

A Message to Realtors and our Financial Partners

March 2011

Expert Home Financing. *Guaranteed.*[™]



As we noted just a couple of weeks ago, rules and regulations are going to continue to change at a rapid pace. Recently, the following change was announced:

Annual FHA Mortgage Insurance Premium (MIP) to Increase

For case numbers assigned on or after April 18, 2011, the Annual Mortgage Insurance Premium — often referred to as the Monthly MIP — on FHA loans will increase by 25 basis points. Currently, the Annual MIP is .90%; this increase means that the Annual MIP will be 1.15% of the base mortgage amount. **This is important to know because it will increase the homeowner's monthly payment.**

A few conditions:

- The Upfront Mortgage Insurance Premium (UFMIP) remains 1.00%.
- The Annual MIP increase only applies to FHA loans. Fannie Mae and Freddie Mac conventional loans do not have this increase.
- This increase applies to loan terms more than 15 years in length *and* when the loan-to-value (LTV) ratio is greater than 95%; the Annual MIP is lower when the loan-to-value ratio is less than 95% or when clients take out a 15-year loan term (*call me for details*).
- HUD does not allow case numbers to be pulled prior to receipt of a fully executed purchase agreement and application.
- FHA will be cancelling uninsured FHA case numbers after 6 months.

EXAMPLE

FHA mortgage, 30-year, base mortgage amount of \$200,000; LTV is greater than 95%

OLD .90% MIP RATE

\$1,800 annual premium divided into 12 monthly payments of \$150.00

NEW 1.15% MIP RATE

\$2,300 annual premium divided into 12 monthly payments of \$191.67
Increase of \$41.67 per month!

We are here to help you and your clients stay informed about the plethora of industry changes. If you have *any* questions about this change or about other financing issues, please give us a call at 651.203.8300.

Just a reminder: RMG still has conventional products available with loan-to-value ratios of up to 97%.

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