



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: April 26, 2011**

**To: All Approved Mortgagees**

**Mortgagee Letter 11-18**

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**Subject** Elimination of FHA's origination fee cap for the 203(k) Rehabilitation Mortgage Insurance Program

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**Purpose** This letter amends guidance provided in Mortgagee Letter (ML) 2009-53, to comply with 24 CFR § 203.27. The guidance in ML 2009-53 removed the one percent origination fee cap for standard FHA insurance programs, except for the 203(k) Rehabilitation Mortgage Insurance and Home Equity Conversion Mortgage programs.

This ML removes the one percent origination fee cap from the 203(k) Rehabilitation Mortgage Insurance Program, and clarifies that the *supplemental* origination fee permitted under this program is not affected. The established limits for the Home Equity Conversion Mortgage program remain unchanged.

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**Effective Date** This guidance is effective the date of its publication, for all case numbers regardless of when assigned.

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### Mortgagee Letter 11-18, Continued

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#### References

The guidance in this ML may be found in the references below:

<b>Handbook 4155.2, Mortgage Credit Analysis for Mortgage Insurance</b>
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1.C.5.f, 203(k) Collection of Supplemental Origination Fee
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<b>Handbook 4240.4, 203(k) Rehabilitation Home Mortgage Insurance</b>
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Paragraph 1-10 Cost of Rehabilitation
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Paragraph 1-13 Maximum Fees and Charges
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#### Guidance on 203(k) 1 Percent Origination Fee

The 203(k) Handbook 4240.4, Paragraph 1-13, permits the lender to collect a maximum one percent origination fee on the total mortgage amount, excluding any upfront mortgage insurance premium. This ML eliminates the cap on the origination fee.

The lender may only collect fair, reasonable, and customary fees and charges from the borrower for all origination services, as described in Handbook 4155.2, 6.A.3.a.

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#### Guidance on 203(k) Supplemental Origination Fee

Existing guidance permits a *supplemental* origination fee to be factored into the maximum loan amount. The maximum supplemental origination fee and rules of use remain unchanged.

#### *References:*

- Handbook 4155.2, 1.C.5.f, 203(k) Collection of a Supplemental Origination Fee
  - 203(k) Handbook 4240.4, Paragraph 1-13
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### Mortgagee Letter 11-18, Continued

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#### **Guidance on 203(k) Fees Included in the Rehabilitation Cost**

FHA guidance specifies that a *supplemental* origination fee is an eligible expense that may be included in the total rehabilitation cost figure. The supplemental origination fee may continue to be included in the total rehabilitation cost figure, with no change in current requirements.

#### ***References:***

- Handbook 4155.2, 1.C.5.f, 203(k) Collection of a Supplemental Origination Fee
  - 203(k) Handbook 4240.4, Paragraph 1-10 B. Cost of Rehabilitation
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#### **Questions**

Please address any questions about the topics addressed 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 TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

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#### **Signature**

Robert C. Ryan  
Acting Assistant Secretary for Housing-Federal Housing Commissioner

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