



FEDERAL HOUSING ADMINISTRATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

www.fha.gov

1-800-CALL-FHA

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)

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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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September 2008 – ML 2008-24

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

September 2008 – ML 2008-25

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.

October 2008 – ML 2008-29 and 30

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 transaction

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

October 2008 – ML 2008 – 35

HECM Mortgage Limits – Effective Immediately

National mortgage limit

\$417,000

Higher in only four MSA's (All four MSA's in Hawaii)

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November 2008 – ML 2008 – 36

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 | | 1.5% UFMIP |
|------------------------------|--|------------|

| | | |
|-------------------|------------|--|
| Cashout Refinance | 85% or 95% | |
|-------------------|------------|--|

Second appraisal required for all cashout transactions >85% LTV regardless of loan amount or location

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