

# FHA makes changes to mortgage insurance premiums



This document is part of our ongoing effort to keep industry colleagues informed about changes in the mortgage industry. Being aware of these changes will help you understand the most current financing options.

The Federal Housing Administration (FHA) announced increases to annual mortgage insurance premiums (MIP). These premiums are paid by buyers financing single family (1-4 unit) homes with FHA loans. The premium increases will cause the FHA monthly payments to be higher than they were in the past, so it's very important your buyers review all financing options with their home mortgage consultant.

## In summary:

### MIP cost increases for FHA purchase and refinance loans

The annual MIP is increasing either .05% or .10% for FHA loans with case numbers assigned on or after April 1, 2013.

## Changes effective with case numbers assigned on or after April 1, 2013:

Annual MIP (paid monthly) will increase based on amortization term, loan-to-value (LTV) ratio and base loan amount.

- **Impacted:** All FHA transactions, including most streamline refinance loans (with and without appraisals) and FHA renovation loans.
- **Not impacted:** Streamline refinance loans of existing FHA loans that were endorsed/insured on or before May 31, 2009.

## MIP rates for loans with FHA case numbers assigned on or after April 1, 2013

FHA loans with amortization terms greater than 15 years			
Base loan amount	LTV	Previous MIP rates (prior to April 1)	New MIP rates (on or after April 1)
≤\$625,500	≤ 95%	1.20%	1.30%
≤\$625,500	>95%	1.25%	1.35%
>\$625,500	≤95%	1.45%	1.50%
>\$625,500	>95%	1.50%	1.55%
FHA loans with terms less than or equal to 15 years			
Base loan amount	LTV	Previous MIP rates (prior to April 1)	New MIP rates (on or after April 1)
≤\$625,500	78.01% - 90%	.35%	.45%
≤\$625,500	>90%	.60%	.70%
>\$625,500	78.01% - 90%	.60%	.70%
>\$625,500	>90%	.85%	.95%

This information is for real estate professionals only and is not intended for distribution to consumers or other third parties.

Information is accurate as of date of printing and is subject to change without notice. Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A. ©2013 Wells Fargo Bank, N.A. All rights reserved. NMLSR ID 399801.



Together we'll go far



## FHA MIP increase examples

Buyers with case numbers assigned on or after April 1 will pay a slightly higher annual MIP (paid monthly) due to the premium increases.

**Example:** A 30-year loan with a base loan amount of \$101,750 and 90% LTV with an interest rate of 3.75%

Case number assigned prior to April 1	Case number assigned on or after April 1
MIP = \$100.90	MIP = \$109.31

## Did you know?

- Most FHA loans are assumable to qualified buyers – a potential advantage if borrowers decide to sell the home in the future.
- The borrower's minimum down payment may be from gift funds.

## Maximum LTV program comparisons with the new MIP rates

The following chart compares FHA with conventional loans and shows the Upfront MIP and the additional Annual MIP. The home mortgage consultant will present a variety of financing options for your buyer to consider.

	FHA case number assigned pre April 1, 2013	FHA case number assigned on or post April 1, 2013	Conventional BPMI	Conventional LPMI
Sales price/appraised value	\$170,000	\$170,000	\$170,000	\$170,000
Base LTV	96.50%	96.50%	95.00%	95.00%
Note rate	3.625%	3.625%	4.000%	4.625%
Base loan amount	\$164,050	\$164,050	\$161,500	\$161,500
Total loan amount	\$166,920	\$166,920	\$161,500	\$161,500
<b>Down payment</b>	<b>\$5,950</b>	<b>\$5,950</b>	<b>\$8,500</b>	<b>\$8,500</b>
Monthly MIP (year 1)/Conv MI	\$169	\$183	\$127	\$0
Months MIP/MI required	106	106	105	0
Upfront FHA MIP (financed)	\$2,871	\$2,871	\$0	\$0
Annual FHA MIP (financed)	\$16,480	\$17,798	\$13,284	\$0
Total Cost of MI/Annual (paid monthly) MIP + Upfront	\$19,351	\$20,669	\$13,284	\$0
<b>Total monthly payment</b>	<b>\$931</b>	<b>\$944</b>	<b>\$898</b>	<b>\$830</b>

Loan score: 680. Loan term: 30 years.

Please note that the annual mortgage insurance premium is an annualized calculation and the amounts and rates presented in these examples are estimates.

## Frequently Asked Questions

### **What is mortgage insurance?**

Mortgage insurance is required by the FHA on all loans and provides coverage to lenders in the event that a customer defaults on a mortgage. There are two forms of mortgage insurance required for customers who choose an FHA loan: Annual Mortgage Insurance Premium (MIP) and Upfront Mortgage Insurance Premium (UFMIP).

### **What is Annual Mortgage Insurance Premium (MIP)?**

Annual MIP is the amount of money a customer pays each month for mortgage insurance (also known as monthly MIP). The amount of the monthly premium charged is based on the initial LTV ratio, base loan amount and the length of the mortgage. The FHA changes outlined in this document impact annual MIP paid monthly.

### **What is Upfront Mortgage Insurance Premium (UFMIP)?**

UFMIP is an insurance premium that is collected on behalf of the FHA at the time the loan closed. Anyone who takes out an FHA loan is required to pay this premium regardless of the amount of their down payment or LTV ratio. This premium is a lump sum amount that can either be paid in cash at closing or financed into the loan by adding it to the base loan amount. The FHA changes outlined in this document do not impact UFMIP.

### **Didn't MIP change in 2012 on FHA loans?**

Yes. In 2012, the FHA increased both the upfront and the annual mortgage insurance premiums for all purchase and some refinance transactions.

### **How does a customer know what date his/her case number was assigned?**

The customer should contact their home mortgage consultant to obtain the date the case number was assigned.

**For more information, contact your  
Wells Fargo Home Mortgage consultant today:**

### **Louis Candell**

Home Mortgage Consultant

Phone: 800-987-6786

[louis.candell@wellsfargo.com](mailto:louis.candell@wellsfargo.com)

NMLS ID 442652

# Let's work together

We are dedicated to  
providing information  
and assistance to  
help customers make  
informed mortgage  
choices.

This information is for real estate professionals only and is not intended for distribution to consumers or other third parties.

Information is accurate as of date of printing and is subject to change without notice. Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A.

©2013 Wells Fargo Bank, N.A. All rights reserved. NMLS ID 399801.

