

FHA/MBA Industry Meeting Notes July 15, 2008

Attendance

Participants:

FHA

Brian Montgomery, Assistant Secretary for Housing, Federal Housing Commissioner
Margaret Burns, Director, Office of Single Family Program Development
Jim Beavers, Deputy Director, Office of Single Family Program Development

MBA

William Kooper, Associate Vice President, MBA
Judith Smith, Member of MBA Residential Board of Directors, Chair of MBA Loan Production Committee, President of Judith Smith Mortgage (Fort Worth, TX)

Presentation

Welcome

Melanie Santana-Ochs

Introduction

Judith Smith

Introduction to FHA*Secure* and Risk-based Premiums

Brian Montgomery

- The implementation of risk-based premiums is going smoothly
- We want to emphasize that FHA cannot expand FHA*Secure* without changing the premium structure
- The changes in the premium structure and expansion of FHA*Secure* will not occur overnight: implementation of these programs is ongoing. FHA tried to prevent difficulties with implementation of both risk-based premiums and FHA*Secure* as much as possible.

Risk-based Premiums

Meg Burns

- Review of policy on Risk-based Premiums
 - Effective as of July 14, 2008
 - Affects all FHA business, not just FHA*Secure*
 - Applies to all loans for which case numbers were assigned on or after July 14, 2008
 - Applies to purchase and refinance transactions
 - Change applies to premiums only: no changes to underwriting standards
 - Most borrowers' premiums unchanged from today: did not want to raise premiums for traditional FHA borrowers

FHA Response Plan

Meg Burns

- The goal of this call is to discuss how participants can communicate with FHA if they have questions or problems
- FHA has set up a mailbox for the industry to send questions: riskbased@hud.gov. Emails should include name, lender/organization, contact number, and case number (if applicable)
- FHA has devoted a team to respond to the inquiries: at most, a 4-hour wait time may occur for responses
 - If response time will be longer due to difficult case or high volume of calls, FHA will notify all parties of delays
- Some issues so far:
 - Any cases received for streamlined refinances over the previous week went into “hold” status because a glitch in the system produced a lower premium for those cases than it should have
 - Spoke with the legal department to discuss the language of the legislation: as it stands, the legislation makes risk-based premiums effective as of the day the legislation is signed into law. This may create a moratorium on implementing the new RBP structure and delay implementation. This would clearly contradict our July 14th implementation date.
 - The possibility of delay also creates a problem for FHA: the new structure has been designed and put into our systems. It will take time for FHA to revert to a new structure if a moratorium is enacted. If the moratorium is enacted, it will be a difficult situation for all parties involved.
- The goal of this email contact is to prevent calls from being made to the FHA Call Center
- Parties should check out fha.gov for FAQs

Q&A Session

Qs: Call-in participants and online queue

As: Meg Burns, Jim Beavers

The following Questions were submitted online and on the telephone:

- 1. If the FHA Modernization Bill passes and includes the delayed implementation of risk-based premiums, is there a chance that the revised RBP structure will be suspended?**

Yes, FHA would be required by law to suspend it. If FHA were to replace it with a new structure to conform to the bill's implementation, FHA would have to issue a Federal Register Notice, which takes time.

- 2. Do the new premium rules for streamline refinances apply to all loans?**

No, these rules apply only to loans greater than 15 years.

Note: This revised premium structure replaces Mortgagee Letter 00-46, “Additional Details about the Further Reduction in Upfront Mortgage Insurance Premiums and Other Mortgage Insurance Premium Changes”, in its entirety.

- 3. I am concerned about the volume that FHA is taking on. We have been sending loans to the HOCs for Mortgage ICs and the loans have been sitting there for six weeks. Investors will not do anything with the loans without MICs. What can we do?**

This is the first time we are hearing about this problem. We will contact the HOCs and determine what we can do.

- 4. Assuming that the new RBP structure and expanded FHASecure move forward, will FHA provide guidance on the Informed Consumer Choices Document?**

We would rather not provide additional guidance, but we can if it is necessary.

- 5. Is the possibility that Congress will not allow the risk-based premium structure to be enacted a moratorium or is it permanent?**

It will be a moratorium, which will be 1 year long from the day it is enacted.

- 6. What is Congress’s position on the risk-based premium structure?**

Opposition to the structure exists in Congress. They are concerned that lower income borrowers are more likely to default when the statistics are not showing it. Congress took this idea seriously so the possibility of a moratorium stands as of now.

- 7. Will Loan Prospector support the new RBP structure?**

Yes, definitely.

- 8. If RBP stays in effect, the legislation is passed, and we complete a streamline refinance, in addition to displaying the RBP, will Loan Prospector display the FICO score?**

As per the tech department, the FICO score is not displayed.

- 9. If all conventional loans are now under FHASecure, is there any way to separate delinquent from non-delinquent loans so that non-delinquent borrowers are not penalized?**

Yes, that is how the system is set up.

- 10. If the legislation passes and we revert back to traditional MIP, can’t we go back to using the old MIP structure?**

We cannot maintain FHASecure using the old structure if this happens. It will not generate enough income. We will have to issue new policy on what the new structure will be.

- 11. Regarding the previous question, would FHA be able to revert back to the old structure temporarily until FHA is able to issue a new rule in the Federal Register?**

Even if FHA could do so, it would not be beneficial to do so and the systems are no longer structured to handle that structure.

- 12. How do we handle all loans until the legislation passes – which structure should we use?**

You should use the new RBP structure.

- 13. For streamline refinances, do we have to go through AUS?**

No.

- 14. A government bond trader informed us at Taylor Bean that delinquent and non-delinquent loans are not distinguished when they are pooled together. This results in non-delinquent loans being charged the same fee as delinquent loans. How is this possible?**

We understand that this is not the case. FHA will educate traders on this issue as needed.

We renamed the refinance product to FHASecure because we included both delinquent and non-delinquent loans. Even though they are now under the same product, it does not mean that they are not segregated.

- 15. Is there anything in the congressional bill that expands FHASecure to go beyond 12/31/08?**

No, the language does not provide for this. FHA would expand it.

- 16. The policy on risk-based premiums states that a borrower may be exempt from the requirement to attend face-to-face counseling if he or she experiences “hardship”. Can you define this?**

Yes. In this case, hardship means that the borrower does not have an agency nearby or has mobility issues that prevent him or her to attend an in-person counseling session.

- 17. Does the credit score of a non-purchasing spouse in a community property state affect the risk-based premium?**

No.

- 18. When one borrower has a lower credit score and attends counseling, do all borrowers have to attend counseling even if their scores are higher?**

Yes, all borrowers would have to attend.

19. In a client file, how do we show that a client is a first-time homebuyer?

There must be evidence on record of no prior purchases.

20. If a borrower has improved their FICO since initially taking a loan, can we use the improved score for a streamline refinance?

Yes.

21. If all FHA refinances are now included in FHASecure, does it mean that refinances will not be available after this year?

No, refinances will continue to be available but not for previously delinquent loans.

22. Who oversees housing counseling agencies at FHA?

The Office of Single Family Program Development oversees the counseling agencies.

23. If a lender is not participating in FHASecure, are there any changes in effect for them?

No, it is business as usual for these lenders.

24. Regarding the possible moratorium on RBP, who do you suggest we talk to to ensure that our voices are heard on the issue?

You should write and call your congressmen and senators.