4155.2 1.C.13.l Section 245(a) GEM MIP Payment

The GEM Mortgage Insurance Premium (MIP) payment policy is the same as that of the appropriate section under which the loan is insured.

Continued on next page

13. Section 245(a) Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs), Continued

4155.2 1.C.13.m Authorized Section 245(a) GEM Plans and Payment Schedules

Each GEM plan has an annual increase in the monthly payments for the life of the loan. For the initial year, the monthly payments for principal and interest are based on a 30-year level-payment amortization schedule.
Thereafter, monthly payments increase by a fixed percentage, as outlined in the table below.

Plan	Fixed Percentage Increase
Plan I (Code L)	1% per year
Plan II (Code M)	2% per year
Plan III (Code N)	3% per year
Plan IV (Code O)	4% per year
Plan V (Code P)	5% per year

4155.2 1.C.13.n Section 245(a) GEM Refinancing Policy

The GEM refinancing policy is the same as that of the appropriate section under which the loan is insured.

14. Section 247 Single Family Mortgage Insurance on Hawaiian Home Lands (HHL)

Introduction

This topic contains information on Section 247 Single Family Mortgage Insurance on Hawaiian Home Lands (HHL), including

- the property eligibility
- the borrower eligibility
- submitting a request for certificate of eligibility
- obtaining a copy of the homestead lease issued by DHHL
- summary of required loan documents unique to the Section 247 Program
- MIP payment
- the refinancing policy, and
- a reference for locating additional information on the Section 247 program.

Change Date

March 1, 2011

4155.2 1.C.14.a Section 247 Property Eligibility

Section 247 covers one- to four-family dwellings in Hawaii that are under a homestead lease.

Continued on next page

14. Section 247 Single Family Mortgage Insurance on Hawaiian Home Lands (HHL), Continued

4155.2 1.C.14.b Section 247 Borrower Eligibility

Borrower eligibility under Section 247 is limited to owner-occupants who are certified as native Hawaiians.

The term "native Hawaiian," as used for mortgages to be insured under Section 247, is defined as "…*any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands before January 1, 1778, or, in the case of an individual who is awarded an interest in a lease of Hawaiian home lands through transfer or succession, such lower percentage as may be established under section 208 or section 209 of the Hawaiian Homes Commission Act of 1920 (42 Stat. 111), or under the corresponding provision of the Constitution of the State of Hawaii*…"

Additionally, Section 215 of the Department of Veteran Affairs (VA), HUD, and Independent Agencies Appropriations Act of 2002 also added subsection (e) to section 247, which provides that possession of a lease issued under section 207(a) of the Hawaiian Homes Commission Act of 1920 is sufficient to certify eligibility for a mortgage to be insured under section 247.

Note: Eligibility requires a Certificate of Eligibility issued by the Department of Hawaiian Home Lands (DHHL).

4155.2 1.C.14.c Submitting a Request for Certificate of Eligibility on a Section 247 Mortgage

DHHL has prepared a form, entitled "Request for Certification of Eligibility," on which it will certify that the native Hawaiian possesses a homestead lease in good standing (not cancelled or in default).

The lender or processing agency must complete the DHHL form and submit it directly to DHHL for completion. DHHL will issue the completed form to the lender who must keep it in the case file.

Note: DHHL is solely responsible for determining eligibility for a Certificate of Eligibility and its subsequent issuance.

Continued on next page

14. Section 247 Single Family Mortgage Insurance on Hawaiian Home Lands (HHL), Continued

4155.2 1.C.14.d Obtaining a Copy of the Homestead Lease Issued by DHHL for a Section 247 Mortgage

The lender must obtain a copy of the homestead lease issued by DHHL that identifies the proposed mortgagor as the lessee. This must be either an original homestead lease issued to the proposed mortgagor, or an original homestead lease, along with documentation showing succession or assignment of the homestead lease to the mortgagor and DHHL's consent to each and every transfer of the homestead lease.

Any amendments to the original homestead lease must be included as part of the documentation. All homestead lease documents must bear evidence of having been recorded at the DHHL.

4155.2 1.C.14.e Summary of Required Loan Documents Unique to the Section 247 Program

The lender must collect the following loan documents unique to the Section 247 program to establish the borrower's eligibility, and include them in the insurance binder submitted to FHA:

- DHHL Certification of native Hawaiian eligibility and status of the homestead lease used as security
- Homestead lease issued by DHHL and any amendments and assignments of the homestead lease, with DHHL's Consent to each amendment or assignment
- DHHL Mortgage Insurance Program Rider
- Department of Hawaiian Home Land Mortgage form, and
- DHHL Consent to Mortgage.

Continued on next page

14. Section 247 Single Family Mortgage Insurance on Hawaiian Home Lands (HHL), Continued

4155.2 1.C.14.f Section 247 MIP Payment

The Mortgage Insurance Premium payment on a Section 247 loan is a one-time upfront MIP (UFMIP) only.

Reference: For more information on MIP, see HUD 4155.2 7.2.a.

4155.2 1.C.14.g Section 247 Refinancing Policy

Refinancing is available under the Section 247 program.

4155.2 1.C.14.h Additional Information on Section 247 (Reference)

For more information on the Section 247 program, see 24 CFR 203.43i.

15. Section 248 Single Family Mortgage Insurance on Indian Lands (IL)

Introduction

This topic contains information on Section 248 Single Family Insurance on Indian Lands (IL), including

- the property eligibility policy
- the borrower eligibility policy
- the policy on eviction procedures
- MIP payment
- the refinancing policy, and
- a reference for locating additional information.

Change Date

March 1, 2011

4155.2 1.C.15.a Section 248 Eligibility

Section 248 covers one- to four-family dwellings on Indian Lands (IL), which are trust lands or otherwise restricted.

4155.2 1.C.15.b Section 248 Borrower Eligibility

Under Section 248, the borrower must be

- a member of an Indian tribe, or
- the tribe itself.

4155.2 1.C.15.c Section 248 Policy on Eviction Procedures

The Indian tribe must have adopted eviction procedures acceptable to FHA in order to qualify for a mortgage under Section 248.

4155.2 1.C.15.d Section 248 MIP Payment

Mortgage insurance premiums (MIP) on Section 248 loans are paid monthly. The Section 248 program does not require an upfront mortgage insurance premium (UFMIP).

Reference: For more information on MIP, see HUD 4155.2 7.3.

4155.2 1.C.15.e Section 248 Refinancing

Refinancing is available under the Section 248 program.

Policy

Continued on next page

15. Section 248 Single Family Mortgage Insurance on Indian Lands (IL), Continued

4155.2 1.C.15.f Additional Information on Section 248 (Reference)

For more information on the Section 248 program, see 24 CFR 203.43h.

16. Section 251 Adjustable Rate Mortgages (ARMs)

Introduction

This topic contains information on Section 251 ARMs, including

- a description of the Section 251 program
- the property eligibility policy
- the limitation on the number of ARMs that FHA may insure
- the maximum insurable mortgage
- the minimum borrower investment
- the mortgage term
- interest rate adjustments
- required disclosures
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.16.a Description of the Section 251 Program

The Section 251 Adjustable Rate Mortgage (ARM) program insures lenders against losses on variable rate mortgages. Mortgages are insured under Section 203(b), 203(h), 203(k) or 234(c), pursuant to Section 251.

Note: Requirements of the appropriate section must be met.

4155.2 1.C.16.b Section 251 Property Eligibility

To be eligible under Section 251, properties must be one- to four-family dwellings or condominium units.

4155.2 1.C.16.c Limitation on ARMs FHA Insures

The number of ARMs that FHA may insure in a year is limited to 30% of the total number of mortgages insured under Title II during the preceding fiscal year.

Continued on next page

16. Section 251 Adjustable Rate Mortgages (ARMs), Continued

4155.2 1.C.16.d Section 251 Maximum Insurable Mortgage

The maximum insurable mortgage on a Section 251 mortgage loan is the same as that of the appropriate section under which the loan is insured.

4155.2 1.C.16.e Section 251 Minimum Borrower Investment

The minimum borrower investment on a Section 251 mortgage loan is the same as that of the appropriate section under which the loan is insured.

4155.2 1.C.16.f Section 251 Mortgage Term

Under Section 251, *only* 30-year mortgages are permitted.

4155.2 1.C.16.g Section 251 Interest Rate Governing Indices

The interest rate governing index may be the 1-Year CMT or 1-Year LIBOR.

1-Year CMT is the weekly average yield on U.S. Treasury Securities, adjusted to a constant maturity of one year (published in the Federal Reserve Board's Statistical Release H.15(519)), which is available on the Federal Reserve System website at www.federalreserve.gov.

1-Year LIBOR is the London Interbank Offered Rate as published in the Wall Street Journal on the first business day of each week.

Reference: For more information on the governing index, see HUD 4155.1 6.B.4.

Continued on next page

16. Section 251 Adjustable Rate Mortgages (ARMs), Continued

4155.2 1.C.16.h Allowable Interest Rate Adjustments and Caps Under Section 251

The allowable interest rate adjustments and caps under the Section 251 program are as follows:

- the 1, 3, and 5 year ARMs allow
  - a one percentage point annual interest rate adjustment after the initial fixed interest rate period, and
  - a five percentage point interest rate cap over the life of the loan, and
- the 5, 7 and 10 year ARMs allow
  - a two percentage point annual interest rate adjustment after the initial fixed interest rate period, and
  - a six percentage point interest rate cap over the life of the loan.

Continued on next page

16. Section 251 Adjustable Rate Mortgages (ARMs), Continued

4155.2 1.C.16.i Section 251 Interest Rate Adjustment Frequency

Interest rate adjustments on ARMs occur on an annual basis. However, there are restrictions regarding the time frame during which the first adjustment must occur.

A table indicating the time periods within which the first adjustment must occur is available at HUD 4155.1 6.B.4.e.

Important: The date of the first adjustment to the interest rate and the frequency of adjustments must be specified in the mortgage documents.

4155.2 1.C.16.j Section 251 Required Disclosures

The table below lists the various required disclosures for Section 251 mortgages.

Timing/Frequency of Disclosure	Requirement
At Application	Before signing the application, the borrower must receive and sign an ARM disclosure statement prescribed by the Federal Reserve Board.
Annually	The lender must send the borrower a notice at least 25 days before the effective date of an adjustment to the interest rate, or Change Date. The notice must include • the prior year's interest rate, monthly payments and governing index • the current value of the index, loan margin, new interest rate and new monthly payments, and • an explanation of how the new interest rate was calculated.

Continued on next page

16. Section 251 Adjustable Rate Mortgages (ARMs), Continued

4155.2 1.C.16.k Section 251 MIP Payment

The Mortgage Insurance Premium (MIP) on a Section 251 loan is the same as that of the section under which the loan is insured.

4155.2 1.C.16.l Section 251 Refinancing Policy

Owner-occupant borrowers may refinance any loan to an FHA ARM.

Reference: For more information on ARM underwriting details, see HUD 4155.1 6.B.3.

17. Section 255 Home Equity Conversion Mortgage (HECM)

Introduction

This topic contains information on the Section 255 Home Equity Conversion Mortgage (HECM), including

- a description of the Section 255 program
- the borrower and property eligibility policy
- plan payments and interest rates
- MIP payment, and
- the refinancing policy.

Change Date

March 1, 2011

4155.2 1.C.17.a Description of the Section 255 Program

The Section 255 Home Equity Conversion Mortgage (HECM) program insures lenders against losses on reverse mortgages, which convert equity into monthly income or lines of credit.

The program features HECM Standard and HECM Saver for different upfront Mortgage Insurance Premium (UFMIP) options.

References: For more information on

- Section 255 and HECM standards, see HUD 4235.1, *Home Equity Conversion Mortgages*, and
- HECM Saver, see ML 10-34 and HUD 4155.2 1.C.17.d.

4155.2 1.C.17.b Section 255 Borrower and Property Eligibility

Under Section 255

- the borrower must be 62 years of age or older, and must occupy the property as his/her primary residence (unless one of the borrower(s) is absent for medical reasons for less than 12 consecutive months ~~,~~and
- one- to four-family dwellings are eligible. However, the maximum claim amount cannot exceed that of a one-family dwelling.

4155.2 1.C.17.c Section 255 Plan Payments and Interest Rates

HECM payment plans include line of credit and/or monthly payments for a term (fixed period) or tenure (life). Interest rates may be fixed or adjustable.

Continued on next page

17. Section 255 Home Equity Conversion Mortgage (HECM),
Continued

4155.2 1.C.17.d Section 255 MIP Payment

On standard HECM loans, the Mortgage Insurance Premium (MIP) is calculated as 2.0% of the maximum claim amount prior to insurance endorsement, and a monthly MIP based on the outstanding balance thereafter.

On the HECM Saver, the upfront MIP is 0.01% of the maximum claim amount, and a monthly MIP based on the outstanding balance thereafter.

Reference: For information on the HECM Saver Plan, with lower upfront MIP, and initial MIP calculations for refinance transactions, see ML 10-34.

4155.2 1.C.17.e Section 255 Refinancing Policy

Refinancing is permitted on an FHA HECM loan to another FHA HECM, including HECM Saver.

References: For additional information on

- refinancing existing HECMs, see
  - ML 09-21**,** and
  - HUD 4235.1, *Home Equity Conversion Mortgages*, and
- initial MIP calculations for refinance transactions, see ML 10-34.