

HUD Announces FHA Changes Starting Oct. 4th

How are HUD Guidelines Changing?

HUD has announced the following guideline changes for loan terms greater than 15 years:

- Lower the Up-Front Mortgage Insurance Premium (MIP) from 2.25% to 1%,
- Increase the annual (monthly) MIP From .50-.55% to .85-.90%, depending on Loan-to-Value (LTV).

When Do Policy Changes Take Effect?

This policy change is scheduled to begin for case numbers issued on October 4, 2010.

How Will These Changes Effect Borrowers?

A borrower will need an estimated \$75-80 more in monthly income, or \$900 more per year, to qualify per \$100,000 in loan amount.

Why is HUD Changing FHA Mortgage Insurance Premiums?

High demand for FHA loans put pressure on the capital reserve of the FHA insurance fund. Guideline changes will increase the mortgage insurance paid by borrowers, thus increasing the FHA insurance fund reserves.

Example Loan	Up-Front Mortgage Insurance (UFMIP)	Monthly Mortgage Insurance	Monthly Payment (Principal, Insurance, and Monthly Mortgage Insurance)	
Loan Amt.: \$100,000 Interest Rate: 5% Loan Term: 30 years LTV: 96.5%	\$101,000	\$75.75	\$617.94	NEW
	\$102,250	\$46.86	\$595.76	OLD



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Have Questions? Get Answers.

I wanted you to know about these changes ASAP so you could respond quickly to questions from clients. Please don't hesitate to contact me if you or someone you know has questions.

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