

# LENDERS UPDATE™

## ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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## **HUD ANNOUNCES NEW CHANGES**

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Today, HUD issued four releases. They can all be found in full on the HUD website.

They are:

- Mortgagee Letter 2013–01 which deals with the consolidation of its Standard Fixed-Rate Home Equity Conversion Mortgage (“HECM”) and Saver Fixed-Rate HECM pricing options. This Letter replaces guidance found in Mortgagee Letter 2010–30. The changes become effective April 1, 2013.
- Notice H 2013– 012 is addressed to the special attention of approved Housing Counseling Agencies and represents notice of the changes contained in Mortgagee Letter 2013-1.
- FHA Connection (Changes and Processing Instructions Lenders). This six page document explains changes to the FHA Connection that affect the business processes of lenders. Modifications have been made to the secondary financing information collected on the Insurance Application Update. The. These changes will be effective Saturday, February 2, 2013.
- Finally, HUD issued its Release No.13-10 summarizing these and other changes. The actions taken were described as a broad effort to strengthen

the mortgage insurance fund in order to “better manage risk and strengthen the health of the MMI Fund”. Items summarized are:

- 1) As discussed above, FHA is consolidating its Standard Fixed Rate Home Equity Conversion Mortgage and Saver Fixed Rate pricing option programs which according to HUD place significant stress on the MMI fund. The HECM Fixed Rate Saver will be the only pricing option available to borrowers who seek a fixed interest rate mortgage.
- 2) The release also announces that FHA will increase its annual mortgage insurance premium for most new mortgages by 10 basis points. FHA will increase premiums on jumbo mortgages by five basis points. Premium increases will exclude certain streamline refinance transactions. FHA will also require most FHA borrowers to continue paying premiums for the life of the mortgage loan not just until the principal balance reaches 78% the original principal balance.
- 3) FHA will now require lenders to manually underwrite loans for which borrowers have a credit score below 620 and a total debt to income ratio greater than 43%. Documentation of compensating factors will be required.
- 4) The Release announces a proposed increase in down payment for mortgages with an original principal balance above \$625,500. The increase will be to 5% from its current level of 3.5%.
- 5) FHA is stepping up its enforcement efforts regarding marketing of potential borrowers who had a previous foreclosure. FHA's rule concerning financing no sooner than three years after the foreclosure and only after the borrower has established good credit and qualifies with fully documented underwriting requirements, will be fully enforced.

*“...misleading advertising will not be tolerated...”*

Once again, these releases are available on the HUD site.

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