



NATIONAL ASSOCIATION *of* REALTORS®

FROM: NAR Government Affairs
DATE: January 27, 2017
RE: FHA Mortgage Insurance Premium Talking Points

In response to several requests from state and local association partners NAR Government Affairs has put together a set of talking points for you to use for any questions. NAR has sent a letter to the Secretary Designate, Dr. Ben Carson opposing the suspension of the 25 basis point reduction of the FHA Annual Mortgage Insurance Premium. You can view and download the letter using this link: <http://narfocus.com/billdatabase/clientfiles/172/3/2822.pdf>

What You Need to Know About FHA Mortgage Insurance Premium Rates

Impact on Homebuyers

- Trump administration has suspended the Federal Housing Administration's (FHA) 25 basis point reduction of the FHA Annual Mortgage Insurance Premium rates for mortgages with a closing/disbursement date on or after January 27, 2017.
- FHA occupies a critical role in the nation's housing finance system, with a mission to ensure access to mortgage credit is available to all Americans, in particular groups traditionally underserved by the private market, including low to moderate-income, minority, and first-time homebuyers.
- The National Association of REALTORS® estimates that the premium reduction would have reduced costs for 750,000 to 850,000 homebuyers in 2017 with mortgages backed by the FHA.
- An additional 30,000 to 40,000 homebuyers are now shut out.
- The suspension of the premium reduction has created uncertainty and confusion for a significant number of borrowers, sellers, lenders and underwriters.
- Borrowers must face an increase in the cost of their loans and some may no longer qualify to purchase the home they intended to buy due to the increase in the premium rates.

Impact on FHA

- Suspending the premium reduction has consequences for the business of FHA.
- The last FHA premium cut helped to shore up the FHA's books and restore the Mutual Mortgage Insurance Fund's (MMIF) capital ratio above the statutory 2.0 percent level.
- Lower fees helped FHA to retain better borrowers from refinancing to private mortgage insurers who had re-entered the market, but more importantly, it helped to improve affordability allowing many previously sidelined borrowers to qualify for a home purchase.
- The 2016 FHA Actuarial reports showed that the MMIF exceeded the 2.0 percent statutory requirement for a second year in a row.
- The forward FHA portfolio ratio was a healthy 3.28 percent.

What needs to be done:

- NAR urges FHA to reinstate the 25 basis point premium reduction and remove the life of loan premium as soon as possible.
- Homeownership is a key element of the American Dream and FHA makes that dream possible for millions of Americans.
- We look forward to working with this Administration to ensure FHA's continued health and necessary participation in the housing market.