FHA Changes/Updates in 2008

March 2008 – ML 2008-06

Temporary Loan Limit Increase
  Raises loan limits on forward mortgages in some areas to:
  $729,750 for 1-unit to $1,403,400 for 4-units
  Loans must be approved by 12/31/08

March 2008 – ML 2008-08

Fixed Interest Rate for Home Equity Conversion Mortgages
  Open-Ended/Closed-Ended

April 2008 – ML 2008-09

Second Appraisal Requirements
  Must meet all three conditions
    Loan amount (excluding UFMIP) > $417,000
    LTV (excluding UFMIP) +/- 95%
    Property is in a declining market
    LTV may not exceed 85% for cash-out refinance if loan will
    amount will exceed $417,000

April 2008 – ML 2008-11

Nontraditional Credit Verification and Evaluation
  Provides further guidance on policy
  3 References
  Two Groups (I and II)
    Insufficient Credit (no references or only Group II)
    Max. Qualifying ratios 31/43
    Reserve requirement (2 months)
May 2008 – ML 2008-13

Expansion of FHASecure
  Borrower does not need to be delinquent or had delinquencies in past
  Delinquency due to reset or extenuating circumstances
    Allows for no more than 2x30 or 1x60 past 12 months prior to
    reset
  OR
  3x30 or 1x90 with max 90% LTV
  UFMIP 2.25% & Monthly .55% if LTV >95% if prior mortgage
  had been delinquent
  If no delinquency standard MIP applies

May 2008 – ML 2008-14

Reminder of FHA’s policy on mortgage origination by NON FHA-Approved
mortgage brokers
  Allowed activities
  Compensation for non-approved entities

May 2008 – ML 2008-15

FHA Loan Underwriting and Transmittal Summary (92900 LT)
  Similar to FNMA’s 1008
  Must still use 203(k) worksheet regardless
  Can still use MCAW up to 10/1/08

June 2008 – ML 2008-16

Risk Based Mortgage Insurance Premiums
  FICO Score and LTV determine premiums
  Ranges for terms >15 years
    2.00% Upfront
    .55 Monthly
  Ranges for terms <=15 years
    2.00% Upfront
    .0 Monthly
  All loans must be run through TotalScorecard

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June 2008 – Waiver of Requirements – 24 CFR 203.37a(b)(2)

Property flipping rule waived June 9, 2008
Effective for one year
Includes sales in past 90-days
Applies to properties acquired through foreclosure by any lender/servicer

June 2008 – ML 2008-17

Non FHA-Approved Mortgage Brokers – Forward Mortgages
Reiteration of FHA’s policy regarding the use of non-FHA-Approved Mortgage brokers when originating FHA-insured forward mortgages

September 2008 – ML 2008-22

Moratorium on Risk-Based Premiums
Effective with new Case Number Assignments October 1, 2008
Expires September 30, 2009
Upfront premiums:
Purch Money & Full Credit Qual. Refinance = 1.75%
Streamline Refi (all types) = 1.50%
FHASecure (Delinquent mortgages only) = 3.00%
Hope for Homeowners = 3.00%
Annual premiums:
Purch and Refi’s
> 95% LTV 30 year = .55
<= 95% LTV 30 year = .50
> 90% LTV 15 year = .25
+/-90% LTV 15 year = 0
FHASecure (Delinquent Mortgages) all loan terms
>95% LTV = .55
+/-95% = .50

September 2008 – ML 2008-23

Revised Downpayment Calculation
Effective with case assignments on/after January 1, 2009
Minimum required downpayment 3.5% nationally
Maximum 96.5% Loan-to-Value nationally
Closing costs do not count towards downpayment requirement
Maximum Loan-to-Value on the FHA loan is 100% including UFMIP
Combined loan-to-value may exceed 100% when government unit or instrumentality of one is offering DAP and/or closing costs in form of secondary financing

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Home Equity Conversion Mortgage – Requirements on Mortgage Originators
Cannot participate in or be association with or employed by any party that participates in or is associations with any other financial or insurance activity. Demonstrates the mortgagee or other party maintains or will maintain firewalls and other safeguards designed to ensure that originators have no involvement with or incentive to provide the mortgagor with any other financial or insurance product. Origination must be performed by an FHA approved loan correspondent and sponsor.

Converting Existing Homes to Rentals – Underwriting Instructions
May not consider rental income for qualifying unless:
Relocation: Homebuyer relocating with a new employer or transferred by current employer and not within reasonable and locally recognized commuting distance.
Evidenced by fully executed 1 year lease and suggested also obtain evidence of security deposit and/or first month’s rent paid.
Sufficient Equity in Vacated Property: Homebuyer has LTV of 75% or less determined by current appraisal (no more than 6 months old) or by original sales price compared to current principal balance.

Hope for Homeowners
Borrowers current or delinquent on their mortgage
Have not intentionally defaulted
Have made minimum 6 full payments during life of loan
Must be primary residence - owner occupied
Cannot have been convicted of fraud (State or Federal) past 10 years
Borrower must certify did not knowingly or willingly provide false information to obtain existing mortgage
As of 3/1/2008 monthly mortgage payment >31% to gross income
Existing loan originated on or before 3/1/2008
All lenders accept new FHA loan as payment in full (waive all difference)
Borrower cannot own any other property (exception: timeshares)
1-Unit property only (2 - 4 units not allowed)
FHA shares in equity (borrower may buy out at date in future)
FHA shares in appreciation (borrower cannot buyout)
Junior lienholder may possibly share in appreciation sharing

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October 2008 – ML 2008-32

Use of Loss Mitigation During Bankruptcy
Requires Mortgagees send information to the debtor’s counsel indicating that loss mitigation may be available and provide instructions sufficient to facilitate workout discussions.
Restates that the Department does not require mortgagees make direct contact with the borrower.

October 2008 – ML 2008-33

Home Equity Conversion Mortgages for Purchase Program
Proceeds of mortgage can be used for purchase transacation
1 – 4 family dwelling
Maximum claim amount based on 1-unit lending limit only
All funds needed to close must be borrower’s own verified funds
No gift funds allowed
Refer to Mortgagee Letter for ineligible property types
Property flipping rules also apply

October 2008 – ML 2008-34

HECM Origination Fee – New Loan Limits
Allows minimum $2,500
2% of Max. Claim Amount up to $200,000
Additional 1% over Max. Claim Amount of $200,000
Total Maximum amount $6,000


HECM Mortgage Limits – Effective Immediately
National mortgage limit
$417,000
Higher in only four MSA’s (All four MSA’s in Hawaii)

2009 FHA Maximum Mortgage Limits
Credit approvals on or after January 1, 2009
National Freddie Mac Loan Limit for 2009 is $417,000
Based on median house price for area/MSA
Maximum FHA loan limit may not exceed 150% of $417,000 ($625,500)
Alaska, Guam, Hawaii, and US Virgin Islands may be adjusted up to 150% of FHA
maximum limit ($625,500 @ 150% = $938,250)
Minimum FHA floor no lower than 65% of $417,000 ($271,050)
HECM loan limit restated - $417,000
HECM loan limit for purchase only in Alaska, Hawaii, Guam, and US Virgin Islands
may exceed the national dollar limit up to 115% of the area median price or
$625,500(whichever is less)

December 2008 – ML 2008 - 39

FHA Roster Appraisers
Effective October 1, 2008
All FHA appraisers must be state certified
Existing Roster appraisers have until 10/1/09 to get certified
New appraisers seeking FHA roster status must already be certified

December – ML 2008 – 40

Refinance Calculations for most Refinance Transactions
Rate and Term refinancing 97.75% 1.5% UFMIP
FHA to FHA with appraisal 97.75% 1.5% UFMIP
FHA to FHA without appraisal 97.75% 1.5% UFMIP
Cashout Refinance 85% or 95%
Second appraisal required for all cashout transactions >85% LTV regardless
of loan amount or location