

Distribution Date: February 28, 2012

FHA Takes Additional Steps to Bolster Capital Reserves; NeighborWorks America has redesigned the HECM Counselor Resources website

FHA Takes Additional Steps To Bolster Capital Reserves; New premium structure will help protect FHA's MMI fund:

HUD No.12-037
HUD Public Affairs

February 27, 2012

WASHINGTON – As part of ongoing efforts to encourage the return of private capital in the residential mortgage market and strengthen the Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund, Acting FHA Commissioner Carol Galante today announced a new premium structure for FHA-insured single family mortgage loans. FHA will increase its annual mortgage insurance premium (MIP) by 0.10 percent for loans under \$625,500 and by 0.35 percent for loans above that amount. Upfront premiums (UFMIP) will also increase by 0.75 percent.

These premium changes will impact new loans insured by FHA beginning in April and June of 2012. Details will soon be published in a Mortgagee Letter to FHA-approved lenders. (Please see: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee)

"After careful analysis of the market and the health of the MMI fund, we have determined that it is appropriate to increase mortgage insurance premiums in order to help protect our capital reserves and to continue encouraging the return of private capital to the housing market," said Galante. "These modest increases are one of several measures we are taking towards meeting the Congressionally mandated two percent reserve threshold, while allowing FHA to remain a valuable option for low- to moderate-income borrowers."

The Temporary Payroll Tax Cut Continuation Act of 2011 requires FHA to increase the annual MIP it collects by 0.10 percent. This change is effective for case numbers assigned on or after April 1, 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 1, 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 this charge into the mortgage. This change is effective for case numbers assigned on or after April 1, 2012.

FHA estimates that the increase to the upfront premium will cost new borrowers an average of approximately \$5 more per month. These marginal increases are affordable for nearly all homebuyers who would qualify for a new mortgage loan. Borrowers already in an FHA-insured mortgage, Home Equity Conversion Mortgage (HECM), and special loan programs outlined in FHA's forthcoming Mortgagee Letter will not be impacted by the pricing changes announced today.

Taken together, these premium changes will enable FHA to increase revenues at a time that is critical to the ongoing stability of its Mutual Mortgage Insurance (MMI) Fund, contributing more than \$1 billion to the Fund, based on current volume projections through Fiscal Year 2013.

Read the entire press release at:

http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2012/HUDNo.12-037

For FHA technical support on this or any other FHA issue, please contact the FHA Resource Center at: www.hud.gov/answers You can also get email technical support at: answers@hud.gov

AND

NeighborWorks America has redesigned the HECM Counselor Resources website:

NeighborWorks America has completed the redesign of the HECM Counselor Resources website (<http://www.hecmcounselors.org/>), now incorporating content and features for both Active and Prospective HUD HECM Counselors. Active HECM counselors can use their log in and password to use the following features:

- Forums section to discuss topics and share best practices
- Ask the Expert tool
- Ability to search for colleagues with specific language skills
- Continuing education and HECM exam requirements
- HECM training offerings

For individuals seeking to become a HUD HECM Counselor, the public pages of the site include:

- Information on Roster eligibility requirements
- Exam registration and Preparation
- Practice HECM exam tool
- HECM training offerings

You can watch a demo of the new site to learn more about its features and tools at: <http://www.hecmcounselors.org/videos> Questions can be directed to hecminfo@nw.org.