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April 6, 2010

To: Clients and Friends

From: Regina Uhl

Subject: **FHA Mortgagee Letter 2010-02; Increase in Upfront Premiums for Mortgage Insurance.**

On January 21, 2010, FHA issued M.L. 2010-02 that announced effective for FHA loans with case numbers assigned on or after April 5, 2010, FHA will collect an upfront mortgage insurance premium ("UFMIP") of 2.25 percent. The full text of M.L. 2010-02, is attached to this memorandum, and is briefly summarized below:

1. The policy change increased premiums for purchase money and refinance transactions, including FHA-to-FHA credit qualifying and non-credit qualifying streamlined refinance transactions.
2. M.L. 2010-02 applies to all mortgages insured under FHA's Single Family Insurance Programs except for those identified in the Mortgagee Letter.
3. FHA will charge an UFMIP in an amount equal to the following percentages of the mortgage:
 - Purchase Money Mortgages and Full-Credit Qualifying Refinance = 2.25 percent
 - Streamline Refinances (all types) = 2.25 percent
 - HOPE for Homeowners (Delinquent Mortgages) = 2.00 percent
 - Home Equity Conversion Mortgages = 2.00 percent
4. Annual premiums are not changed by M.L. 2010-02.
5. As the UFMIP remains below the statutory cap as authorized in the National Housing Act, as amended by the Housing and Economic Recovery Act in 2008, no variable rate for counseled first-time homebuyers is provided for in the Mortgagee Letter.

Our Comment: *The increase is significant in light of the new RESPA changes and the tolerances provided therein. Accurate disclosure of the UFMIP on the GFE is important, and this increase should be properly incorporated into your systems for applicable loans, as identified in M.L. 2010-02.*

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

January 21, 2010

MORTGAGEE LETTER 2010-02

TO: ALL APPROVED MORTGAGEES

SUBJECT: Increase in Upfront Premiums for FHA Mortgage Insurance

Effective for FHA loans for which the case number is assigned on or after April 5, 2010, FHA will collect an upfront mortgage insurance premium of 2.25 percent. This policy change will increase premiums for purchase money and refinance transactions, including FHA-to-FHA credit-qualifying and non-credit qualifying streamlined refinance transactions.

Programs Covered by Insurance Premiums Shown Below

The upfront and annual premiums and the requirements described in this Mortgagee Letter apply to all mortgages insured under FHA's Single Family Insurance Programs except those listed below:

- Title I
- Home Equity Conversion Mortgages (HECMs)
- Hope for Homeowners (H4H)
- Section 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations),
- Section 223(e) (declining neighborhoods)
- Section 238(c) (Military Impact areas in Georgia and New York)

Upfront Premiums

FHA will charge an upfront premium in an amount equal to the following percentages of the mortgage:

- Purchase Money Mortgages and Full-Credit Qualifying Refinances = 2.25 percent
- Streamline Refinances (all types) = 2.25 percent
- HOPE for Homeowners (Delinquent Mortgagors) = 2.00 percent
- Home Equity Conversion Mortgages = 2.00 percent

Annual Premiums

Annual premiums will not change at this time.

For FHA traditional purchase and refinance products, the annual premium, shown in basis points below, is to be remitted on a monthly basis, and will be charged based on the initial loan-to-value ratio and length of the mortgage according to the following schedule:

LTV	Annual for Loans >15 Years	LTV	Annual for Loans ≤ 15 Years
≤ 95	50 BPS	≤ 90	-None-
> 95	55 BPS	> 90	25 BPS

- **HOPE for Homeowners (delinquent mortgagors)**

In accordance with guidance issued in Mortgagee Letter 2009-43, HOPE for Homeowners borrowers will pay **75 basis points** (.75 percent of the base loan amount), regardless of the loan-to-value ratio, which is collected monthly.

- **Home Equity Conversion Mortgages (HECMs)**

The annual premium for all HECM borrowers is **50 basis points** (.50 of the outstanding mortgage balance) and is collected monthly.

First-Time Homebuyer with HUD-Approved Pre-Purchase Counseling

The National Housing Act, as amended by the Housing and Economic Recovery Act in 2008, authorizes upfront premiums of up to 3.00 and authorizes premiums of up to 2.75 percent for first-time homebuyers who complete HUD-approved pre-purchase counseling. Since the upfront premium rate of 2.25 percent remains below the statutory cap, no variable rate for counseled first-time homebuyers is provided for under this Mortgagee Letter.

If you should have any questions concerning this Mortgagee Letter, call 1-800-CALLFHA. Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

David H. Stevens
Assistant Secretary for Housing-
Federal Housing Commissioner