

New FHA rules start Monday for mortgage insurance premiums.

by [Real.Estate](#)

As a follow to [Sunday's story on home refinancing](#), loan officer Scott Sheldon passed on news for those who might consider refinancing with an FHA loan.

Sheldon, who works for First Cal mortgage company in Petaluma, noted that on Monday the mortgage insurance premium that borrowers must pay upfront will decrease to 1 percent from 2.25 percent.

On a \$300,000 loan, that means a borrower would pay an upfront of \$3,000 rather than \$6,750. That premium is typically added into the loan amount; in our example, it would raise the financing total to \$303,000.

Sheldon said the new FHA insurance premiums guidelines had raised some questions. He wrote of the new monthly and upfront costs, "the main thing is that it's a little more over the life of the loan and it decreases the costs on the front end of obtaining a loan."

Mortgage brokers and loan officers have told me that refinancing with FHA generally is more expensive than conventional loans because it requires the added costs for the mortgage insurance. Sheldon agreed and said those seeking to refinance should first consider a conventional loan and should learn whether their current loan is owned by Fannie Mae or Freddie Mac.

They can do so by visiting these sites for [Fannie Mae](#) and [Freddie Mac](#).

"If a person has a mortgage loan owned by Fannie Mae or Freddie Mac, they can refinance up to 105% loan to value (ratio) if they are just reducing their monthly housing payment," he wrote. "A lot of the time these files do not require an appraisal."

However, he said, the FHA loan remains an option for those who can't get conventional financing, often due to their lower credit rating scores.

— Robert Digitale

Share and Enjoy:

Tags [Fannie Mae](#), [FHA](#), [Freddie Mac](#), [home refinancing](#), [real estate](#), [Sonoma County](#) | Category [Lending](#), [housing](#)

Comments

4 Comments

1. [September 29th, 2010 2:41 pm](#)

Curious if Mr. Sheldon knows what happens to the monthly Mortgage Insurance Premium for borrowers presently in FHA loans and would like to refinance? Does the monthly Mortgage Insurance Premium go up or down?

by Danny

2. [September 29th, 2010 9:34 pm](#)

Thanks for such a nice post mortgage. I appreciate it.

by [Mortgage](#)

3. [October 1st, 2010 8:05 pm](#)

Hi Folks- if you are doing any FHA loan purchase or refinance and your FHA case # is assigned on or after