

## Chapter 7. Mortgage Insurance Premiums (MIP)

### 1. Types of Mortgage Insurance Premiums (MIP)

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**Introduction** This topic contains information on the types of mortgage insurance premiums (MIP), including

- › the purpose of [MIP](#)
  - › types of [MIP](#), and
  - › locating additional information on [MIP](#).
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**Change Date** November 19, 2010

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**4155.2 7.1.a Purpose of MIP** Mortgage insurance premiums (MIP) are used to protect lenders against loss in the event of a foreclosure.

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**4155.2 7.1.b Types of MIP** For most of its mortgage insurance programs, FHA collects an

- › upfront mortgage insurance premium (UFMIP), and
- › annual insurance premium, which is collected in monthly installments.

**Note:** The monthly premium varies by program, and based on the outstanding principal balance.

- References:** For more information on
- › [UFMIPs](#), see [HUD 4155.2 7.2](#), and
  - › annual [MIP](#), see [HUD 4155.2 7.3](#).
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**4155.2 7.1.c Locating Additional Information on MIP (Reference)** For more information on [MIP](#), see

- › [24 CFR 203.18c](#)
- › [24 CFR 203.259 – 203.288](#), and
- › [ML 2008-22](#).

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## 2. Upfront Mortgage Insurance Premiums (UFMIP)

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**Introduction** This topic contains information on upfront mortgage insurance premiums (UFMIP), 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
  - › cases not endorsed after 18 months, and
  - › the elimination of [UFMIP](#) refunds.
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**Change Date** March 1, 2011

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## 2. Upfront Mortgage Insurance Premiums (UFMIP), Continued

**4155.2 7.2.a**  
**Upfront**  
**Mortgage**  
**Insurance**  
**Premium**  
**(UFMIP)**  
**Amount**

Effective for loans with case numbers assigned on or after October 4, 2010, FHA has lowered its upfront mortgage insurance premium (UFMIP) for

- purchase money transactions, and
- refinance transactions, including
  - FHA-to-FHA credit-qualifying refinances, and
  - non-credit qualifying streamlined refinance transactions.

**Exception:** The upfront premium changes apply to all mortgages insured under FHA’s Single Family Insurance Programs *except* the following:

- Section 223(e), Declining Neighborhoods
- Section 238(c), Military Impact Areas in Georgia and New York
- Section 247, Hawaiian Homelands
- Section 248, Indian Reservations
- Section 255, Home Equity Conversion Mortgages (HECM)
- Title I, and
- HOPE for Homeowners (H4H).

The upfront premium is charged for all amortization terms as described in the table below.

MORTGAGE TYPE	UPFRONT PREMIUM REQUIREMENT
Purchase Money Mortgages and Full Credit Qualifying Refinances	100 BPS
Streamline Refinances (all types)	100 BPS

**Reference:** For information on [MIP](#) payment for [HECMs](#), see [HUD 4155.2 1.C.17.d](#), and [ML 10-34](#).

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## 2. Upfront Mortgage Insurance Premiums (UFMIP), 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. Lenders must pay the [UFMIP](#) to FHA in a lump sum within 10 calendar days after a loan has closed.

The table below describes how the lender determines the mortgage amount based on whether the [UFMIP](#) is financed into the mortgage or paid in cash.

If the UFMIP is...	Then the mortgage amount must be...
entirely financed into the mortgage	rounded down to a whole dollar.  <b>Exception:</b> If the borrower chooses to pay up to \$49.99 of the <a href="#">UFMIP</a> in cash, the <a href="#">UFMIP</a> is not reflected in the total mortgage amount.
paid entirely in cash	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 loan-to-value (LTV) limits. The base mortgage amount must comply with the requirements. The total mortgage amount may exceed the limit by the financed [UFMIP](#) amount.

**Note:** Any [UFMIP](#) amounts paid in cash are added to the total cash settlement amount.

**References:** 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. Upfront Mortgage Insurance Premiums (UFMIP), Continued

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### 4155.2 7.2.c UFMIP Late Fees and Interest

The lender incurs a late fee if it pays the [UFMIP](#) beyond the FHA allowable number of days after closing.

If the [UFMIP](#) is paid more than 30 days after closing, the lender is assessed a late fee plus interest and must pay both charges before FHA will endorse the mortgage for insurance.

FHA reserves the right to take appropriate enforcement measures against lenders that remit [UFMIP](#) late, regardless of the lenders' payment of late fees and interest.

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### 4155.2 7.2.d Verification of UFMIP Payment Prior to Insurance

For those cases requiring payment of a [UFMIP](#), FHA's Computerized Homes Underwriting Management System (CHUMS) verifies whether a lender has paid a sufficient [UFMIP](#). If the [UFMIP](#) amount received by FHA is not sufficient, the case cannot be insured.

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### 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
- 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 his/her 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. Upfront Mortgage Insurance Premiums (UFMIP), 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												
Year	Month of 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	0.2225	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												
Year	Month of 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	0.8667	0.8583	0.8500	0.8417	0.8333	0.8250	0.8167	0.8083	0.8000
3	0.7833	0.7877	0.7500	0.7344	0.7178	0.7012	0.6846	0.6680	0.6514	0.6348	0.6182	0.6016

	5	0	5	0	5	0	5	0	5	0	5	0
4	0.584 0	0.566 0	0.548 0	0.530 0	0.512 0	0.494 0	0.476 0	0.458 0	0.440 0	0.422 0	0.404 0	0.386 0
5	0.372 0	0.358 0	0.344 0	0.330 0	0.316 0	0.302 0	0.288 0	0.274 0	0.260 0	0.245 0	0.232 0	0.218 8
6	0.206 8	0.196 7	0.184 5	0.173 3	0.162 2	0.151 0	0.139 8	0.128 7	0.117 5	0.108 3	0.095 2	0.084 0
7	0.077 0	0.070 0	0.063 0	0.056 0	0.049 0	0.042 0	0.035 0	0.028 0	0.021 0	0.014 0	0.007 0	0.000 0

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## 2. Upfront Mortgage Insurance Premiums (UFMIP), Continued

### 4155.2 7.2.h Cases Not Endorsed After 18 Months

If a case is not endorsed within 18 months of closing/payment of the [UFMIP](#), the lender is warned, by mail, of a pending refund and is advised to take action on the case.

If the lender

- takes no action, which means that it does not wish to seek insurance, the system generates a refund, or
- wishes to *take action* and seek insurance, the lender is required to contact its [MIP](#) representative for instructions on re-applying the refund.

After the funds have been re-applied, the lender must contact the Homeownership Center (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 UFMIP 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 [UFMIP](#) except when a 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												
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 Mortgage Insurance Premiums (MIP)

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- Introduction** This topic contains information on annual mortgage insurance premiums (MIP), including
- › annual [MIP](#) payment policy
  - › assessment of late fees and interest charges
  - › automatic cancellation of the annual [MIP](#)
  - › determining when a borrower has reached the loan-to-value (LTV) ratio for annual [MIP](#) cancellation
  - › UFMIP and annual MIP for mortgages with terms more than 15 years
  - › [UFMIP](#) and annual [MIP](#) for mortgages with terms less than 15 years, and
  - › example of annual MIP increase.
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**Change Date** March 1, 2011

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### 3. Annual Mortgage Insurance Premiums (MIP), Continued

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#### 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 amount of the annual premium is based on the loan-to-value (LTV) ratio and the term of the mortgage.

For programs that require a monthly [MIP](#), FHA must receive payment by the 10<sup>th</sup> of the month.

Effective April 18, 2011, FHA has increased annual MIPs for forward mortgage amortization terms by 25 basis points.

**Exception:** This increase applies to all mortgages insured under FHA's Single Family Mortgage Insurance Programs *except*

- › Section 223(e), Declining Neighborhoods
  - › Section 238(c), Military Impact Areas in Georgia and New York
  - › Section 247, Hawaiian Homelands
  - › Section 248, Indian Reservations
  - › Section 255, Home Equity Conversion Mortgages (HECM)
  - › Title I, and
  - › HOPE for Homeowners (H4H).
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#### 4155.2 7.3.b Assessment of Late Fees and Interest Charges

If the monthly [MIP](#) payment is received

- › after the 10<sup>th</sup> of the month, the lender is assessed a late charge, and
  - › 30 days or more after loan closing, the lender is assessed interest charges in addition to the late fee.
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### 3. Annual Mortgage Insurance Premiums (MIP), 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	<p>cancelled when the <a href="#">LTV</a> ratio reaches 78%, provided the borrower has paid the annual <a href="#">MIP</a> for at least five years.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• For information on how FHA determines when a borrower has reached the 78% <a href="#">LTV</a> ratio, see <a href="#">HUD 4155.2 7.3.d</a>.</li> <li>• For more information on <a href="#">UFMIP</a> and annual <a href="#">MIP</a> for mortgages with terms <i>more</i> than 15 years, see <a href="#">HUD 4155.2 7.3.e</a>.</li> </ul>
<ul style="list-style-type: none"> <li>• terms 15 years and less, and</li> <li>• <a href="#">LTV</a> ratios 90% and greater</li> </ul>	<p>cancelled when the <a href="#">LTV</a> ratio reaches 78%, regardless of the length of time the borrower has paid the annual <a href="#">MIP</a>.</p> <p><b>Reference:</b> For more information on <a href="#">UFMIP</a> and annual <a href="#">MIP</a> for mortgages with terms <i>less</i> than 15 years, see <a href="#">HUD 4155.2 7.3.f</a>.</p>

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### 3. Annual Mortgage Insurance Premiums (MIP), Continued

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**4155.2 7.3.c Automatic Cancellation of the Annual MIP (continued)**

For mortgages with ...	The annual MIP is ...
<ul style="list-style-type: none"> <li>• terms 15 years and less, and</li> <li>• <a href="#">LTV</a> ratios of 89.99% and less</li> </ul>	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.
- Mortgage insurance may be terminated via payment in full, conveyance for insurance benefits, or voluntary termination upon agreement between the borrower and lender.

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

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### 3. Annual Mortgage Insurance Premiums (MIP), Continued

#### 4155.2 7.3.d Determining When a Borrower Has Reached the LTV Ratio for Annual MIP Cancellation

FHA determines when a borrower has reached the 78% [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 UFMIP and Annual MIP for Mortgages With Terms More Than 15 Years

For traditional purchase and refinance products, the annual premium is remitted on a monthly basis, and is charged on the initial [LTV](#) ratio and the length of the mortgage according to the schedule in the table below.

The table below contains [UFMIP](#) and annual [MIP](#) information for mortgages with terms more than 15 years.

Mortgage Insurance Premiums		
Loans <input type="checkbox"/> 15 years		
UFMIP = 100 bps		
Annual Premium		
LTV	Through 4/17/2011	On/After 4/18/2011
≤ 95.00%	85 bps	110 bps
<input type="checkbox"/> 95.00 %	90 bps	115 bps
≤ 90.00 %	None	25 bps
<input type="checkbox"/> 90.00 %	25 bps	50 bps

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### 3. Annual Mortgage Insurance Premiums (MIP), Continued

**4155.2 7.3.g**  
**Example:**  
**Annual MIP**  
**Increase**

The table below provides an example of the change/increase in the annual MIP calculation.

	<b>Example of Annual Mortgage Insurance Premium Increase</b>	<b>30 year Term</b>
<b>Average Loan</b>	☐ 95% LTV	
	<b>October 2010</b> 90 bps	<b>April 2011</b> 115 bps
Sales Price	\$163,000	\$163,000
Minimum Down payment (3.5%)	\$5,705	\$5,705
Mortgage Amount without UFMIP	\$157,295	\$157,295
FHA Annual MIP (monthly payment)	\$118	\$151
Change in payment (monthly)	---	\$33

## 4. Risk Based Premiums for FHA Mortgage Insurance

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**Change Date**      May 10, 2009

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

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

Effective October 1, 2008, however, 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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