



FHA Updates

U.S. Department of Housing And Urban Development February 2009



Today's Agenda

- Important changes over the past 3 years
- HERA Update
- Hope for Homeowners
- FHA Resources



Streamlined Rehabilitation Loan – Streamlined 203(k)

- Simplified Rehabilitation Loan
- Intended to facilitate uncomplicated improvements
- Great tool for R.E.O. properties
- Available to all FHA approved lenders
- Can be used with a purchase or refinance
- Same low minimum required investment

Eligible Work Items – Streamlined Rehab

- Repair/Replace
 - Roofs, gutters, downspouts
 - Heating, ventilation, and A/C systems
 - Plumbing and electrical systems
 - Flooring
 - Windows, doors, exterior siding
 - Well; septic systems

Eligible Work Items (Cont.)

- Minor remodeling
 - Not structural
- Painting
 - Exterior/Interior
- Lead based paint abatement
- Free standing appliances
- Range, refrigerator, washer/dryer, etc.

How It Works

- Loan based on acquisition cost
 - Cost of repairs added to sales price or current outstanding balance (refi.)
- Appraisal completed
 - Subject to completion of rehabilitation
- LTV and borrower downpayment calculated

How It Works - Continued

- Maximum 96.5% loan-to-value (LTV)
 - Determined based on lesser of acquisition cost or 110% of improved value
- Borrower must meet FHA's minimum cash investment requirement
 - Minimum 3.5%
- Loan can never exceed maximum mortgage limits
- Upfront mortgage insurance premium then added

Mortgagee Letter 2006-04;-07

(January 2006)

Closing Costs

- Eliminated closing cost fee schedule
- Borrowers may pay anything that is reasonable and customary with any real estate transaction
 - Except tax service fee
- Currently can be used for minimum required investment
 - Excluding discount points and prepaid expenses

Mortgagee Letter 2005-48

December 2005

Appraisal Changes

- Adoption of FNMA forms
- Done “subject to” *or* “as is”
- May be appraised without review of plans and specs if \geq 90% complete
- Eliminated Valuation Condition (VC) Sheets and Homebuyer Summary

Appraisal Changes - Continued

- Inspections no longer *mandated* but may still be required:
 - Pest Inspection
 - Well Cert
 - Septic Cert
 - Flat and/or unobservable roof
- Underwriter/Appraiser decide

Appraisal Changes - Continued

- Items no longer *required* to be repaired:
 - Missing handrails
 - Cracked window glass
 - Minor plumbing leaks
 - Poor workmanship
 - Defective floor coverings
 - Underwriter/Appraiser Decide
- Concern is Health, Safety, Security

Mortgagee Letter 2008 – 06

(March 2008)

Temporary Loan Limit Increases

- Maximum limits temporarily increased
 - “Economic Stimulus Act”
- New loan limits were applicable for loan *approvals* issued *on or before* 12/31/08

Mortgagee Letter 2008 – 09

(April 2008)

Second Appraisal Requirements/Limits on Cash-Out Refinance

- A second appraisal is required when *all three* of the following conditions exist
 - Loan Amount exceeds \$417,000
 - Loan-to-value equals or exceeds 95%
 - Property is determined to be in declining market
- Underwriter/lender always have option to ask for a second appraisal as they deem appropriate

Mortgagee Letter 2008 – 11

(April 2008)

Non-Traditional Credit Guidance

- Refers to borrowers with a credit history insufficient to generate a credit score
 - Equifax, Experian or TransUnion
- May also be used when a score generated but thin credit profile
 - Only a few trade lines
- Two different and distinct groups
 - Guidelines apply based on Group I or II

Waiver of Requirements of 24 CFR 203.37a (b)(2) – June 9, 2008

Property Flipping

- Expands sales to borrower's using FHA financing within 90 days of prior sale to include properties acquired through foreclosure by:
 - Mortgagees
 - Subsidiaries of mortgagees
 - Vendors hired by exempt entities to sell their REO's
- Does *not* allow for *investor acquired* properties

Mortgagee Letter 2008 – 16

(June 2008)

Risk-Based Mortgage Insurance Premiums

- Effective for case assignments July 14, 2008
- Rollback on October 1, 2008
 - Moratorium for 1 Year
 - Rolled back to standard up-front and monthly premiums
 - Different programs have different premiums
 - Further review and analysis of data

Mortgagee Letter 2008 – 17

(June 2008)

Non FHA-approved Mortgage Brokers Forward Mortgages

- Loan origination services *may not* be performed by a non-FHA approved mortgage broker/lenders and be compensated
- *Only* FHA approved mortgage brokers/lenders may originate FHA insured mortgages and earn compensation and/or fees

Non-FHA Approved Brokers (cont.)

- May *only* council
- May receive fee *commensurate with* the *counseling* service provided
- Be disclosed on the Final HUD-1
- Evidence borrower has current available assets available to pay the fee
 - To be included with loan file
- **See Mortgagee Letter for what constitutes services only an FHA approved broker/lender may perform**

Housing and Economic Recovery Act of 2008

Overview Continued

- Mortgagee Letters will announce all changes
- Provisions take effect at various times
- Some things took effect right away
- Others took effect Oct. 1, 2008 & Jan. 1, 2009
- Some things we do not know when will take effect
- Some things may not take effect

HERA- Continued

Key FHA Provisions

- Hope for Homeowners Program
- Permanently increases loan limits
- Maximum county limit will be \$625,500
- Fannie Mae, Freddie Mac, and FHA may all have same limits
- Revised downpayment and maximum mortgage calculation
- Bans Seller-Assisted Downpayment Assistance Programs

Mortgagee Letter 2008 – 22

(September 2008)

Moratorium on Risk-Based Premiums for FHA Mortgage Insurance

- One-year moratorium on risk-based premiums
- Effective with case number assignments on or after October 1, 2008
- Standard Upfront Premiums
- Standard Annual Premiums

Mortgage Insurance Premiums (Cont.)

Upfront Premiums: FHA will charge an upfront premium in an amount equal to the following percentages of the mortgage:

- **Purchase Money Mortgages and Full-Credit Qualifying Refinances = 1.75 Percent**
- **Streamline Refinances (all types) = 1.50 Percent**
- **FHASecure (Delinquent Mortgagors) = 3.00 Percent.**

Annual Premiums: An annual premium, shown in basis points below, to be remitted on a monthly basis, will also be charged based on the initial loan-to-value ratio and length of the mortgage (except for FHA Secure delinquent mortgages) according to the following schedule:

- **Purchase Money Mortgages, Full-Qualifying Refinances, and Streamline Refinances:**

LTV	Annual for Loans >15 Years)	LTV	Annual for Loans ≤ 15 Years
≤ 95	50	≤ 90	-None-
> 95	55	> 90	25

- **FHASecure (delinquent mortgagors):**

LTV	Annual (all loan terms)
≤ 95	50
> 95	55

Mortgagee Letter 2008 – 23

(September 2008)

Revised Downpayment and Maximum Mortgage Requirements – Effective January 1, 2009

- Maximum LTV simplified
 - 96.5% loan-to-value
- Minimum cash investment 3.5%
 - Appraised value or sales price (whichever is less)
- Maximum LTV not to exceed 100 percent of appraised value or sales price (whichever is less)
 - Including Upfront Mortgage Insurance Premium

Revised Downpayment (Cont.)

- Calculation based on “acquisition cost” **eliminated**
 - Purchase price/appraised value whichever is less plus closing costs
- Distinctions eliminated
 - Low-closing cost state/high-closing cost state
- Straight loan-to-value calculation
 - Purchase price or appraised value (whichever is less) @ 96.5%

Mortgagee Letter 2008 – 25

September 2008

Converting Existing Homes to Rentals (Buy and Bail)

- Effective September 19, 2008
- Rental income for property being vacated may not be used except for following situations:

Relocation –

- Buyer relocating with new employer or transferred by current employer not within reasonable driving distance
- Evidenced by lease (1 year) and security deposit and/or first month's rent paid

Converting Existing Homes to Rentals (Cont.)

Sufficient equity in vacated property –

- Current home LTV 75% or less
 - Based on current appraisal (no more than 6 months old) or
 - Comparing unpaid principal balance to original sales price
 - Evidenced by lease (1 year) and security deposit and/or first month's rent paid
- Rental income for property being vacated on 2 -4 units *may not be used* and *no exceptions*

July 30, 2008 – HERA

Seller Assisted Downpayment Assistance
(e.g. Nehemiah, AmeriDream, etc.)

- Effective October 1, 2008
 - “Seller Assisted” DAP’s are eliminated
 - City, County, State programs still okay

Mortgagee Letters 2008 – 29 & 30 & 2009 – 03 (9/08 & 1/09)

Hope for Homeowners (H4H) Origination Guidance

- Eligibility
 - Current or in default on existing mortgage
 - Have not intentionally defaulted on mortgage
 - Must reside in property
 - Cannot have been convicted of fraud

H4H Eligibility - Continued

- Must certify they did not knowingly or willfully provide false information to obtain existing mortgage(s)
 - Certifications signed by borrower twice
- As of 3/1/2008 total monthly mortgage payment >31%
- Mortgage must have originated on or before 1/1/2008

H4H Eligibility - Continued

- Must be borrower's primary residence
- May not have any other ownership interest in any other property
 - Non-occupant co-borrowers will need to quit claim interest prior to occupants applying for mortgage
- Only 1- 4 unit properties eligible
 - Borrower must occupy one of the units
- Existing mortgage(s) must waive all penalties and late fees

H4H - Continued

- H4H loan must be a fixed rate (30 or 40 yrs)
- Upfront mortgage insurance premium 3%
- Annual mortgage insurance premium 1.5%
- Maximum Loan-to-value 90% or 96.5%
 - Debt ratios determine loan-to-value
 - 31%/43% (maximum either end) allows for max. 96.5%
 - 38%/50% (maximum either end) allows for max. 90%
 - Includes upfront mortgage insurance premium
 - Includes closing costs
- Equity and appreciation sharing with HUD

Mortgagee Letter 2008 – 33

October 2008

Home Equity Conversion Mortgage for Purchase

- Must serve as borrower's principal residence
- Proceeds of mortgage can be used for purchase
- 1 – 4 family dwelling
 - Maximum claim based on 1- unit only
- Required repairs
 - Health, safety, structural
 - Must be completed prior to closing by seller
 - May be included in the purchase contract

Home Equity Mortgage for Purchase (Continued)

- **Minimum Monetary investment**
 - Difference between principal limit and sales price for property
 - Includes any HECM loan related fees not financed
 - May provide larger investment in order to retain portion for future draws
- **All funds needed to close must be borrower**
 - No gift funds allowed for HECM purchase

Mortgagee Letter 2008 – 34

October 2008

Home Equity Conversion Mortgage **Origination Fee Limits**

- Maximum origination fees for maximum claim
 - 2% up to \$200,000
 - Additional 1% for difference above \$200,000
- Total Maximum \$6,000
- Minimum \$2,500

Mortgagee Letter 2008 – 35

November 2008

Home Equity Conversion Mortgage Loan Limits

- National Limit
 - \$417,000
 - Higher for all four MSA's in Hawaii
 - Higher for purchase in Alaska, Hawaii, Guam, and U.S. Virgin Islands

Mortgagee Letter 2008 – 36

November 2008

2009 FHA Maximum Mortgage Limits

- Freddie Mac loan limit announced @ \$417,000
- Maximum high and floor limits
 - May not exceed 150% of \$417,000 (\$625,500)
 - May not be less than 65% of \$417,000 (\$271,500)
- Based on median house price for area/MSA
- Credit *approval after January 1, 2009*
- Units limits different

2009 FHA Maximum Mortgage Limits – Continued (ML 08-36)

- Home Equity Conversion Mortgage
 - Does not have same limits as forward mortgages
 - \$417,000 nationally
 - Higher in all four Hawaii MSA's
 - Higher for purchase in Alaska, Hawaii, Guam, and Virgin Islands

Mortgagee Letter 2008 – 39

December 2008

Revised Eligibility Requirements For FHA Roster Appraisers

- **Current** FHA roster appraisers must be certified by October 1, 2009
 - By State where operate or professional organization
- Appraisers not already approved and seeking FHA roster approval must already be certified to obtain approval
 - By State where operate or professional organization

Mortgagee Letter 2009 – 02

January 2009

Co-branded Outreach Materials

- Education and outreach flyers developed and available for use by industry partners
 - Can be found online
 - Material not available yet
 - Expected in March 2009
 - “Fillable” with your company name, logo, contact information/number(s)
 - No modifications beyond “fillable” allowed

Where to Get More Information

- **1-800-CALL - FHA (1 – 800 – 225 - 5342)**
 - A source for all FHA questions
 - Lenders and Consumers
- **www.fhaoutreach.gov/fhafaq**
 - On-line resource to frequently asked questions
- **www.fha.gov**
 - On-line resource for info about FHA and FHA programs
 - User friendly
- **www.hud.gov**
 - On-line source for other types of programs, forms, press releases, etc.



1-800-CALL-FHA (225-5342)

Insuring More Than 35 Million Mortgages Since 1934

Thursday, February 12, 2009

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Current Hot Topics

[HOPE for Homeowners](#)

[Common Questions](#)

[Protection for Homebuyers](#)

[Intro To Selling HUD Homes](#)

Steps to follow to become HUD-certified.

[How to find HUD Homes](#)

Latest lists of HUD Homes for sale.

[Resources for Selling HUD Homes](#)

At Home with FHA--Real Estate Professionals



Buyers and Sellers Rely on Their Real Estate Agents for Advice

The FHA understands that real estate professionals sometimes make mortgage recommendations to clients unfamiliar with the home buying process. An FHA-insured mortgage loan is a viable option for many buyers and we hope you will help educate the buyer. A mortgage product tailored to the buyer's needs works for all concerned because:

- The homeowner can afford the payments.
- The homeowner is happy and satisfied.
- A happy homeowner refers friends and family to the real estate agent.

What about those "Exotic Mortgages" that have been in the news? Are they in your buyer's best interest?

The exotic mortgage market is geared toward borrowers with less-than-perfect credit. Exotic loans carry higher, often excessive, rates and fees to offset the higher risk of default.

Business Tools

Mortgage Calculator

How much mortgage can you afford? Find out today with the Mortgage Calculator.

Lender Locator

Enter the city, state and zip code in the Lender Locator to find an FHA-approved lender in your area.

Resource Library

Event Calendar

Use the calendar to find FHA-related events in your area.

FHA Wiki

The online encyclopedia where you can find out everything FHA.

Ask FHA a Question

News & Media Resources

FHA in the News

Read the latest FHA News or search through the news archive.

Webcasts

View or listen to video and audio broadcasts.

RSS Feeds

Sign up to receive FHA information automatically.

Homeownership Centers

Four Homeownership Centers (HOCs) originate all FHA single-family mortgage insurance, and oversee the selling of HUD homes, in their

FHA Knowledge Base


(www.fhaoutreach.gov/FHAFAQ/)

FHA FAQ - Microsoft Internet Explorer

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 **Federal Housing Administration**
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Questions **Contact FHA**

Keyword: [All](#)

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FAQ's

- 1 [How can FHA help me buy a home?](#)
- 2 [How can I buy a HUD Home?](#)
- 3 [NEW: Changes to the FHA FAQ Site and FHA Email Address](#)
- 4 [Does FHA have a program that will help borrowers refinance a high cost adjustable rate mortgage?](#)
- 5 [How can borrowers take advantage of the new HOPE for Homeowners refinance program?](#)
- 6 [NEW: How can my company obtain the co-branded marketing materials being developed by FHA?](#)
- 7 [NEW: How do I calculate a 203\(k\) or Streamline K loan to meet the new cash investment and refinance requirements?](#)
- 8 [Does the additional underwriting criteria on Page 5 of ML 08-40 apply to all refinance transactions?](#)
- 9 [NEW: Can I do an FHA to FHA Rate and Term Refinance if my FHA mortgage exceeds the new maximum mortgage limits?](#)
- 10 [Does FHA allow dug wells?](#)
- 11 [Why are licensed appraisers not grandfathered to stay on the appraiser roster?](#)
- 12 [Can you tell me when more HERA information will be available for licensed roster appraisers?](#)
- 13 [Must I upgrade to certified general or residential to be placed on the FHA appraiser roster?](#)
- 14 [What if the appraiser roster system does not recognize the user ID that was provided to me?](#)
- 15 [How can I reset my appraiser roster password?](#)
- 16 [How can I resolve a sanctions issue and become eligible for placement on the FHA appraiser roster?](#)
- 17 [How can I get help applying or maintaining my appraiser listing on the FHA roster?](#)
- 18 [Can you tell me how the HERA law effects licensed appraisers on the FHA roster?](#)
- 19 [How do I become a state-certified appraiser?](#)

Internet

The U.S. Department of Housing and
Urban Development
would like to thank you
for your interest in
FHA and FHA programs



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