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- CHAPTER 3. DECREASE IN INTEREST RATE:
- * HOME MORTGAGE AND LOAN *
* INSURANCE PROGRAMS *
- * 3-1. GENERAL. This chapter includes instructions applicable to all home mortgage and loan insurance programs shown in Appendix 4 and is to be utilized whenever the maximum FHA interest rate for these programs is decreased. It is the basic policy of FHA to encourage mortgagees to reduce the interest rate in all cases that have not been closed prior to the effective date of the decrease in maximum interest rate. It is not necessary for the mortgagee to return commitments to FHA to be reprocessed at the lower rate. *
- 3-2. APPLICATIONS FOR CONDITIONAL COMMITMENTS. Applications for conditional commitments in process or received before the effective date of the new maximum rate will be processed at the rate requested unless the mortgagee amends the application to request a lower rate. All applications for conditional commitments received on or after such effective date will be processed at the new maximum rate.
- 3-3. OUTSTANDING CONDITIONAL COMMITMENTS. Outstanding conditional commitments, Form 2800-5, showing an interest rate higher than the new maximum rate may be converted to firm commitments at the higher rate previously agreed upon by the parties, or at a lower rate as determined by the mortgagee, except if conversion to Section 235 is involved. Requests for conversion to Section 235 will be processed at the new lower rate unless the conditional commitment contains specific language providing for a right of conversion to a Section 235 firm commitment at a previous interest rate higher than the new maximum rate. In such instances, the case will be processed at the higher interest rate shown in the conditional commitment, provided the mortgagee insists on maintaining such higher rate. Mortgagees are urged to reduce the interest to the new lower rate.
- 3-4. OUTSTANDING FIRM COMMITMENTS. Outstanding firm commitments, Form 2900-4, showing an interest rate higher than the new maximum rate will not be affected by this
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- change. Upon submission of the closing documents, endorsement will be effected at the higher rate previously agreed upon by the parties, or at a lower rate if the case was closed at a lower rate. The mortgagee is urged to reduce the interest to the new lower rate.
- 3-5. EXTENSIONS OF COMMITMENT TERMS OR REOPENING OF EXPIRED COMMITMENTS. Applications for extension of conditional or firm commitment terms may be approved at the maximum interest rate specified in the original commitment. Applications for the reopening of expired conditional or firm commitments will be processed at the new lower rate.
- 3-6. REQUESTS FOR INCREASES IN MORTGAGE AMOUNT. All requests for reconsideration involving an increased mortgage amount in process or received on or after the effective date of the new maximum rate will show the new lower rate.
- 3-7. APPROVED ALTERNATES. If a group of conditional commitments with a schedule of approved alternates and higher mortgage amounts was issued at the previous higher interest rate, corresponding applications for firm commitments, with higher mortgage amounts to reflect selected alternates, may be processed at this higher interest rate.
- 3-8. CHANGE ORDERS. If a purchaser of a property covered by a conditional commitment at the previous higher interest rate selects additions and betterments and requests an increase in the firm commitment amount to cover the added cost, the resultant firm commitment may be processed at this higher interest rate.
- 3-9. CHIEF UNDERWRITER'S PREROGATIVE. The Chief Underwriter's prerogative may be used to increase the amount of an outstanding conditional or firm commitment issued at a higher rate without requiring a reduction in the interest rate.
- 3-10. BASIC AND REPEAT CASES. If a basic conditional commitment was issued at the previous higher rate and subsequent repeat cases are received, these cases must be processed at the new lower maximum rate.

- 3-11. PAYMENT RATES AND MIP FACTORS FOR HOME MORTGAGES. Payment rates and mortgage insurance premium factors for various interest rates, including the new maximum rate, are included in FHA No. 2025 and supplements, entitled "Amortization, Insurance Premium and Outstanding Principal Balance Tables."
- 3-12. OBLIGATION OF CONTRACT AUTHORITY - SECTIONS 235 AND 237. There is no change in the amount of contract authority to be obligated for Section 235 and 237 cases approved for assistance payments. The standard amount per case will continue to be used until the offices are advised differently. Necessary adjustments to amounts obligated brought about by the decrease in the interest rate will be made by the Office of Finance and Accounting. Instructions will be published by that Office relative to any change in amounts to be reserved or obligated.
- 3-13. FACTORS FOR COMPUTING ASSISTANCE PAYMENTS UNDER SECTION 235(b). Appendix 1 contains the factors, per \$1,000, needed to compute the difference between the amount of principal, interest and mortgage insurance premium on a Section 235 mortgage at the specified new interest rate, and the amount of principal and interest on a mortgage at 1 percent, for the first amortization year. These factors will be used to calculate the level of monthly assistance payments under formula (2). If the amount of the monthly assistance payments calculated by using formula (1) is less, this lesser amount will be used for billing FHA.