

# SPECIAL EDITION



from the  
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Over the past week, Congress has taken quick action and passed H.R. 5981. The bill gives FHA the authority to adjust its annual mortgage insurance premium, yielding approximately \$300 million per month in value to the FHA Mutual Mortgage Insurance Fund at a time when its reserves are perilously low.

As I have previously stated in my testimony before Congress, FHA will lower its upfront premium simultaneously with the increase to the annual premium<sup>1</sup>. It is our intention that effective on September 7, 2010, FHA's upfront mortgage insurance premium will be adjusted down to 100 basis points on all amortization terms and the annual mortgage insurance premium will increase to 85-90 basis points on amortization terms greater than 15 years<sup>2</sup>. A Mortgagee Letter will be forthcoming once President Obama signs the bill into law, but with today's passage of H.R. 5981 and our expedited implementation schedule, I wanted to immediately inform the industry of our plans so the lending community can begin preparing for the operational and system changes required to implement FHA's new mortgage insurance premium structure on all new case numbers by September 7, 2010.

With this authority, FHA is in a better position to address the increased demands of the marketplace and return the MMI fund to congressionally mandated levels without disruption to the housing market.

While we appreciate and applaud this recent action, there is still work to be done. HUD remains steadfast in its commitment to comprehensive FHA reform legislation, similar to the FHA Reform Act passed earlier this year by the House, which would further enhance FHA's lender enforcement capabilities and risk management efforts. We hope Congress will take swift action to pass a broader FHA reform bill when they return from the August recess. FHA's risk management efforts will not be complete without the ability to monitor lender performance and ensure compliance with our rules.

Although the transition timeframe is short, implementation by September is critical. Thank you in advance for the efforts of you and your organization to make this change happen on such short notice. We appreciate your hard work and continued partnership.

## LINKS

[HUD.gov/fha](http://HUD.gov/fha)

[HUD press releases](#)

<sup>1</sup>The upfront and annual premium changes do not apply to the following FHA Programs: Title I, HECM, HOPE for Homeowners (H4H), Section 247 (Hawaiian Homelands), Section 248 (Indian Reservations), Section 223 (e) (declining neighborhoods), Section 238(c) (Military Impact areas in Georgia and New York).

<sup>2</sup> LTV's <= 95% will increase to 85bps and LTV > 95% will increase to 90 bps