

Distribution Date: September 26, 2013

FHA Connection/CHUMS MIP Calculation Correction for Certain Streamline Refinances

FHA Connection/CHUMS MIP Calculation Correction for Certain Streamline Refinances

Under Mortgagee Letter 2012-04, "special" streamline refinances are streamline refinances (with or without an appraisal) of existing mortgages that FHA endorsed on or before May 31, 2009. According to Mortgagee Letter 2013-04, the changes to the **duration** of the annual mortgage insurance premium (MIP) apply to all special streamline refinances with FHA case numbers assigned on or after June 3, 2013. The duration of annual MIP on a special streamline with a term of 15 years or less and a loan-to-value (LTV) ratio of 78 percent or less will be 11 years or the term of the loan, whichever comes first.

However, the changes to the **amount** of the annual MIP introduced by Mortgagee Letter 2013-04 do not apply to special streamline refinances. The annual MIP on special streamline refinances will continue to be 55 basis points (bps), and the Up-Front MIP will continue to be one (1) bps, regardless of the amortization term or the LTV of the new loan, as stated in Mortgagee Letter 2012-04.

Recently, FHA discovered a technical problem in FHA Connection (FHAC) that gave some special streamlines with amortization terms of 15 years or less and LTVs of 78 percent or less an incorrect annual MIP rate of 45 bps. Therefore, on September 30, 2013, FHA will implement changes to FHAC and the Computerized Home Underwriting Management System (CHUMS) that will only allow an annual MIP of 55 bps and an Up-Front MIP of one (1) bps on special streamline refinances.

FHA will honor the 45 bps annual MIP for any special streamline loan with an amortization term of 15 years or less and an LTV of 78 percent or less, and with a case assignment date between June 3, 2013, and September 29, 2013 (inclusive), so long as the loan funds by December 31, 2013. FHAC/CHUMS will use the Closing/Disbursement Date on the Insurance Application screen as the funding date.