



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: February 14, 2011

To: All Approved Mortgagees

Mortgagee Letter 11-10

Subject Annual Mortgage Insurance Premium Changes and Guidance on Case Numbers

Purpose This Mortgagee Letter introduces a 25 basis point increase to the Annual Mortgage Insurance Premiums for forward mortgage amortization terms. It also provides guidance on the validity period of case numbers and new requirements for requesting them.

Effective Date The increase in **Annual Mortgage Insurance Premiums** for forward mortgage amortization terms is effective for case numbers assigned on or after **April 18, 2011**.

The new procedures for **requesting case numbers** are effective on **April 18, 2011**. **Automatic case number cancellation** is effective for all case numbers not insured prior to **April 18, 2011**.

Affected Topics The topics summarized on the following pages were created as a result of these changes in premiums and case number guidance. Below is a list of the blocks in the subject handbook that are affected and the changes will be integrated into the FHA Single Family On-Line Handbooks shortly.

HUD 4155.2 Lender's Guide to Single Family Mortgage Insurance Process
1.D.3.a, Requesting an FHA Case Number
1.D.4.b, Automatic Case Number Cancellations by the System
1.D.4.c, Reinstatement of Case Numbers
7.3.e, Reference Chart: UFMIP and Annual MIP for Mortgages with Terms More Than 15 Years
7.3.f, Annual Premiums for Mortgages with Terms More Than 15 Years
7.3.g, Reference Chart: UFMIP and Annual Premiums for Mortgages with Terms Less Than 15 Years
7.3.h, Annual Premiums for Mortgages with Terms Less Than 15 Years (new)

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Mortgagee Letter 11-10, Continued

**Summary –
Increase in the
Annual
Mortgage
Insurance
Premium**

Given the legislative mandate in section 202 of the National Housing Act for ensuring that FHA’s Mutual Mortgage Insurance Fund (MMIF) remains financially sound, it is imperative that the MMIF is further strengthened to ensure that FHA will continue its historic role of providing a home financing vehicle during periods of economic volatility and its mission of helping underserved borrowers.

The charts below illustrate the 25 basis points (bps) increase in the Annual Mortgage Insurance Premiums. There are no changes to the Upfront Mortgage Insurance Premium (UFMIP). It is anticipated that this increase will have minimal impact on borrowers but will significantly strengthen the capital position of the MMIF.

The increase in the Annual Mortgage Insurance Premiums for forward mortgage amortization terms is effective for case numbers assigned on or after April 18, 2011.

Mortgage Insurance Premiums		
Loans > 15 years		
UFMIP = 100 bps	Annual Premium	
LTV	Through 4/17/2011*	On/After 4/18/2011**
≤ 95.00 percent	85 bps	110 bps
> 95.00 percent	90 bps	115 bps
Loans ≤ 15 years		
UFMIP = 100 bps	Annual Premium	
LTV	Through 4/17/2011*	On/After 4/18/2011**
≤ 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		

Example of Annual Mortgage Insurance Premium Increase 30 year Term		
Average Loan	>95.00 percent LTV	
	October 2010 90 bps	April 2011 115 bps
Sales Price	\$163,000	\$163,000
Minimum Downpayment (3.5%)	\$5,705	\$5,705
Mortgage Amount without UFMIP	\$157,295	\$157,295
FHA Annual MIP (monthly payment)	\$118	\$151
Change in payment (monthly)		\$33

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Summary – Increase in the Annual Mortgage Insurance Premium (continued)

Note: This increase 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 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations)
- Section 223(e) (Declining Neighborhoods)
- Section 238(c) (Military Impact areas in Georgia and New York)

Reference: For information on automatic cancellation of Annual Mortgage Insurance Premiums, see HUD Handbook 4155.2, 7.3.c

Summary - Guidance on Case Numbers

Case numbers should be requested and cancelled in accordance with prudent business practices and existing guidance. Mortgagees are reminded that they must

- request case numbers only when they have an active loan application for the subject borrower and property in accordance with HUD Handbook 4155.2 1.A.2, and/or
 - request cancellation of case numbers in accordance with HUD Handbook 4155.2, 1.D.4.a.
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Summary - Requesting Case Numbers

Effective April 18, 2011, FHA Systems will require mortgagees to

- certify at the time of requesting a case number that they have an active loan application for the subject borrower *and* property.
- provide the subject borrower's name and social security number for *all* new construction (i.e., proposed construction and existing construction less than one year old).

Note: See Appendix I of this Mortgagee Letter for a screen shot of the system enhancement.

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Mortgagee Letter 11-10, Continued

Summary - Automatic Case Number Cancellation

Beginning April 18, 2011, FHA systems will automatically cancel *any* uninsured case number where there has been no activity for 6 months since the last action except for

- loans where an appraisal update has been entered, and/or
- loans where the Upfront Mortgage Insurance Premium (UFMIP) has been received

Last action includes

- case number assigned,
- appraisal information entered,
- firm commitment issued by FHA
- insurance application received and subsequent updates, and
- Notice of Return and resubmissions

Last action does *not* include updates to borrower names and/or property addresses. *For example, making changes to the number of borrowers on the loan will not reset the 6 month timeframe for automatic cancellation.*

To prevent automatic cancellation of case numbers for which mortgage insurance will be sought, mortgagees must enter appraisal information, successfully transmit insurance application, etc.

Notes:

- This automatic cancellation is applicable to case numbers assigned *prior to* April 18, 2011, including case numbers for new construction, HUD Homes and HECM.

References:

- For information on when to enter appraisal information into FHA Connection, see Mortgagee Letter 2010-15.
- For information on when case numbers are automatically cancelled after receiving UFMIP, see HUD Handbook 4155.2, 7.2
- For reports on case numbers that will be automatically cancelled the following month, access FHA Connection/Single Family Origination/Origination Reports [See Appendix I for example of report]. This report will be available for downloading into Microsoft Excel.

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Mortgage Letter 11-10, Continued

Summary - Reinstating Case Numbers

Case numbers that were automatically cancelled, including case numbers for condominium units, will not be re-instated unless

- the mortgagee provides evidence that the subject loan closed prior to cancellation of the case number, such as a HUD-1 Settlement Statement, or
 - the mortgagee provides evidence that not reinstating the case number causes an undue hardship to the borrower that is unrelated to recent changes to premiums and underwriting requirements.
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Appendix

Attached is an appendix that provides examples of the system enhancements for requesting case numbers as well as a case number report.

Questions

Please address any questions about the topics in this Mortgage Letter to the FHA Call Center at 1-800-CALLFHA. Persons with hearing or speech impairments may reach this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Signature

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