



## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: March 6, 2012**

**To: All Approved Mortgagees**

### **Mortgagee Letter 12-4**

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**Subject** Single Family Mortgage Insurance: Annual and Up-Front Mortgage Insurance Premium – Changes

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**Purpose** This Mortgagee Letter (ML) announces changes to the FHA Single Family Annual Mortgage Insurance Premium (Annual MIP) and Up-Front Mortgage Insurance Premium (UFMIP). Changes are applicable to all Single Family (SF) Forward Mortgage programs except those noted in the section below titled, “Exceptions to Announced Premium Changes”. Current Annual MIP and UFMIP remain unchanged for those excepted programs and products at this time.

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**Effective Date** These changes are effective for FHA case numbers assigned on or after **April 9, 2012, unless otherwise specified below.**

Mortgagees must continue to comply with the requirements of ML 2011-10 concerning requests for, and cancellation of, FHA case numbers. Specifically, mortgagees must:

- request case numbers only when they have an active loan application for the subject borrower and property; and
  - certify at the time of requesting a case number that they have an active loan application for the subject borrower and property; and
  - provide the subject borrower’s name and social security number for all new construction (proposed construction and existing construction less than one year old).
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## Mortgagee Letter 12-4, Continued

**Affected Topics** Below is a list of the blocks in the subject handbook that are affected.

<b>HUD 4155.2 Lender's Guide to Single Family Mortgage Insurance Process</b>
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

### Increase to Annual Mortgage Insurance Premium

On December 23, 2011, the President signed into law the Temporary Payroll Tax Cut Continuation Act of 2011 (Public Law 112-78), which requires FHA to increase the Annual MIP it collects by 10 basis points (bps). This change is effective for case numbers assigned on or after **April 9, 2012**.

The table below shows the new effective annual premium rates by amortization term, base loan amount and LTV ratio. It also shows when the new Annual MIP takes effect, **based on FHA Case Number assignment date**.

<b>Term &gt; 15 Years</b>			
<b>Base Loan Amount</b>	<b>LTV</b>	<b>Effective</b>	<b>Annual MIP</b>
Any Amount	≤ 95.00%	April 9, 2012	120 bps
Any Amount	> 95.00%	April 9, 2012	125 bps
<b>Term ≤ 15 Years with LTV above 78%</b>			
Any Amount	≤ 90.00%	April 9, 2012	35 bps
Any Amount	> 90.00%	April 9, 2012	60 bps

Note: SF forward mortgages with amortization terms of 15 years or less, and a loan-to-value (LTV) ratio of 78 percent or less, remain **exempt** from the Annual MIP (see Mortgagee Letter 2011-35).

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## Mortgagee Letter 12-4, Continued

**Increase to Annual Mortgage Insurance Premium on Mortgages with a High Outstanding Base Loan Amount**

FHA is also exercising its pre-existing statutory authority to add an additional 25 bps to mortgages with base loan amounts exceeding \$625,500. This change is effective for case numbers assigned on or after **June 11, 2012**.

The table below shows the new effective annual premium rates by amortization term, base loan amount and LTV ratio. It also shows when the new Annual MIP takes effect, **based on FHA Case Number assignment date**.

<b>Term &gt; 15 Years</b>			
<b>Base Loan Amount</b>	<b>LTV</b>	<b>Effective</b>	<b>Annual MIP</b>
≤ \$625,500	≤ 95.00%	June 11, 2012	120 bps
≤ \$625,500	> 95.00%	June 11, 2012	125 bps
Above \$625,500	≤ 95.00%	June 11, 2012	145 bps
Above \$625,500	> 95.00%	June 11, 2012	150 bps
<b>Term ≤ 15 Years with LTV above 78%</b>			
≤ \$625,500	≤ 90.00%	June 11, 2012	35 bps
≤ \$625,500	> 90.00%	June 11, 2012	60 bps
Above \$625,500	≤ 90.00%	June 11, 2012	60 bps
Above \$625,500	> 90.00%	June 11, 2012	85 bps

Note: SF forward mortgages with amortization terms of 15 years or less, and a loan-to-value (LTV) ratio of 78 percent or less, remain **exempt** from the Annual MIP (see Mortgagee Letter 2011-35).

**Decrease to Annual Mortgage Insurance Premium on Certain Streamline Refinance Transactions**

For all SF Forward Streamline Refinance transactions that are refinancing FHA loans endorsed on or before May 31, 2009, the Annual MIP will be **55 bps**, regardless of the base loan amount. The endorsement date is on the Case Query screen in FHA Connection. This change is effective for case numbers assigned on or after **June 11, 2012**.

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## Mortgagee Letter 12-4, Continued

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### Increase to Up-Front Mortgage Insurance Premium

The UFMIP for affected SF forward mortgages will be increased from 1 percent to 1.75 percent of the base loan amount. This increase applies regardless of the amortization term or LTV ratio. FHA will continue to permit financing of this charge into the mortgage and will continue to calculate actual premium charges against the base loan amount before adding any financed UFMIP. This change is effective for case numbers assigned on or after **April 9, 2012**.

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### Decrease to Up-Front Mortgage Insurance Premium on Certain Streamline Refinance Transactions

For all SF Forward Streamline Refinance transactions that are refinancing existing FHA loans that were endorsed on or before May 31, 2009, the UFMIP will **decrease** from 1 percent to 0.01 percent of the base loan amount. The endorsement date is on the Case Query screen in FHA Connection. This change is effective for case numbers assigned on or after **June 11, 2012**.

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### Exceptions to Announced Premium Changes

The changes specified in this ML apply to all mortgages insured under FHA's Single Family Mortgage Insurance Programs except:

- Title I
  - Home Equity Conversion Mortgages (HECM)
  - Section 247 (Hawaiian Homelands)
  - Section 248 (Indian Reservations)
  - Section 223(e) (Declining Neighborhoods)
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## **Mortgagee Letter 12-4, Continued**

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Please address any questions about the topics in this Mortgagee Letter to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Information Relay Service at 1-800-877-3339.

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### **Signature**

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Carol J. Galante  
Acting Assistant Secretary for Housing – Federal Housing Commissioner

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