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Over the past few weeks, FHA has issued two important Mortgagee Letters that detail our latest efforts to help families stay in their homes while also ensuring that FHA remains a strong and viable financing option for all credit worthy borrowers.

Premium Changes for FHA Single Family Loans

After careful analysis, FHA determined that it is prudent to increase mortgage insurance premiums for FHA single family forward mortgage programs. As announced in Mortgagee Letter 12-04, effective **April 9, 2012**, FHA will raise its annual mortgage insurance premium (MIP) by 0.10 percent and the upfront mortgage insurance premium by 0.75 percent. In addition, effective **June 11, 2012**, we will increase the annual MIP for loans over \$625,500 by an additional 0.25 percent.

In recognition of the systems changes required by lenders to implement these premium adjustments and industry feedback we received, we chose to stagger the effective dates of these changes. We have scheduled the implementation of the most complex of these changes, the 0.25 percent increase on loans above \$625,500, for June.

Streamline Refinances

On February 1st, President Obama announced a comprehensive package of administrative actions and legislative proposals to help responsible homeowners save thousands of dollars by refinancing at today's low interest rates. The announcement included expanding the availability to borrowers of FHA's Streamline Refinances. In the February 3 edition of "[From the Desk Of](#)," I outlined the first step FHA was taking to stimulate broader availability of Streamline Refinances through changes we will be making to the display of lender compare ratios in Neighborhood Watch.

In another step to make these refinance loans more widely available, last week we announced a new premium structure for Streamline Refinance loans. For FHA-insured mortgages endorsed **on or before May 31, 2009**, FHA will charge an annual mortgage insurance premium (MIP) of 0.55 percent and an upfront mortgage insurance premium (UFMIP) of 0.01 percent. These changes will go into effect for case numbers assigned on or after June 11, 2012.

Through these changes, FHA can make a real difference in helping homeowners who are doing the right thing, paying their bills on time and want to take advantage of today's low interest rates. The changes to the premium structure for Streamline Refinance loans will benefit current FHA borrowers – particularly those whose loan balance may exceed the current value of their home. Lowering costs for borrowers through reduced premiums reduces risk to the MMI Fund by decreasing the potential for future defaults.

For all Single Family Forward Streamline Refinance transactions that are refinancing FHA-insured loans endorsed **after May 31, 2009**, the prevailing FHA premium structure at the time of case number assignment will apply. Details about the premium changes discussed above are contained in HUD Mortgagee Letter 12-4.

Enhancement and Extension of the FHA Short Refinance Product

In addition, HUD posted Mortgagee Letter 2012-05 on March 13, 2012, which announced enhancements to the FHA Refinance for Borrowers in Negative Positions, known as the "Short-Refi" program. This program, implemented in September 2010, enables lenders to provide additional refinancing options to homeowners with conventional loans who owe more on their mortgage than their home is worth due to declines in local home values. The enhancements, which took effect upon publication of the letter, include a two-year extension of the program as well as several underwriting changes.

The underwriting changes include allowing a trial payment plan for borrowers who are currently delinquent, expanded qualifying ratios and giving first lien holders the ability to pay down or pay off second liens. These changes will lift some of the underwriting barriers which were preventing some borrowers from being eligible to participate. The changes to the FHA Short Refinance will also continue the Administration's efforts to keep homeowners in their homes and stabilize the nation's housing markets and broader economy.

To read Mortgagee Letters 12-4 and 12-5, please visit:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee

Conclusion

Thank you, as always, for your partnership as we work to restore both our industry and the nation's economy. Together, we can ensure that America is once again built on housing and communities that are built to last.

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