



## ANNOUNCEMENT .....#09-27, September 25,2009

To: All Michigan Mutual Brokers

Re: Compliance Announcement

### **Topics discussed in this Compliance Announcement:**

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- Higher Priced Mortgage Loans
  - FHA Mortgage History on Streamlines
  - Certified Appraiser Requirement on FHA loans
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### ***Higher Priced Mortgage Loans (HPML)***

On July 30, 2008, the Federal Reserve Board published a final rule amending Regulation Z, which implements the Truth in Lending Act and Home Ownership and Equity Protection Act. The following is a brief summary of the new legislation that is taking effect for **applications on or after October 1, 2009**.

“Higher-priced mortgage loan” is defined as:

- ❖ A consumer credit transaction secured by the consumer’s principal dwelling; that has an APR that exceeds the “average prime offer rate” for a comparable transaction by:
  - 1.5% or more for first lien loans; or
  - 3.5% or more for subordinate lien loans

“Average prime offer rate” is defined as an APR derived from average interest rates, points and other loan pricing terms currently offered to consumers by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics. The Federal Reserve Board publishes average prime offer rates for a broad range of transactions types available at [www.ffiec.gov/ratespread/newcalc.aspx](http://www.ffiec.gov/ratespread/newcalc.aspx) .

The loan’s APR is compared to the “higher-priced mortgage loan” rate as of the date the interest rate is locked. Any loan with its APR exceeding the “higher-priced mortgage loan” rate will have the following restrictions:

Restrictions:

- ❖ The borrower’s ability to repay must be documented
- ❖ No prepayment penalty will be allowed
- ❖ All higher priced mortgage loans will have escrows for property tax and insurance

The following programs and products are not eligible to close if the APR exceeds the HPML rate:

- ❖ FHA Streamline Refinance with out income and credit qualifying
- ❖ FHA ARMS

❖ Non escrow transactions

### ***FHA Mortgage History Restriction***

Effective on all FHA streamline loans as of **October 1, 2009**, must have no 30-day or greater mortgage lates (0x30) in the most recent 12 months **and a minimum of six months documented payment history (seasoning) with the current loan.**

If unable to document six months payment history (seasoning) with the current loan, the loan must be documented as a credit/income qualifying FHA Streamline Refinance.

### ***FHA Appraiser Requirements***

Effective with all Appraisal assignments dated October 1, 2009 or after, per HUD Mortgage Letter 2008-39 lenders must use state certified appraisers for FHA-insured mortgages. The appraiser assignment field within the Case Number Assignment screen in the FHA Connection must be input with an appraiser who is listed as either **certified residential** or **certified general** on the FHA Roster for the state in which the property is located. If, on or after October 1, 2009, an appraisal assignment is entered into the FHA Connection for a property from a FHA Roster Appraiser who is **licensed but not certified** the appraisal will be **unacceptable** for FHA-insured financing and a second appraisal performed by a state certified appraiser will be requested by the underwriter (and paid for at the broker's expense). MMI will require a copy of the appraiser's current certified license with each appraisal report.

When appraisal assignments (case number assignments) are given to licensed appraisers prior to October 1, 2009, but the appraisal is not completed until after that date, the appraisal will be accepted. However, the case assignment date must be accurately reflected as assigned prior to October 1, 2009 in the FHA Connection and the printout of the FHA Case Number assignment must be provided at the time of loan submission. In these cases, the loan file and appraisal must be submitted to MMI no later than October 30, 2009. Appraisals that were completed by licensed appraisers prior to the deadline, which are transferred to us from another lender, may be used as long as the original FHA Case Number assignment date occurred prior to October 1, 2009.

**Please contact your account executive if you have any questions.**