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To: Clients and Friends

From: David F. Dulock

Subject: FHA Increases Annual and Upfront Mortgage Insurance Premiums –
Mortgagee Letter 12-4

In Mortgagee Letter 12-4 (ML 12-4) dated March 6, 2012, the Federal Housing Administration (FHA) announced a new premium structure for FHA-insured single-family forward mortgages. FHA will increase its annual mortgage insurance premium (Annual MIP) by 0.10 percent for loans under \$625,500 and by 0.35 percent for loans above \$625,500. Upfront premiums (UFMIP) will also increase by 0.75 percent.

The Temporary Payroll Tax Cut Continuation Act of 2011 (Public Law 112-78) requires FHA to increase the Annual MIP by 0.10 percent. This change is effective for case numbers assigned on or after **April 9, 2012**. FHA is also exercising its statutory authority to add an additional 0.25 percent to mortgages exceeding \$625,500. This change is effective for case numbers assigned on or after **June 11, 2012**. See the charts below:

Base Loan Amount	Term > 15 Years		Annual MIP
	LTV	Effective	
Any Amount	≤ 95.00%	April 9, 2012	120 bps
Any Amount	> 95.00%	April 9, 2012	125 bps
Term ≤ 15 Years with LTV above 78%			
Any Amount	≤ 90.00%	April 9, 2012	35 bps
Any Amount	> 90.00%	April 9, 2012	60 bps

Base Loan Amount	Term > 15 Years		Annual MIP
	LTV	Effective	
≤ \$625,500	≤ 95.00%	June 11, 2012	120 bps
≤ \$625,500	> 95.00%	June 11, 2012	125 bps
Above \$625,500	≤ 95.00%	June 11, 2012	145 bps
Above \$625,500	> 95.00%	June 11, 2012	150 bps
Term ≤ 15 Years with LTV above 78%			
≤ \$625,500	≤ 95.00%	June 11, 2012	35 bps
≤ \$625,500	> 95.00%	June 11, 2012	60 bps
Above \$625,500	≤ 90.00%	June 11, 2012	60 bps
Above \$625,500	> 90.00%	June 11, 2012	85 bps

Single-family forward mortgages with amortization terms of 15 years or less, and an LTV of 78 percent or less remain exempt from the Annual MIP.

For single-family forward streamline refinance mortgages that are refinancing FHA loans endorsed on or before **May 31, 2009**, the Annual MIP will be 0.55 percent, regardless of the base loan amount. This change is effective for case numbers assigned on or after **June 11, 2012**.

The UFMIP will be increased from 1 percent to 1.75 percent of the base loan amount. This increase applies regardless of the amortization term or LTV ratio. FHA will continue to permit financing of the UFMIP into the mortgage and will continue to calculate actual premium charges against the base loan amount before adding any financed UFMIP. This change is effective for case numbers assigned on or after **April 9, 2012**.

For single-family forward streamline refinance mortgages that are refinancing FHA loans endorsed on or before **May 31, 2009**, the UFMIP will decrease from 1 percent to 0.01 percent of the base loan amount. This change is effective for case numbers assigned on or after **June 11, 2012**.

The changes in ML 12-4 do not apply to the following mortgage programs:

- Title I
- Home Equity Conversion Mortgages (HECM)
- Section 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations)
- Section 223(e) (Declining Neighborhoods)

This memorandum is a brief summary of ML 12-4 and is for informational purposes only. We advise you to read ML 12-4, which may be found at the following Web address: <http://portal.hud.gov/hudportal/documents/huddoc?id=12-04ml.pdf>.

Please remember these Annual MIP and UFMIP changes will affect the APR and other numerical disclosures on the TILA statement as well as the GFE for covered loans.

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