PRMG

Paramount Residential Mortgage Group, Inc.

HPML and FHA Monthly Mortgage Insurance

with additional specific information for CALYX Point Users

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FHA Monthly Mortgage Insurance

There has been much industry discussion over the last few months about MMI for life on FHA loans.

There is a bigger impact than one might anticipate, as the change drastically effects the APR. There is an average increase of .50% when you apply the MMI for the life of the loan.

A higher APR has a direct effect on the HPML test. PRMG does not originate HPML loans, so if your loan does not pass HPML then we are unable to fund your loan.

This document specifically discusses how to review this information using Calyx Point, but even if you do not use Point, it will provide general information about what is being involved with this process. Please review this document to ensure your loans are being originated correctly.

What is HPML/ APR?

HPML Definition: *HPML* is High Priced Mortgage Loans. *HPML* is calculated as a comparison between the *Average Prime Offer Rate* and the current *APR*. If the difference between the two is above the tolerance then the loan does not pass the HPML test that is done at the time of loan documents. There are several factors that affect the APR, but the most significant one is now the monthly mortgage insurance for life.

- A first lien mortgage on which the **APR is 1.5% or more above** the Average Prime Offer Rate (APOR) on the lock date
- A junior lien mortgage with an **APR that is 3.5% or more above** the APR on the lock date

APR Definition: The Annual Percentage Rate is the cost of the loan, expressed in a percentage. It is not the Note rate for which the borrower applied.

The cost includes not only interest but also various loan charges such as mortgage insurance premiums (when applicable) and prepaid finance charges such as:

- Loan discount
- Origination fees
- Prepaid interest
- Other credit costs
- Mortgage Insurance
- The APR is calculated by spreading these charges over the life of the loan. If interest is the only finance charge, the interest rate and the Annual Percentage Rate maybe same.

Where is the HPML Test Located?

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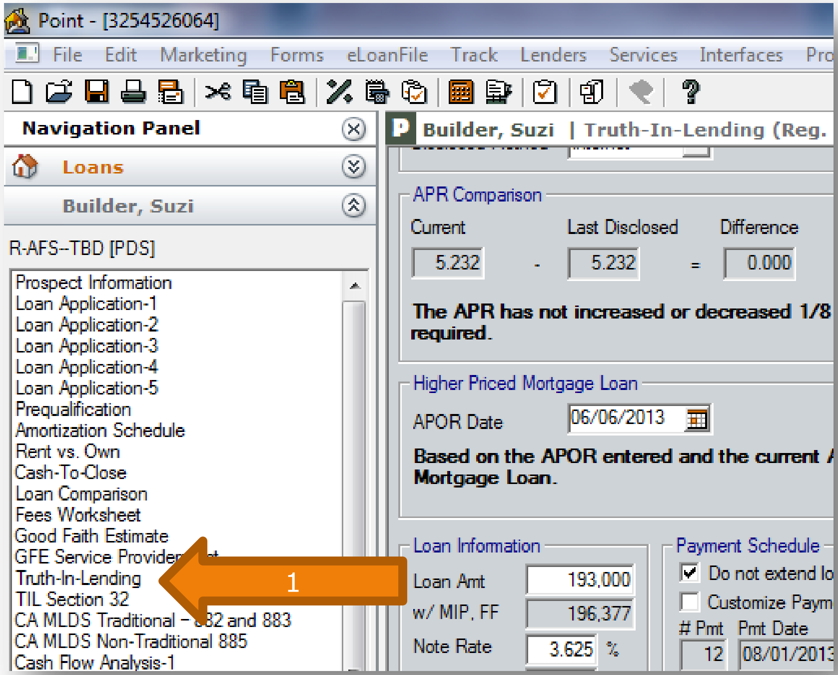
HPML Test: HPML must be tested through the Calyx Point system before the loan is disclosed to the borrower. This will be a process that will need to be performed during the pre-qualification process. This will identify issues that are typically discovered in the Doc Department. It will give you the opportunity to fix the issue.

1. Click on the Truth –In Lending Form



Preparing the APR to Test the HPML

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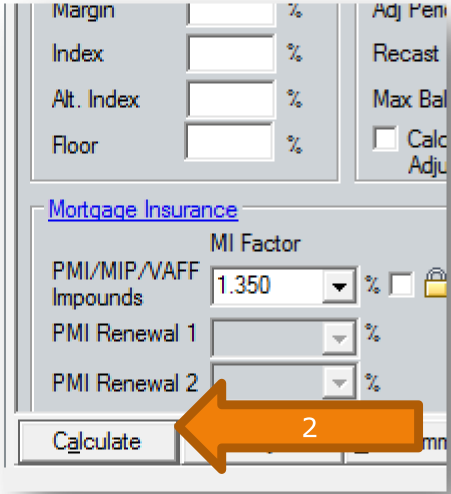
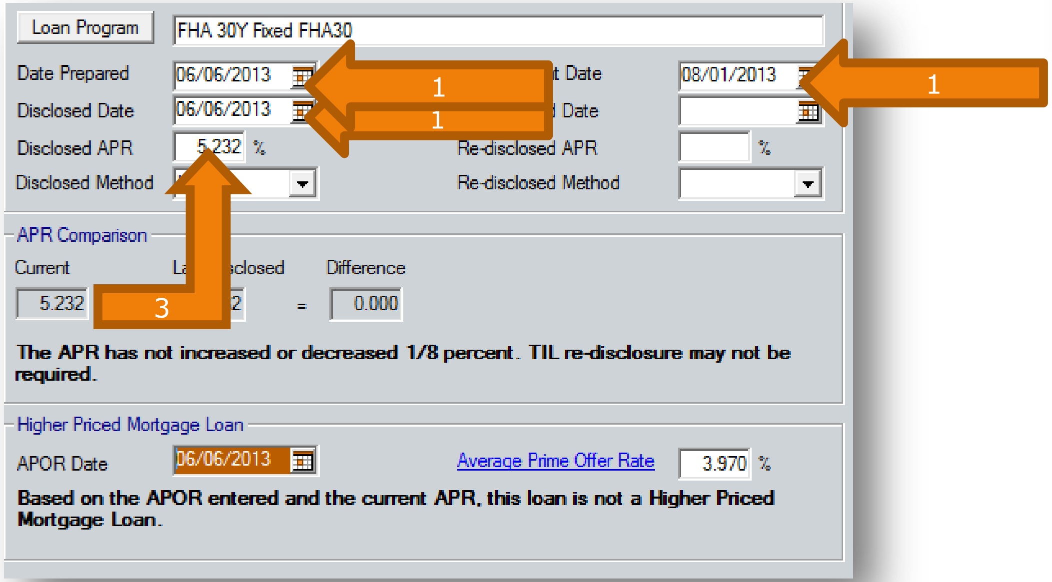
You are ready to complete the TIL once you have completed the 1003, Fee Worksheet and GFE.

1. Complete all date fields in the TIL.
2. Click Calculate at the bottom of the page.
3. Insert the Current APR in the disclosed APR Box.





Testing HPML

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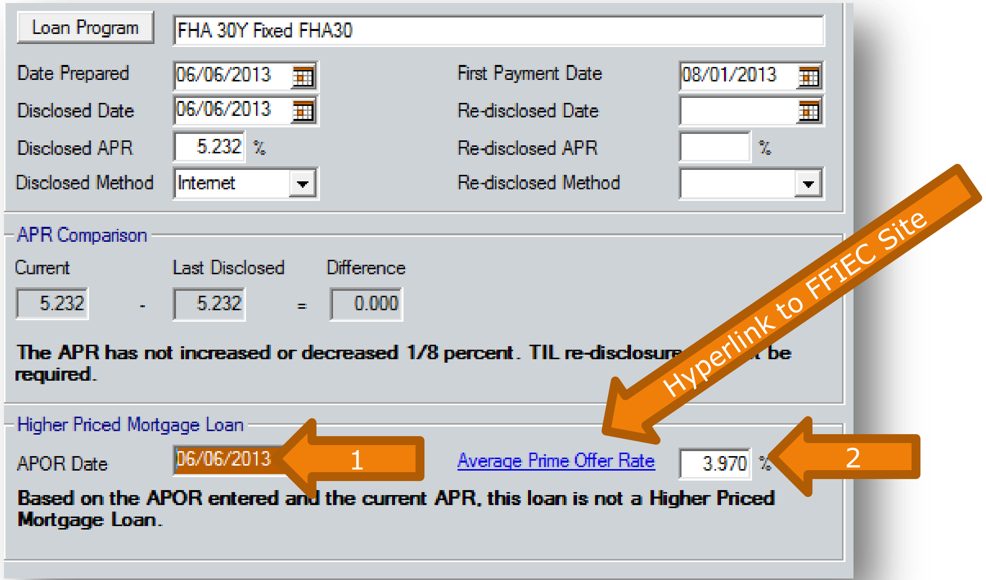
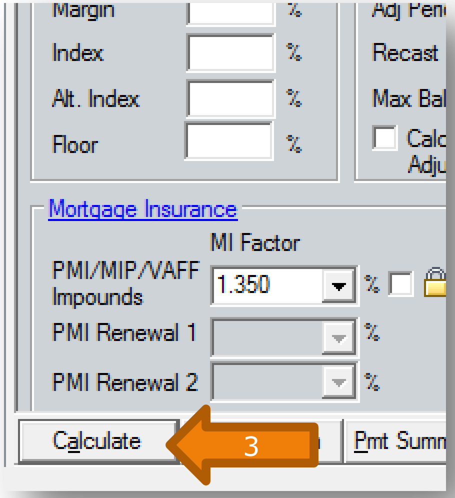
1. Input the Average Prime Offer Rate (APOR) Date
   - The APOR Date is the date the loan is disclosed and or locked.
2. Input the Average Prime Offer Rate
   - The Average Prime Offer rate is the rate that is provided by FFIEC.
   - Click on the Blue Hyperlink to access the current rate or go to http://www.ffiec.gov/ratespread/YieldTableFixed.CSV
   - The APOR is a weekly published rate. This HPML test must be perform each time the APR is affected. This field must reflect the APOR in effect on the day the loan is locked for the final test.
3. Click Calculate
   - A message will appear making an indication whether the loan passes HPML or not.





EQUAL HOUSING LENDER

Verifying the proper Mortgage Insurance Factors and Terms are used

As FHA continues to update monthly and Up Front Mortgage Insurance, it is imperative that you always verify the Point System (or whatever origination system you use) have the factors that fit your scenario. Point does not automatically update. Updates are entered into the system as the point the change is in effect. Your scenario could have a previous case# that does not make the most recent revision. Use the chart below to determine the monthly and upfront factors.

CASE NUMBERS ASSIGNED ON OR AFTER JUNE 3, 2013 – ALL LOAN PURPOSES			
Loan Terms > 15 Years			
LTV/Base Loan Amount	**≤ 95%**		**> 95%**
<=$625,500	1.75%/1.30%		1.75%/1.35%
>$625,500	1.75%/1.50%		1.75%/1.55%
Loan Terms ≤ 15 Years			
LTV/Base Loan Amount	**≤ 78%**	**>78% and ≤ 90%**	**> 90%**
<=$625,500	1.75%/0.45%	1.75%/0.45%	1.75%/0.70%
>$625,500	1.75%/0.45%	1.75%/0.70%	1.75%/0.95%

- For all loan terms with LTVs <=90% cancellation of the annual (monthly) premium will occur after the borrower has paid the premium for eleven years
- For all loan terms with LTVs >90% the annual (monthly) premium will continue for the loan term

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Inputting the cancellation period for Mortgage Insurance in the TIL

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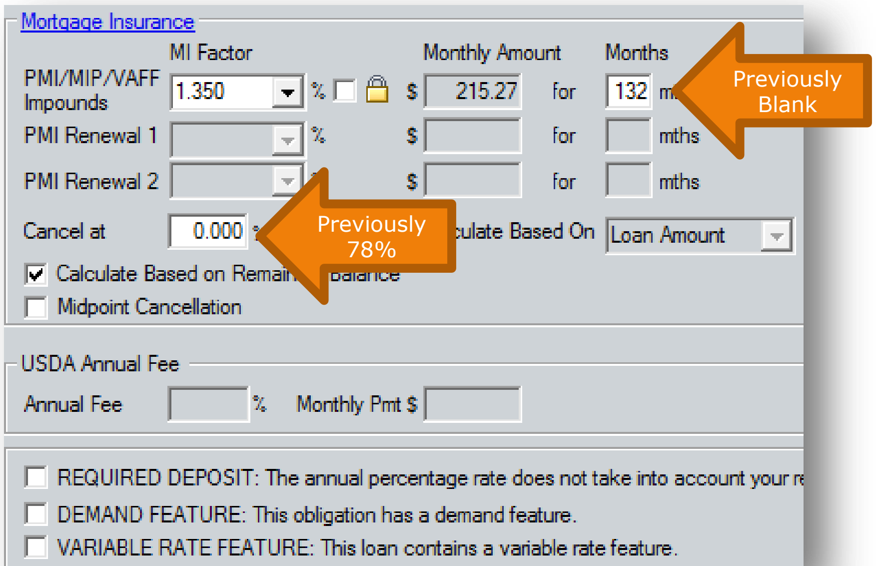
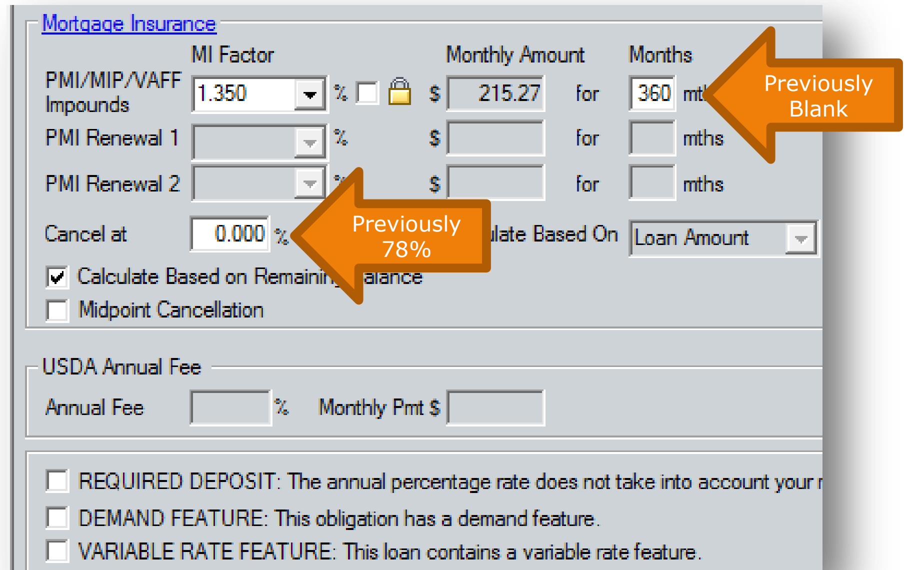
FHA has also changed the cancellation period on all FHA loans. Point has been updated to reflect the new cancellation terms, but loans inputted previously will not have the new changes. Below are examples of the fields and the changes that need to be made.



All loan terms (*e.g.*, 15 or 30 years) with LTVs <78% up to 90% = MMI stays on the loan for **11 years**



All loan terms (*e.g.*, 15 or 30 years) with LTVs over 90% = **MMI for the full term of the loan**

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