

Update on Mortgage Insurance Cut: FHA to Allow Case Number Cancellation

By: Jann Swanson | Fri, Jan 9 2015, 12:21 PM

Details and clarifications are now available for lenders and borrowers regarding President Obama's Thursday announcement of reduced FHA mortgage insurance premiums (MIP). In addition to fine-tuning details about eligibility, a [Mortgagee Letter](#) released by the Department of Housing and Urban Development this morning has some good news for borrowers currently in the process of getting a loan.

According to the executive order announced yesterday FHA will almost immediately cut .5 percent from the annual premium for the FHA backed loans with terms greater than 15yrs. For most FHA loans this will reduce the annual premium from 1.35 percent of the loan balance to .85 percent. Loans with balances above the loan limits in effect in most areas and with current MP of 1.50 to 1.55 percent will see new premiums of 1.00 or 1.05 percent respectively. The upfront premium for all loans will remain unchanged at 1.75 percent.

Borrowers with FHA Case Numbers issued on or after January 26 will be eligible for the new premium rates. However, today's letter has good news for borrowers already in process of getting their FHA loan. **Lenders will temporarily be allowed to cancel** Case Numbers issued before that date. Specifically the letter states:

"To allow mortgagees to obtain the reduced annual MIP rates contained in this ML for loans in process with active FHA Case Numbers, FHA will temporarily approve cancellation requests for active FHA Case Numbers within 30 days of the effective date of this ML.

FHA will provide operational details on case cancellations through FHA Info notifications and on FHA's lender information page available at www.hud.gov/lenders."

"Our current reading on this is that ANY case number for a loan in process will have a 30 day window beginning on January 26th in which to cancel," notes MND's Matt Graham. "Unfortunately, if that proves to be the case, it would seem that FHA has unintentionally discouraged new originations between now and then and set themselves up for an **epic glut of originations** as soon as the effective date hits."

For borrowers who have recently closed an FHA loan which has been funded there will be **no immediate recourse**. They will have to wait the **mandatory 210 day** period and have made six payments on their existing FHA loan before refinancing through a streamline loan in order to secure the lower MIP.

To reiterate, the reduced premiums will be unavailable on loans with terms of 15 years or less (the annual MIP for those loans is already less than the new MIP amounts for 30yr loans). Also, The reductions **DO NOT** apply to streamline refinancing of existing FHA loans that were endorsed on or before May 31, 2009 (these also have lower MIP already--.55--so no major slap in the face here). The new MIP will not be available either for Section 247 loans which are specific to the Hawaiian Homelands.

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