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To: Clients and Friends

From: David F. Dulock

Subject: FHA Annual MIP Requirements – Mortgagee Letter 2011-35

On September 21, 2011, the FHA issued Mortgagee Letter 2011-35 (ML 2011-35). The purpose of ML 2011-35 is to provide clarification on annual mortgage insurance premiums (annual MIP) for loans with forward amortization terms of 15 years or less and an LTV of 78 percent or less at origination. ML 2011-35 is effective for case numbers assigned on or after April 18, 2011.

Except for certain editorial changes, this memorandum restates ML 2011-35. Those who wish to print ML 2011-35 may do so by clicking on the following web address: <http://portal.hud.gov/hudportal/documents/huddoc?id=11-35ml.pdf>.

When Mortgagee Letter 2011-10 was issued, it did not address forward mortgage amortization terms of 15 years or less when the loan-to-value (LTV) ratios at loan origination are at 78 percent or less. Currently the annual MIP is canceled for mortgages with amortization terms of 15 years or less when the LTV reaches 78 percent. Therefore, **ML 2011-35 confirms that annual MIP is not charged for all forward mortgages with amortization terms of 15 years or less, and LTVs at or below 78 percent at the time of origination**

Additionally, when the changes to the annual MIP were made to HUD Handbook 4155.2 through Mortgagee Letter 2011-10, Section 7.3.c was inadvertently left out of the list of affected topics. Therefore, ML 2011-35 clarifies that the references to the automatic termination of MIP in Section 7.3.c of HUD Handbook 4155.2 will be updated to reflect that the annual MIP terminates for mortgages with amortization terms of 15 years or less when the LTV reaches 78 percent and that no annual MIP is charged when the initial LTV for mortgages with amortization terms of 15 years or less mortgages is at or below 78 percent. There are no other changes to the annual MIP, and there are no changes to the Upfront Mortgage Insurance Premium.

The chart below applies to all mortgages insured under FHA's Single Family Mortgage Insurance Programs except

- Title I
- Home Equity Conversion Mortgages (HECM)
- HOPE for Homeowners (H4H)
- Section 223(e) (Declining Neighborhoods)
- Section 238(c) (Military Impact areas in Georgia and New York)
- Section 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations)

Reference: For information on automatic cancellation of annual MIP, see ¶ 7.3.c of Handbook 4155.2.

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The chart below is effective for case numbers assigned on or after April 18, 2011 for forward mortgage amortization terms.

Annual Mortgage Insurance Premiums		
Loan Terms > 15 years		
LTV	Through 4/17/2011*	On/After 4/18/2011**
≤ 95.00 percent	85 bps	110 bps
> 95.00 percent	90 bps	115 bps
Loan Terms ≤ 15 years		
LTV	Through 4/17/2011*	On/After 4/18/2011**
≤ 78.00 percent	None	None
78.01 percent - 90.00 percent	None	25 bps
> 90.00 percent	25 bps	50 bps
*For case numbers assigned on/before April 17, 2011		
**For case numbers assigned on/after April 18, 2011		

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