

# FHA Announces Historic Insurance Rate Reduction



## FHA Announces Lower Mortgage Insurance Premiums

By: Matthew Graham | Wed, Feb 22 2023, 2:14 PM

Earlier this morning, HUD released details of a long-anticipated plan to reduce the annual MIP (mortgage insurance premiums) that are currently charged to FHA borrowers by 30 Basis Points (0.3% of the loan balance). HUD Secretary Marcia Fudge made the announcement today at Bowie State University.

The premium will be reduced from 0.85 percent to 0.55 percent for most FHA borrowers, which could benefit up to 850,000 borrowers over the coming year, saving these families an average of \$800 annually. "...today, we are building on the steps we've taken to make homeownership more affordable, and HUD is acting to ensure people feel comfortable purchasing a home as they build toward their future. As we reduce housing costs for people with FHA mortgages, we continue our work to address longstanding disparities in homeownership," says Secretary Fudge.

### Details from HUD Release:

"The 30 basis point annual MIP reduction will apply to almost all Single Family Title II forward mortgages insured by FHA. Further, the reduction applies to all eligible property types, including single family homes, condominiums, and manufactured homes, all eligible loan-to-value ratios, and all eligible base loan amounts.

The average FHA borrower purchasing a one-unit single family home with a \$265,000 mortgage will save approximately \$800 this year as a result of FHA's premium reduction. For the same borrower with a mortgage of \$467,700 – the national median home price as of December 2022 – FHA's annual MIP reduction will save them more than \$1,400 in the first year of their mortgage. In addition to providing overall savings to borrowers, a lower annual MIP can also help more people qualify for a mortgage."

The annual mortgage insurance premium reductions are noted in the table below and are effective for mortgages endorsed for insurance by FHA on or after March 20, 2023.

### National Average Mortgage Rates



| Mortgage News Daily | Rate  | Change | Points |
|---------------------|-------|--------|--------|
| 30 Yr. Fixed        | 6.88% | +0.06  | --     |
| 15 Yr. Fixed        | 6.25% | +0.07  | --     |
| 30 Yr. Jumbo        | 6.42% | +0.02  | --     |
| 5/1 ARM             | 6.60% | -0.03  | --     |
| 30 Yr. FHA          | 6.35% | +0.10  | --     |
| 30 Yr. VA           | 6.40% | +0.14  | --     |

### Freddie Mac

|              |       |       |      |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 6.50% | +0.18 | 0.00 |
| 15 Yr. Fixed | 5.76% | +0.25 | 0.00 |

### Mortgage Bankers Assoc.

|              |       |       |      |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 6.62% | +0.23 | 0.75 |
| 15 Yr. Fixed | 5.98% | +0.13 | 0.93 |
| 30 Yr. FHA   | 6.39% | +0.14 | 1.16 |

Rates as of: 2/24

### MBS and Treasury Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 5.0   | 97.94         | -0.41   |
| 2 YR Treasury  | 4.8052        | +0.1016 |
| 5 YR Treasury  | 4.2120        | +0.0951 |
| 7 YR Treasury  | 4.1140        | +0.0695 |
| 10 YR Treasury | 3.9511        | +0.0607 |
| 30 YR Treasury | 3.9355        | +0.0452 |

Pricing as of: 2/24 2:39PM EST

**Annual Mortgage Insurance Premium (MIP)**

Applies to all Mortgages except:

- Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA endorsed Mortgage on or before May 31, 2009
- Hawaiian Home Lands (Section 247)

Hawaiian Home Lands (Section 247) do not require Annual MIP

**Mortgage Term of More Than 15 Years**

| Base Loan Amount                | LTV                   | New MIP (bps) | Previous MIP (bps) | Duration      |
|---------------------------------|-----------------------|---------------|--------------------|---------------|
| Less than or equal to \$726,200 | ≤ 90.00%              | 50            | 80                 | 11 years      |
|                                 | > 90.00% but ≤ 95.00% | 50            | 80                 | Mortgage term |
|                                 | > 95.00%              | 55            | 85                 | Mortgage term |
| Greater than \$726,200          | ≤ 90.00%              | 70            | 100                | 11 years      |
|                                 | > 90.00% but ≤ 95.00% | 70            | 100                | Mortgage term |
|                                 | > 95.00%              | 75            | 105                | Mortgage term |

**Mortgage Term of Less than or Equal to 15 Years**

| Base Loan Amount                | LTV                   | New MIP (bps) | Previous MIP (bps) | Duration      |
|---------------------------------|-----------------------|---------------|--------------------|---------------|
| Less than or equal to \$726,200 | ≤ 90.00%              | 15            | 45                 | 11 years      |
|                                 | > 90.00%              | 40            | 70                 | Mortgage term |
| Greater than \$726,200          | ≤ 78.00%              | 15            | 45                 | 11 years      |
|                                 | > 78.00% but ≤ 90.00% | 40            | 70                 | 11 years      |
|                                 | > 90.00%              | 65            | 95                 | Mortgage term |



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Liz Dawes

\*Buyer and Dawes Team must agree upon price & terms