

FHA Modernization – Key Components

Change	What it Does	Type of Policy Guidance	Publication Date	Effective Date	Status
1 WEEK FROM ENACTMENT					
Premiums / RBP Moratorium	Prohibits RBP – for loans with case numbers assigned after 10/01/08 UFMIP = 3.0 Counseled borrowers = 2.75	Federal Register Notice Mortgagee Letter	08/06/08 08/15/08	10/01/08 10/01/08	FR Notice Drafted RBP ML Drafted; In Clearance
SFDPA prohibition	Prohibits any form of downpayment where party to transaction involved; on loans for which credit approved after 10/01/08	NO guidance Responses to Questions only	08/01/08	10/01/08	FAQs sent to trade associations
30 DAYS FROM ENACTMENT					
Manufactured Housing – Title II Changes	Eliminate “taxed” as real estate requirement Eliminate prohibition on condo/MH developments	Mortgagee Letter (Later Incorporate into Condo ML)	08/30/08	10/01/08	ML Draft Underway
HECM Elimination of Non-approved Brokers	Requires all parties participating in origination to be approved by FHA	Mortgagee Letter	08/15/08	10/01/08	ML Draft in Clearance
HECM Counseling	Limits lender/investor/financial company funding Only trained and tested counselors who follow uniform protocols	ML – no lender funding Regulation for Counselor Reqs	08/30/08 12/30/08	10/01/08 1/30/08	ML Draft Underway Regulation at OMB
EEM	Increases amount of home modification costs that can be included in mortgage to 5% of property value	Mortgagee Letter	08/30/08	10/01/08	ML Draft Underway
Elimination of Defunct Programs	Repeals 203i -outlying areas; 203o-q Indian/Allegheny; 222 servicemen; 237 - special MI; 245 (GPM)	Mortgagee Letter	08/30/08	08/30/08	

FHA Modernization – Key Components

Change	What it Does	Type of Policy Guidance	Publication Date	Effective Date	Status
60 DAYS FROM ENACTMENT					
Cash Investment/ LTV Caps	3.5% cash investment 100% appraised value, includes UFMIP New mortgage amount calculation	Mortgagee Letter	10/01/08	01/01/09	ML Draft Underway
Condos	Eliminates redundant inspections, enviro reviews; seasoning for conversions; site condos = PUDs 234(c) only for take-out financing	Mortgagee Letter	11/01/08	01/01/09	ML Draft Underway
Cooperative Housing	Permits FHA to be in subordinate position – forwards and reverse	Mortgagee Letter	10/01/08	11/01/01	Draft for RMs completed
HECM for Purchase	Seniors can purchase home and convert to RM in single transaction	Mortgagee Letter	9/01/08	10/01/08	Draft Completed
Loan Limits	115% median sales price Forward Floor: \$271, 050 Forward Ceiling: \$625,500 Reverse: unknown, if nationwide	Mortgagee Letter	12/01/08	01/01/09	
		Mortgagee Letter	08/30/08	10/01/08	
HECM Origination Fee	2% max claim <= 200,000 1% over >=200,000 \$6000 cap (indexed – CPI)	Mortgagee Letter, to coincide with loan limit increase	08/30/08	10/01/08	
90 DAYS FROM ENACTMENT					
Title I Manufactured Housing	Replaces existing program in its entirety – new insurance coverage, new premiums, new underwriting guidelines, new loan limits	Handbook	11/30/08	03/01/09	Draft completed
HECM Origination Limitations	No cross-selling of financial products Firewalls for financial service firms offering multiple products	FR Notice to solicit input	11/30/08	03/01/09	
Appraiser Roster	Certified appraisers only; license not	Mortgagee Letter	10/01/08	06/01/09	

FHA Modernization – Key Components

Change	What it Does	Type of Policy Guidance	Publication Date	Effective Date	Status
	sufficient				
Fraud Prevention	Authorizes new form of penalties	Modify forms	01/01/09	04/01/09	
STUDIES / PILOTS / WORK GROUPS					
HECM study for HUD	Study on additional consumer protections (GAO study - separate)	Contract action			Included in 2008 procurement
Nontraditional Credit Pilot	Study and make available automated tool	Federal Register Notice to solicit input	11/01/08		
Loss Mitigation Improvements	Work with industry, Neighborworks, others to develop and implement improvement plan	Develop Working Group			
Study on Process and Technology Improvements	Due to Congress 12 months after enactment, report on recommendations for improvements/upgrades in procedures and technology	Contract action			Included in 2008 contract actions
Pre-purchase homeownership counseling study / annual report for 5 years	3-year analysis to test the effectiveness of various methods – telephone; in-person; web-based; classes/education. May offer MIP incentives	Federal Register Notice to solicit input regarding design/intent Contract action for research			Research underway in PD&R; modify existing contract to include new assessment
NO ADDITIONAL ACTION NEEDED					
Post-purchase housing counseling	Expands provisions of counseling program to include post-purchase activities	Program operated with these activities today			
HECM Elimination of LTCI	Removes authority for MIP waiver	No guidance necessary			
FHA MIP for	Attempts to authorize FHA to pay	Flawed statutory			

FHA Modernization – Key Components

Change	What it Does	Type of Policy Guidance	Publication Date	Effective Date	Status
HECM Counseling	for services through MIP	language			
ACTUARIAL / FUND-RELATED ACTIVITIES					
Annual Study of Fund	Actuarial, but includes recommendations on policy changes and QC				
Quarterly Reports	Volume, type of loans, projections vs. actuals for: claim/prepays/loss rates				