

WHAT IS FHA MORTGAGE INSURANCE?

If you took out an FHA loan and had a down payment of less than 20%, you are required to pay FHA Mortgage Insurance. FHA Mortgage Insurance protects lenders against losses that result from borrowers defaulting on their loans.

FHA Mortgage Insurance is administered by the Federal Housing Administration (FHA), which is an agency within the U.S. Department of Housing and Urban Development (HUD). FHA's rules dictate when FHA Mortgage Insurance is required and what lenders are allowed and required to do.

FHA mortgage insurance premiums can be confusing. When you have FHA Mortgage Insurance, you have to pay two different kinds of premiums:

1. **FHA Upfront Mortgage Insurance Premium (called "UFMIP")** - This is a premium that applies when you take out your loan. You don't typically pay this premium at loan closing. Rather, it is typically added to your loan balance.
2. **FHA Annual Mortgage Insurance Premium (called "MIP")** - This is a premium that may be paid annually or in monthly installments. Most borrowers pay these premiums through their monthly mortgage payments.

If your loan is required to have FHA Mortgage Insurance, you will be required to pay both premiums.

You cannot waive FHA Mortgage Insurance. FHA Mortgage Insurance is required by the federal government and cannot be waived by the borrower.

However, your FHA Mortgage Insurance premiums may stop automatically. For loans obtained after June of 2013, the following rules apply:

- Premiums will be charged for the **entire term of your loan** if you had a **loan-to-value ratio greater than 90%** when you took out the loan.
- Premiums will **end after 11 years** if you had a **loan-to-value ratio of 90% or less** when you took out the loan.

FHA calculates the loan-to-value ratio by comparing the amount of your loan (without the upfront FHA Mortgage Insurance premium) when you took out the loan against the value of the home at that time.

Different requirements apply to loans obtained before June of 2013.

You may be eligible for a refund when you pay off your loan. If you pay off or refinance your loan within 3 years, you may qualify for a refund of a portion of your FHA Mortgage Insurance premiums from the federal government. You can find out if you qualify for a refund at <https://entp.hud.gov/dsrs/refunds/> or by contacting HUD at **(800) 697-6967**.

It is important to be aware that your monthly FHA Mortgage Insurance premium will not be prorated when you pay off the loan. FHA charges the full monthly FHA Mortgage Insurance premium for the month in which you paid off your loan, regardless when you paid it off.

If you have any questions, please contact us at customer care@nafinc.com or **(800) 893-5304**.

