

Distribution Date: March 27, 2013

Reminder of the April 1, 2013 Effective Date for Recent Policy Announcements

Reminder of the April 1, 2013 Effective Date for Recent Policy Announcements - FHA Takes Additional Steps to Bolster Capital Reserves

As part of a broad effort to strengthen the Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund (MMI Fund), FHA Commissioner Carol Galante announced on January 30, 2013 a series of changes effective April 1, 2013 that will allow the agency to better manage risk and further strengthen the health of the MMI Fund.

- Home Equity Conversion Mortgage (HECM) Consolidation
- Changes to Mortgage Insurance Premiums (MIP)
- Requiring Manual Underwriting on Loans with Decision Credit Scores below 620 & Debt to Income (DTI) Ratios over 43 Percent

1. Home Equity Conversion Mortgage Consolidation

On April 1, 2013 the HECM program will consolidate the Fixed Rate HECM Standard and Fixed Rate HECM Saver initial mortgage insurance premiums and principal limit factors under the HECM Saver fixed interest rate pricing option. For fixed interest rate mortgages, lenders must designate HECM Saver as the initial mortgage insurance premium and use the HECM Saver principal limit factors to determine the amount of funds available to borrowers. Borrowers seeking an adjustable interest rate mortgage can continue to use the HECM Standard pricing option and the principal limit factors. Lenders are encouraged to obtain all HECM Standard fixed interest case numbers by close of business Thursday, March 28, 2013 to avoid FHA Connection "Holds Tracking" processing delays.

All fixed interest rate mortgages that were assigned a FHA case number on or before March 31, 2013, may be processed using either the HECM Standard or HECM Saver initial MIP option. However, any fixed interest rate HECM Standard mortgage must close on or before July 1, 2013.

The HECM Calculator Software has been updated to Version 1.5.2 for this policy change. Mortgagees that have never installed the HECM Calculation Software can download Version 1.5.2 from:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecminst

Mortgagees that currently use the HECM Calculation Software shall upgrade to Version 1.5.2 by downloading all the executable files from: http://www.hud.gov/pub/chums/hecm_upgrade.html

The HECM Industry Fact Sheet and the Consumer Fact Sheet for HECM SAVER have also been revised to reflect these changes.

Refer to [ML 2013-01](#) for information regarding this policy and information related to FHA Connection changes.

2. Changes to Mortgage Insurance Premiums

Increases to annual MIP rates for all FHA-insured mortgages with an LTV ratio greater than 78 percent will go into effect for all case numbers assigned on or after April 1, 2013, except for:

- 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)

Refer to [ML 2013-04](#) for information regarding this policy.

3. Manual Underwriting on Loans with Decision Credit Scores below 620 & DTI Ratios over 43 Percent

TOTAL Version 3.2 automated underwriting system (AUS) changes will be installed Saturday evening, March 30th and includes two new review rules listed in the table below. If a loan transaction meets the criteria listed below, the loan will receive a Refer from TOTAL and will require manual underwriting. Please note that some AUS vendors may not have messaging installed in time for this release so a Refer may be received under these circumstances without a corresponding message.

Review Rule	Trigger Criteria
14	The FICO score is less than 620 AND the Back-End Ratio (DTI) is greater than 43. (Score used is the lowest FICO of all borrowers' median FICO scores. Includes all borrowers with a score)
15	Required Investment is less than zero and the loan is a purchase transaction.

Scoring Version

As with all changes to TOTAL, the version used for scoring will be determined as follows. All loans being scored for the first time will be scored using the new version. For loans with a case number, the loan will be scored using the version that was effective when the case number was obtained. Existing loans scored without a case number will be scored according to the version tag that is provided in the TOTAL file (if none, then the current version will be used). Ninety days after the new version is implemented all loans without a case number will be scored using the new version.

Refer to the [ML 2013-05](#) for information regarding this policy and the [TOTAL Developer's](#) for information on the system changes.

4. Origination Case Processing

Be advised that the Origination Case Processing application in FHA Connection will shut down an hour earlier than usual on Saturday, March 30. The application will shut down at 7:00 PM eastern time to allow changes relative to the policies noted above be deployed into the production environment. You will not be able to request new case number assignments until the application is back online Monday, April 1, 2013 at 8:00 AM eastern time.

To see all FHA Mortgagee Letters visit: <http://bit.ly/HUDml>.