

Chapter 7. Mortgage Insurance Premiums (MIPs)

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Chapter 7. Mortgage Insurance Premiums (MIPs)

1. Types of MIPs

Introduction	<p>This topic contains general information on mortgage insurance premiums (MIPs), including</p> <ul style="list-style-type: none"> • the purpose of MIPs • types of MIPs collected by FHA, and • locating additional information on payment of MIPs.
Change Date	May 10, 2009
4155.2 7.1.a Purpose of MIPs	Mortgage insurance premiums are used to protect lenders against mortgage loss in the event of a foreclosure.
4155.2 7.1.b Types of MIPs Collected by FHA	<p>In most of the FHA mortgage insurance programs, FHA collects an</p> <ul style="list-style-type: none"> • up front mortgage insurance premium (UFMIP), and • annual insurance premium, which is collected in monthly installments. <p><i>Notes:</i></p> <ul style="list-style-type: none"> • Most FHA-insured mortgages require payment of a UFMIP. • The monthly premium varies by program and outstanding principal balance. <p><i>References:</i> For more information on</p> <ul style="list-style-type: none"> • UFMIPs, see HUD 4155.2 7.2, and • annual MIPs, see HUD 4155.2 7.3.
4155.2 7.1.c Additional Information on MIPs (Reference)	<p>For more information on MIPs, see</p> <ul style="list-style-type: none"> • 24 CFR 203.18c, and • 24 CFR 203.259 – 203.288, and • ML 2008-22

2. Up Front Mortgage Insurance Premiums (UFMIPs)

Introduction This topic contains information on UFMIPs, including

- the UFMIP amount
 - the FHA policy on UFMIP payment
 - UFMIP late fees and interest
 - Verification of UFMIP payment prior to insurance
 - UFMIP refunds
 - the UFMIP 5 year refund schedule
 - the UFMIP 7 year refund schedule
 - non-endorsed cases after 18 months, and
 - the elimination of refunds.
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4155.2 7.2.a UFMIP Amount The table below lists the percentage of the mortgage amount that FHA charges for a UFMIP for the particular type of mortgage.

Type of Mortgage Loan	UFMIP
Purchase Money Mortgages and Full-Credit Qualifying Refinances	1.75%
Streamline Refinances (all types)	1.50%

Note: The total FHA-insured first mortgage on a property is limited to 100% of the appraised value, and the UFMIP is required to be included within that limit.

Reference: For more information on mortgage insurance premiums, see

- [ML 08-16](#), and
 - [ML 08-22](#).
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2. Up Front Mortgage Insurance Premiums (UFMIPs), Continued

4155.2 7.2.b UFMIP Payment Policy

The UFMIP remittance period begins on the date of loan settlement or the date of disbursement of the mortgage proceeds, whichever is later. UFMIP must be paid to FHA in a lump sum within 10 calendar days after the loan is closed.

The UFMIP must be either

- entirely financed into the mortgage, with the mortgage amount rounded down to a whole dollar (with the exception of instances in which the borrower chooses to pay up to 49.99 of the UFMIP in cash, in which case it would not then be reflected in the total mortgage amount), or
- paid entirely in cash and all mortgage amounts must be rounded down to a multiple of \$1.00.

The mortgage amount must be rounded down to a multiple of \$1.00, regardless of whether the UFMIP is financed or paid in cash. The UFMIP amount, that is the total mortgage amount, is not considered when determining compliance with statutory loan limits or LTV limits. The base mortgage amount must comply with the requirements. The total mortgage amount may exceed this limit by the financed UFMIP amount.

Note: Any UFMIP amounts paid in cash are added to the total cash settlement amount.

Reference: For information on annual MIP for mortgages with terms

- *more* than 15 years, see [HUD 4155.2 7.3.e](#), and
- *less* than 15 years, see [HUD 4155.2 7.3.f](#).

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2. Up Front Mortgage Insurance Premiums (UFMIPs), Continued

4155.2 7.2.c UFMIP Late Fees and Interest

If the lender pays the UFMIP beyond the FHA allowable number of days after closing, the lender incurs a late fee. If the UFMIP is paid more than 30 days after closing, the lender incurs a late fee plus interest and both must be paid before FHA will endorse the mortgage for insurance.

FHA also reserves the right to take appropriate enforcement proceedings against lenders paying UFMIPs late, regardless of the lender's payment of late fees and interest.

4155.2 7.2.d Verification of UFMIP Payment Prior to Insurance

For those cases requiring payment of a UFMIP, FHA's Computerized Home Underwriting Management System (CHUMS) verifies whether sufficient UFMIP has been paid. If a sufficient UFMIP has not been received by FHA, the case cannot be insured.

4155.2 7.2.e UFMIP Refunds

Borrowers are entitled to a partial refund of the UFMIP paid at closing if

- their loan closed on or after January 1, 2001, and they were paying off (or refinancing) their FHA loan within 5 years from the date of closing, or
- their loan closed on or after January 1, 1994, but before January 1, 2001, and they were paying off (or refinancing) their FHA loan within 7 years from the date of closing.

If the borrower is refinancing their current FHA loan to another FHA loan within 3 years, a refund credit may be applied to reduce the amount of the UFMIP paid on the refinanced loan.

Reference: For more information on

- specific UFMIP earnings factors and the
 - 5 year UFMIP refund schedule, see [HUD 4155.2 7.2.f](#), and
 - 7 year UFMIP refund schedule, see [HUD 4155.2 7.2.g](#), and
 - UFMIP and annual MIP amounts, see
 - [HUD 4155.2 7.3.e](#), and
 - [HUD 4155.2 7.3.f](#).
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2. Up Front Mortgage Insurance Premiums (UFMIPs), Continued

4155.2 7.2.f Below is the 5 year UFMIP refund schedule with UFMIP earnings factors.
UFMIP 5 Year Refund Schedule

FHA MMI FUND												
UPFRONT PREMIUM EARNING FACTORS												
FOR ALL MORTGAGE TERMINATIONS AND REFINANCES												
CLOSED ON OR AFTER JANUARY 1, 2001												
	Month of Year											
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	0.9750	0.9500	0.9250	0.9000	0.8750	0.8500	0.8333	0.8167	0.8000	0.7833	0.7667	0.7500
2	0.7333	0.7167	0.7000	0.6833	0.6667	0.6500	0.6333	0.6167	0.6000	0.5833	0.5667	0.5500
3	0.5333	0.5167	0.5000	0.4833	0.4667	0.4500	0.4333	0.4167	0.4000	0.3833	0.3667	0.3500
4	0.3333	0.3167	0.3000	0.2833	0.2667	0.2500	0.2375	0.2250	0.2125	0.2000	0.1875	0.1750
5	0.1625	0.1500	0.1375	0.1250	0.1125	0.1000	0.0833	0.0667	0.0500	0.0333	0.0167	0.0000

4155.2 7.2.g Below is the 7 year UFMIP refund schedule with UFMIP earnings factors.
UFMIP 7 Year Refund Schedule

FHA MMI FUND												
UPFRONT PREMIUM EARNING FACTORS												
FOR ALL MORTGAGE TERMINATIONS AND REFINANCES												
CLOSED ON OR AFTER JANUARY 1, 1994 TO DECEMBER 31, 2000												
	Month of Year											
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	0.9917	0.9833	0.9750	0.9667	0.9583	0.9500	0.9417	0.9333	0.9250	0.9167	0.9083	0.9000
2	0.8917	0.8833	0.8750	0.8687	0.8583	0.8500	0.8417	0.8333	0.8250	0.8167	0.8083	0.8000
3	0.7835	0.7870	0.7505	0.7340	0.7175	0.7010	0.6845	0.6680	0.6515	0.6350	0.6185	0.6020
4	0.5840	0.5660	0.5480	0.5300	0.5120	0.4940	0.4760	0.4580	0.4400	0.4220	0.4040	0.3860
5	0.3720	0.3580	0.3440	0.3300	0.3160	0.3020	0.2880	0.2740	0.2600	0.2450	0.2320	0.2188
6	0.2068	0.1967	0.1845	0.1733	0.1622	0.1510	0.1398	0.1287	0.1175	0.1083	0.0952	0.0840
7	0.0770	0.0700	0.0630	0.0560	0.0490	0.0420	0.0350	0.0280	0.0210	0.0140	0.0070	0.0000

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2. Up Front Mortgage Insurance Premiums (UFMIPs), Continued

4155.2 7.2.h Non Endorsed Cases After 18 Months

FHA's systems (FHAC/CHUMS) automatically cancel a case number 13 months after the last action. If a case is not endorsed within 18 months of closing/payment, the lender is warned by mail of a pending refund and advised to take action on the case. If the lender

- takes *no* action (the lender does not wish to seek insurance, a refund is generated, or
- wishes to *take action* and seek insurance, the lender is required to contact their MIP representative for instructions on re-applying the refund.

After the funds have been re-applied, the lender must contact the HOC and request that the case be reinstated. After reinstatement of the case, the lender must forward the case to the appropriate HOC for insuring.

4155.2 7.2.i Elimination of Refunds

Effective for those mortgages endorsed for insurance on or after December 8, 2004, Section 223 of the Consolidated Appropriations Act 2005 amended Section 203(c)(2)(A) of the National Housing Act to eliminate refunds of the FHA's UFMIP except when the borrower refinances to another mortgage to be insured by FHA.

The refund schedule for those borrowers who refinance to another FHA-insured mortgage is modified to a 3 year time period, as shown in the table below.

Upfront Mortgage Insurance Premium Refund Percentages												
Month of Year												
Upfront Mortgage Insurance Premium Refund Percentages												
Month of Year												
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	80	78	76	74	72	70	68	66	64	62	60	58
2	56	54	52	50	48	46	44	42	40	38	36	34
3	32	30	28	26	24	22	20	18	16	14	12	10

3. Annual MIPs

Introduction

This topic contains information on annual MIPs, including

- annual MIP payment policy
 - assessment of late fees and interest charges
 - automatic cancellation of the annual MIP
 - determining when a borrower reaches the LTV ratio for annual MIP cancellation
 - UFMIP and Annual MIP for Mortgages With Terms More Than 15 Years, and
 - UFMIP and Annual MIP for Mortgages With Terms Less Than 15 Years.
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May 10, 2009

**4155.2 7.3.a
Annual MIP
Payment Policy**

In addition to the UFMIP described in [HUD 4155.2 7.2](#), certain mortgages require the payment of an annual premium. The percentage amount of the annual premium is based upon the LTV and the term of the mortgage.

For programs that require a monthly MIP, FHA must receive payment by the 10th of the month.

**4155.2 7.3.b
Assessment of
Late Fees and
Interest
Charges**

If the monthly MIP payment is received after the 10th of the month, a late charge is assessed. If the payment is received 30 days or more after loan closing, interest charges are also assessed.

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3. Annual MIPs, Continued

**4155.2 7.3.c
Automatic
Cancellation of
the Annual
MIP**

For loans closed on or after January 1, 2001, FHA's annual MIP is automatically cancelled under the conditions outlined in the table below.

Note: This MIP cancellation provision *only* applies to loans with a UFMIP.

For mortgages with ...	The annual MIP is ...
terms <i>more</i> than 15 years	cancelled when the LTV ratio reaches 78 percent, provided the borrower has paid the annual MIP for at least five years. <i>References:</i> <ul style="list-style-type: none"> • For information on how FHA determines when a borrower has reached the 78 percent LTV ratio, see HUD 4155.2 7.3.d. • For more information on UFMIP and annual MIP for mortgages with terms <i>more</i> than 15 years, see HUD 4155.2 7.3.e.
<ul style="list-style-type: none"> • terms 15 years and less, and • LTV ratios 90 percent and greater 	cancelled when the LTV ratio reaches 78 percent, regardless of the length of time the borrower has paid the annual MIP. <i>Reference:</i> For more information on UFMIP and annual MIP for mortgages with terms <i>less</i> than 15 years, see HUD 4155.2 7.3.f .
<ul style="list-style-type: none"> • terms 15 years and less, and • LTV ratios of 89.99 percent and less 	not charged.

Notes:

- Although the annual MIP is cancelled as described above, the contract of insurance remains in force for the loan's full term.
- Cancellation of the annual MIP is normally based on the scheduled amortization of the loan. However, in cases where the loan payments have been accelerated or modified, cancellation can be based on the actual amortization of the loan as provided to FHA by the servicing lender.

Reference: For more information on MIP cancellation and how FHA determines when a borrower has reached the 78 percent LTV ratio, see [HUD 4155.2 7.3.d](#).

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3. Annual MIPs, Continued

**4155.2 7.3.d
Determining
When a
Borrower
Reaches the
LTV Ratio for
Annual MIP
Cancellation**

FHA determines when a borrower has reached the 78 percent LTV ratio based on the *lesser* of the

- sales price, or
- appraised value at origination (new appraised values will not be considered).

Example: If the lesser of the sales price or appraised value at origination is \$100,000, when the loan amount reaches \$78,000 FHA no longer collects an annual MIP on the loan.

Reference: For additional information on LTV ratios, see [HUD 4155.1 2.A.](#)

**4155.2 7.3.e
Reference
Chart: UFMIP
and Annual
MIP for
Mortgages
With Terms
More Than 15
Years**

The table below contains UFMIP and annual MIP information for mortgages with terms more than 15 years.

REFERENCE CHART FOR UPFRONT AND ANNUAL MIP FOR MORTGAGES WITH TERMS MORE THAN 15 YEARS			
Upfront	LTV Ratio	Premium	Years
1.50 percent	All LTVs	.50 percent	*
*Years will be determined when the loan balance equals 78 percent, provided the borrower has paid the annual MIP for at least 5 years (scheduled or actual).			

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3. Annual MIPs, Continued

4155.2 7.3.f The table below contains UFMIP and annual MIP information for mortgages with terms 15 years or less.

Reference Chart: UFMIP and Annual MIP for Mortgages With Terms Less Than 15 Years

REFERENCE CHART FOR UPFRONT AND ANNUAL MIP FOR MORTGAGES WITH TERMS 15 YEARS AND LESS			
Upfront	LTV Ratio	Premium	Years
1.50 percent	89.99 and under	None	N/A
1.50 percent	90.00 and over	.25 percent	**
** Years will be determined when the loan balance equals 78 percent (scheduled or actual).			

4. Risk Based Premiums for FHA Mortgage Insurance

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**4155.2 7.4.a
FHA Policy on
Risk Based
Premiums**

Effective with new FHA Case number assignments on or after July 14, 2008, FHA implemented risk based premiums on one to four unit single family mortgages. The premiums were based solely on the prospective borrower's credit bureau score and the loan-to-value ratio.

However, effective October 1, 2008, FHA announced a moratorium on the implementation of the risk based premium policy.

References: For more information on

- risk based premiums for loans originated between July 14, 2008 and October 1, 2008, see [ML 08-16](#), and
 - the moratorium on the risk based premium policy, see [ML 08-22](#).
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