

**THE 2008 HOUSING AND RECOVERY ACT - (H.R. 3221)
SIGNED BY PRESIDENT 07/30/08
FHA REVISIONS**

TOPIC	H.R. Provision	Section	Summary of Changes
Maximum Mortgage Limits	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2112	203(b) (2) (A) National Housing Act	Limits increased from 95% to 115% of the median area home price subject to a maximum which is increased from 87% to 150% of the conforming loan limits. New minimum limit of \$271,050, maximum \$625,500. Effective after expiration of Economic Stimulus Act of 2008.
Cash Investment Requirement and Maximum	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2113	203(b)(2)(B) National Housing Act	The borrower's cash investment is being increased from 3% to 3.5%, acceptable to borrow the required cash investment from family members provided the borrowed amounts are secured by a lien that is subordinate to the FHA mortgage
Maximum Loan to Value	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2113	203(b)(2)(B) National Housing Act	Removes loan to value limits (including restrictions on new construction) and increases the maximum loan to value to 100%

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Down Payment Assistance	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2113	203(b) National Housing Act	Prohibits down payment assistance from seller or any party who is reimbursed directly or indirectly from the seller. Applies to loans underwritten after October 1, 2008
Mortgage Insurance Premiums	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2114	203 (c) National Housing Act	Maximum upfront mortgage insurance premium increased from 2.25% to 3%. Premiums for 1st time borrowers completing approved homebuyer counseling is increased from a maximum of 2% to 2.75%. Does not increase annual premiums.
Limits on Financed Mortgage Insurance Premiums	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2112	203(d) National Housing Act	Prohibts increase to the maximum loan amount for financed MIP when the loan to value exceeds 100% of the appraised value.

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Moratorium on Implementation of Risk Based Premiums	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2133	Notice Published in Federal Register 5/13/08	Places a 12 month moratorium on implementation of Risk-Based Mortgage Insurance Premiums as published in the Federal Register May 5/13/08. Moratorium period begins October 1, 2008
Rehabilitation Loans	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2115	203(k) National Housing Act	Insurance of home improvement mortgages insured under Section 203k transferred from the General Insurance Fund to the Mutual Mortgage Insurance Fund.
Insurance of Condominiums	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2117	234 and 201 (a) National Housing Act	Definition of mortgages revised to include insurance of condominiums under Section 203(b). Allows manufactured housing condominiums. Also prevents requirement that property be taxed as real property by the state for determination of real property.

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Mutual Mortgage Insurance Fund	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2118	202(a) and 205 Various Sections of National Housing Act	All Single Family Title II programs placed with the Mutual Mortgage Insurance Fund (MMI) subject to provisions of the Federal Credit Reform Act 1990.
HECM Maximum Claim Amount	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2122	203(g) National Housing Act	Raises the maximum claim amount to a single national limit of \$417,000 (or up to \$625,500 in high cost areas) by tying the maximum loan amount to the FHLMC conforming limit.
HECM Waiver of Upfront Premiums for Mortgages to Fund Long Term Care	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2122	255(l) National Housing Act	Deletes waiver of upfront premiums on mortgages to fund long term care.

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HECM for Cooperative Housing	FHA Modernization Act of 2008; Subtitle A: Building American Homeownership 2122	255(b) National Housing Act	Provides for insuring of Cooperative Housing. Makes a technical corrections which prevented implementation of the 2000 American Homeownership and Economic Opportunity Act
HECM Counseling Requirements	FHA Modernization Act of 2008; Subtitle A: Building American Homeownership 2122	255(d)(2)(B) National Housing Act	Counseling must be provided by independent third parties who are not associated with or compensated by parties involved with originating or servicing the mortgage or the sale of any type of financial or insurance product.
HECM Counseling Standards and Funding	2122	255(f) and 255(l) National Housing Act	Secretary responsible to provide, or cause to be provided, counseling for the mortgagors. Counselors must meet qualifying standard and follow protocols established by the Secretary. Secretary to use a portion of premiums to fund counseling.

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HECM Origination Fees	2122	255(r) National Housing Act	Origination fee limited to 2% of the maximum claim up to \$200,000 plus 1% of amount over \$200,000 subject to a maximum origination fee of \$6000. Can be changed in future based on analysis of cost impact. Annual increases to maximum fee based on the CPI.
Insurance of HECM Purchases	FHA Modernization Act of 2008; Subtitle A: Building American Homersownership 2122	255(m) National Housing Act	Allows insurance of HECM loans for purchase transactons.
HECM Originator Independence and Originator Approval	FHA Modernization Act of 2008; Subtitle A: Building American Homersownership 2122	255(m) National Housing Act	Prohibits mortgagee from associating, employing or participating in the selling of financial or insurance products. Requires HUD Secretary approval of all parties involved in the origination of a HECM loan.

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HECM Prohibition Against Requiring Purchase of Financial Products for HECM Eligibility	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2122	255(o) National Housing Act	Prohibits requiring mortgagor or any other party to purchase insurance, annuity or financial products as a condition of obtaining HECM. Excludes title, hazard, flood, or other peril insurance that is typically required or approved by the Secretary.
Energy Efficient Program	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2123	Section 106(a)(2) of the Energy Policy Act of 1992	Substantially increases the limits of energy efficient improvements to the greater of 5% of the property value (not to exceed 5% of the maximum loan limit) or 2% of loan limits under 203(b)(2)(A). Limits endosements to 5% of total 1-4 family endorsements.
Automated Underwriting Pilot Program for Alternative Credit Borrowers	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2124	257 National Housing Act	Provides for establishment of a pilot program to create an automated process using alternative credit ratings for borrowers who lack traditional credit. May include information from alternative sources such as rent, utilities, and insurance.

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Increased Penalties for Fraud	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2129	18 U.S.C. 1014	Adds the Federal Housing Administration to the list of agencies covered by section 1014 which imposes a maximum \$1,000,000 fine or 30 year prison term for fraudulent statements made in connection with an application for insurance or guaranty.
Repealed Sections	FHA Modernization Act of 2008; Subtitle A: Building American Homership 2120	203(I); 203(o), 203(p), 203(q), 222, 237, 245 National Housing Act	Sections repealed: 203(I) Housing in outlying areas, 203(o) and (p) temporary economic conditions in Indian areas, 203(q) Alegheny Reservation, 222 Mortgages for Servicemen, 237 Special mortgage insurance assistance, and 245 Gradulated Mortgages.
Manufactured Housing Maximum Mortgage Amount	FHA Modernization Act of 2008; Subtitle B: Manufactured Housing Loan Modernization 2145	2(b)(1) National Housing Act	Title I Loan limits increased to: \$25,090 for repair/improvement; \$69,678 unit; \$92,904 unit/lot; \$23,226 lot; Amounts are subject to annual increases. Secretary to establish index based on housing price data collected by the census bureau.

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Manufactured Housing Insurance Premiums	FHA Modernization Act of 2008; Subtitle B: Manufactured Housing Loan Modernization 2146	2(f) National Housing Act	Upfront mortgage insurance premium not to exceed 2.25% of loan amount, and annual premium not to exceed 1% of base loan amount.
Manufactured Housing Revision of Underwriting Criteria	FHA Modernization Act of 2008; Subtitle B: Manufactured Housing Loan Modernization 2148	2(b)(11) National Housing Act	Requires the Secretary establish underwriting criteria for the manufactured home program to ensure the program remains financially sound. Requires revision of existing underwriting criteria within 6 months of enactment.
Manufactured Housing Prohibition Against Kickbacks and Unearned Fees	FHA Modernization Act of 2008; Subtitle B: Manufactured Housing Loan Modernization 2149	Title I National Housing Act	Subjects the sale of manufactured homes and connected services to the provisions of Sections 3,8,16,17,18 of RESPA. Allows Secretary to prohibit practices determined as unfair, deceptive or contrary to the borrower's interests.

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Leasehold Requirements	FHA Modernization Act of 2008; Subtitle B: Manufactured Housing Loan Modernization 2150	2(b) National Housing Act	Lease requirements: Minimum expiration 3 years after origination date, must have minimum 1 year renewable term, and lessor must provide 6 months written notice prior to termination in the event of community closure. Failure to result in 1 year extension.