



Specializing in Residential Mortgage Lending

Government Information, Updates & Reminders

WHAT'S COMING

Effective with new case numbers assigned on or after 10/4/10 both the UFMIP and monthly MIP will be changing on FHA loans-

- Up front mortgage insurance will decrease to 1.0% for all amortization terms and
- Annual premiums will increase on amortization terms >15 years to:
 - .85% on LTV's <95%
 - .90% on LTV's >95%

Old MIP vs. New MIP illustration

Based upon a loan amount of \$200,000 @ 4.5% rate @ 30-year @ 96.5% LTV:

New FHA MIP	Old FHA MIP
Loan amount 202,000 (1% UFMIP)	Loan Amount 204,500 (2.25% UFMIP)
P&I & MI (.90% Annual) = \$1,172	P&I & MI (.55% Annual) = \$1,127

(*The Borrower Pays \$45 more per month which translates into a negative \$7,500 in buying power.)

However, if home is sold at year 7:

New FHA MIP	Old FHA MIP
Principal Balance = \$175,793	Principal Balance = \$177,968

[*FHA gets \$2,102 MORE in MIP but principal balance is \$2,175 less, so at year 7, it's basically a "wash". (The same calculation for 5 years, same deal.)]

Bottom line, FHA gets MORE, but the buyer builds up more equity.

As of right now, the MI is still deductible on income taxes (sunset on December 31, 2010).

Just a reminder...the MI drops off after it reaches 78%, or approximately 10 years!



NMLS 297889

KATHY WHITE
Loan Officer

Specializing in Residential Mortgage Lending

Cell: 504.236.3802

kawhite@houseloan.com

2439 Manhattan Boulevard, Suite 102 • Harvey, Louisiana 70058

