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Breakdown of FHA's Multifaceted MIP Cut

The annual premium paid by borrowers on mortgages backed by the Federal Housing Administration (FHA) is going down by a quarter of a percent. Housing and Urban Development (HUD) Secretary Julian Castro announced today that the annual mortgage insurance premium (MIP) will be **reduced 25 basis points** for most new mortgages with a closing date on or after January 27. The reduction is expected to save new FHA insured homeowners an average of **$500 this year.**

A HUD press release said today's announcement reflects the **fourth straight year** that FHA's Mutual Mortgage Insurance Fund (MMIF) has strengthened. It has gained $44 billion in value since 2012 and last year alone grew by $3.8 billion. The fund now stands at 2.32 percent of all FHA insurance in force, the second consecutive year that it has exceeded the 2 percent capital reserve mandated by Congress. The fund reached near insolvency during the housing crisis, prompting several increases in both the upfront premium and the annual one.

Annual MIP			
Base Loan Amt.	**LTV**	**Previous MIP**	**New MIP**
Term > 15 Years			
≤ $625,500	≤ 95.00%	80 bps	55bps
≤ $625,500	> 95.00%	85 bps	60bps
> $625,500	≤ 95.00%	100 bps	55bps
> $625,500	> 95.00%	105 bps	60bps
Term ≤ 15 Years			
≤ $625,500	≤ 90.00%	45 bps	25 bps
≤ $625,500	> 90.00%	70 bps	50 bps
> $625,500	≤ 78.00%	45 bps	25 bps
> $625,500	78.01% - 90.00%	70 bps	25 bps
> $625,500	> 90.00%	95 bps	50 bps
Streamline, Simple Refinance of previous Mortgage endorsed on or before May 31, 2009			
Term > 15 Years			
Base Loan Amt.	**LTV**	**Previous MIP**	**New MIP**
All Loan Amounts	≤ 90.00%	55 bps	55 bps
All Loan Amounts	> 90.00%	55 bps	55 bps
Term ≤ 15 Years			
Base Loan Amt.	**LTV**	**Previous MIP**	**New MIP**
All Loan Amounts	≤ 90.00%	55 bps	25 bps
All Loan Amounts	> 90.00%	55 bps	25 bps

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.70	+0.01
10 YR Treasury	5.1474	+0.0061
30 YR Treasury	5.4731	+0.0049

Pricing as of: 11/15 7:41PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Upfront Mortgage Insurance Premium (UFMIP)
All Mortgages: 175 Basis Points (bps) (1.75%) of the Base Loan Amount.
Exceptions: • Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA-endorsed Mortgage on or before May 31, 2009 • Hawaiian Home Lands (Section 247) • Indian Lands (Section 248)
Indian Lands (Section 248) do not require a UFMIP.

Annual Mortgage Insurance Premium (MIP)			
Applies to all Mortgages except: • Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA endorsed Mortgage on or before May 31, 2009 • Hawaiian Home Lands (Section 247)			
Hawaiian Home Lands (Section 247) do not require Annual MIP.			
Mortgage Term of More Than 15 Years			
Base Loan Amount	**LTV**	**MIP (bps)**	**Duration**
All amounts	≤ 90.00%	55	11 years
	> 90.00% but ≤ 95.00%	55	Mortgage term
	> 95.00%	60	Mortgage term
Mortgage Term of Less than or Equal to 15 Years			
Base Loan Amount	**LTV**	**MIP (bps)**	**Duration**
All amounts	≤ 90.00%	25	11 years
	> 90.00%	50	Mortgage term

Streamline Refinance, Simple Refinance:

For refinance of previous Mortgage endorsed on or before May 31, 2009 UFMIP: 1 (bps) (.01%) All Mortgages			
Mortgage Term of More than 15 Years			
Base Loan Amount	**LTV**	**Annual MIP (bps)**	**Duration**
All amounts	≤ 90.00%	55	11 years
	> 90.00%	55	Mortgage term

Castro said FHA's action reflects today's risk environment and comes at the right time for consumers who are facing higher credit costs as mortgage interest rates are increasing. "After four straight years of growth and with sufficient reserves on hand to meet future claims, it's time for FHA to pass along some modest savings to working families," he said. "This is a **fiscally responsible measure** to price our mortgage insurance in a way that protects our insurance fund while preserving the dream of homeownership for credit-qualified borrowers."

Ed Golding, Principal Deputy Assistant Secretary for HUD's Office of Housing added, "We've carefully weighed the risks associated with lower premiums with our historic mission to provide safe and sustainable mortgage financing to responsible homebuyers. Homeownership is the way most middle class Americans build wealth and achieve financial security for themselves and their families. This conservative reduction in our premium rates is an appropriate measure to support them on their path to the American dream."

While attempting to stabilize the MMIF FHA **increased** the annual premium by 150 percent **starting in 2010**. Today's step restores the annual premium to **close to its pre-housing-crisis level**.

The Mortgage Bankers Association (MBA) through its President David H. Stevens, commented on the FHA action, saying, in part, "The reduction in the premium is a result of our industry's and FHA's shared commitment to quality underwriting, and consumers will benefit as result. Reducing the cost of FHA loans benefits borrowers, but other changes to reduce uncertainty for lenders would be required to truly invigorate the FHA program."

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Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood 

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