

Bill to Let FHA Raise Annual Premiums Heads to Obama

HousingWire Posted By [DIANA GOLOBAY](#) On August 5, 2010 @ 4:18 pm

The Senate approved its versions of HR 5872 and HR 5981, which would respectively raise the **Federal Housing Administration's** (FHA) multifamily commitment authority and allow it to hike its annual premiums for its single-family program.

Both bills now travel to the desk of President Barack Obama to be signed into law.

HR 5981, which also passed the House of Representatives last week, would allow the FHA to raise its annual premiums for the single-family program, raising the statutory cap rate to 1.55% from 0.55% — a flexibility that could ultimately reduce the cost of credit insured by the FHA, according to the **Mortgage Bankers Association** (MBA).

"While premium increases are never ideal, this bill was necessary to help improve the strength and stability of FHA's single family programs," said MBA chairman Robert Story Jr. "We are encouraged that FHA Commissioner [David] Stevens has indicated he may not need to raise premiums to the maximum, and we believe that that a small increase in the annual premium, coupled with a decrease in FHA's upfront premium [calculated in the chart below, from the FHA], will help stabilize FHA while lowering closing costs for many borrowers."

The annual premium raise will provide approximately \$300m of additional insurance per month to the FHA's Mutual Mortgage Insurance (MMI) Fund, according to Stevens.

"I thank Congress for giving FHA the flexibility to adjust its annual premium at a time when our reserves are perilously low," he said. "With this authority, FHA is in a better position to address the increased demands of the marketplace and return the MMI fund to its congressionally mandated level without disruption to the housing market."

Stevens added: "While we appreciate and applaud this recent action, there is still work to be done. [The **US Department of Housing and Urban Development**] remains steadfast in its commitment to comprehensive FHA reform legislation, similar to the FHA Reform Act passed earlier this year by the House, which would further enhance FHA's lender enforcement capabilities and risk management efforts."

The MBA noted that the broader FHA Reform Act passed the House in June but has yet to be considered by the Senate.

HR 5872, which passed the House of Representatives last week, increases FHA's commitment authority for its multifamily insurance programs by \$5bn for the remainder of the fiscal year — which ends at the end of September.

Without the increase, the FHA would have exhausted its current authority sometime in mid-August, according to the MBA.