

# **Housing and Economic Recovery Act of 2008:**

## **FHA Modernization**

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## Premiums / RBP Moratorium

- Prohibits Risk-Based Premiums
- New Premiums:
  - FHA Secure delinquent mortgagors = 3%
  - Purchase/Refi = 1.75%
  - Streamline Refi = 1.5%
- Federal Register Notice published Sept. 3, 2008
- Mortgagee Letter published Sept. 4, 2008
- Effective Oct. 1, 2008

# **Seller Funded Down Payment Assistance Prohibition**

- Prohibits any form of down payment where party to transaction is involved
- Applicable to any type of organization – nonprofit, government, Indian Tribe, etc.
- 6% seller concession still allowed
- FAQs sent to trade associations
- Effective Oct. 1, 2008 (Credit Approval)

## Cash Investment/LTV Caps

- Cash investment cap of 3.5%
- LTV cap of 100% appraised value, includes Upfront Mortgage Insurance Premium (UFMIP)
- New mortgage amount calculation
- Mortgagee Letter published Sept. 9, 2008
- Effective Jan. 1, 2009

## Loan Limits

- 115% of median sales price
  - Forward floor: \$271,050
  - Forward ceiling: \$625,500
  - Reverse ceiling: TBD
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- Forward Mortgagee Letter effective Jan. 1, 2009
  - Reverse Mortgagee Letter effective upon determination of reverse loan limits

# Condos

- 234(c) only for take-out financing
  - Environmental Assessment review only if appraiser deems necessary
  - Manufactured Housing Condominium Projects are eligible
  - No seasoning for conversions
  - No approval for site condos, similar to PUDs
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- Mortgagee Letter effective Dec. 1, 2008

# Cooperative Housing

- Co-op share loans on individual dwelling units will be eligible for FHA financing
- Forward and reverse are both eligible
- FHA will establish an approved co-op list
  
- Mortgagee Letter effective Jan. 1, 2008

# Manufactured Housing – Title II Changes

- Eliminates “taxed” as real estate requirement
- Eliminates prohibition on condo/MH developments
- Comprehensive guidance on FHA MH requirements
  
- Mortgagee Letter in Clearance
- Effective Nov. 1, 2008

## EEM

- Increases energy improvement costs to 5% of property value
- Eliminates \$8,000 cap
- For streamline refis, P&I payment on new loan may be greater than P&I payment on original loan
  
- Mortgagee Letter effective Nov. 1, 2008

# HECM Elimination of Non Approved Brokers

- Requires all parties participating in origination to be approved by FHA
- Broker “advisors” prohibited
- Applicable to all types of FHA lenders:
  - Correspondent and sponsor
  - Broker through its retail channel
  - Broker working with another FHA approved broker
  
- Mortgagee Letter signed September 16th
- Effective Oct. 1, 2008

# HECM Counseling

- Prohibits lender/investor/financial company funding
- May only be provided by trained and tested counselors who follow uniform protocols
  
- Mortgagee Letter effective Oct. 1, 2008
- Regulation for counselor requirements effective Jan. 1, 2009 and is currently at OMB for comments

# HECM for Purchase

- Allows seniors to use HECM proceeds to purchase new primary residence
- Principal Limit determined by lesser of appraised value or purchase price value
- Borrower must make up difference between Principal Limit and purchase price
  - No gap financing
  - No “gift” programs
- Mortgagee Letter in clearance
- Effective Nov. 1, 2008

## HECM Origination Fee

- 2% of maximum claim amount (MCA) up to \$200,000
  - 1% of MCA over \$200,000
  - \$6,000 cap
  - Indexed - CPI
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- Mortgagee Letter effective with announcement of new loan limits

## HECM Origination Limitations

- Prohibits cross-selling of financial products
- Requires firewalls for financial service firms offering multiple products
- Federal Register Notice effective March 1, 2009

# Appraiser Roster

- Only FHA-certified appraisers able to participate in programs
- Appraiser license not sufficient
- States with inadequate pool of certified appraisers will have delayed implementation date
- Mortgagee Letter effective November 1, 2008

# Title I Manufactured Housing

- Replaces existing program in its entirety
  - new insurance coverage
  - new premiums
  - new underwriting guidelines
  - new loan limits
- Handbook and Title I notice needed for implementation
- Handbook draft completed
- Changes effective April 1, 2009

# Questions?