

LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

AN ALT & ASSOCIATES NEWSLETTER

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The purpose of the Lenders Update is to provide a “heads-up” of new legislation and regulations affecting the mortgage lending industry. We provide summaries of new matters so our readers can judge whether the subject impacts their operations. We recommend that our readers review the entire new statute, regulation or other material in detail where it is relevant to them. For convenience, the applicable matter can be easily identified in the summary, and, where possible, a link is provided.

The Update includes information available to Alt & Associates as of January 21, 2010.

HUD ANNOUNCEMENT

On Wednesday, January 20, 2010 HUD announced certain policy changes with the stated purpose of addressing risk and strengthening finances. These policy changes can be found at www.hud.gov then Press Room then Press Releases. Today, Thursday, January 21st, HUD published 2 new Mortgagee Letters, one 2010-02 and the other 2010-03 which can be found at www.hud.gov then Resources then Mortgagee Letters.

FHA is proposing a number of changes to be implemented through these Mortgagee Letters, through future regulatory implementation and through legislative activity. These include the following:

- to increase the Mortgage Insurance Premium by 50 BPS to 2.25% which is specifically addressed in ML 2010-02,
- increase the required minimum FICO score to 580 to qualify for FHA 3.5% down payment,
- FICO scores less than this number will be required to put down at least 10%
- Seller concessions will be reduced from 6% to 3%,
- increase enforcement on FHA lenders by publically reporting lender performance rankings,
- enhance monitoring of lender performance and compliance,
- ML 2010-03 addresses termination of underwriting approval where the lender has a high rate of defaults in a geographic area,
- implement statutory authority through regulation to enforce indemnification provisions for lenders using delegated insurance processing,
- pursue legislative authority to increase enforcement on FHA lenders to force mortgagees to assume liability for all loans that they originate and underwrite
- establish separate areas for purposes of review and termination under the Credit Watch Initiative.

Our monthly Lenders Update is published via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Only those persons who have requested this newsletter are on our mailing list. Should you have colleagues who wish to receive this complimentary service, please have them e-mail us at

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ALT & ASSOCIATES provides regulatory, compliance, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past two decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations. If you have any questions please contact:

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www.altandassociates.com