



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.

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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.

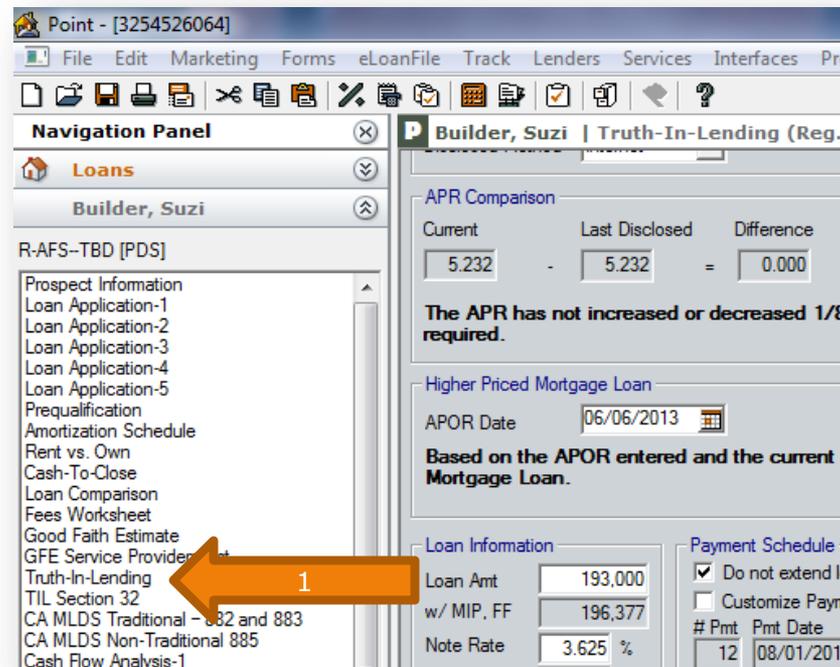
The cost includes not only interest but also various loan charges such as mortgage insurance premiums (when applicable) and prepaid finance charges such as:

- 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.

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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.

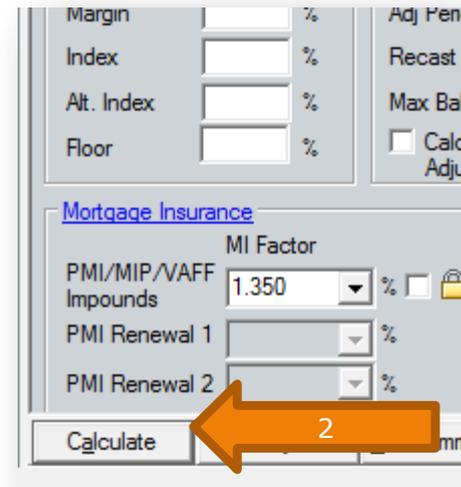
1. Click on the Truth –In Lending Form



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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.



Margin % Adj Pen

Index % Recast

Alt. Index % Max Bal

Floor % Calc Adj

Mortgage Insurance

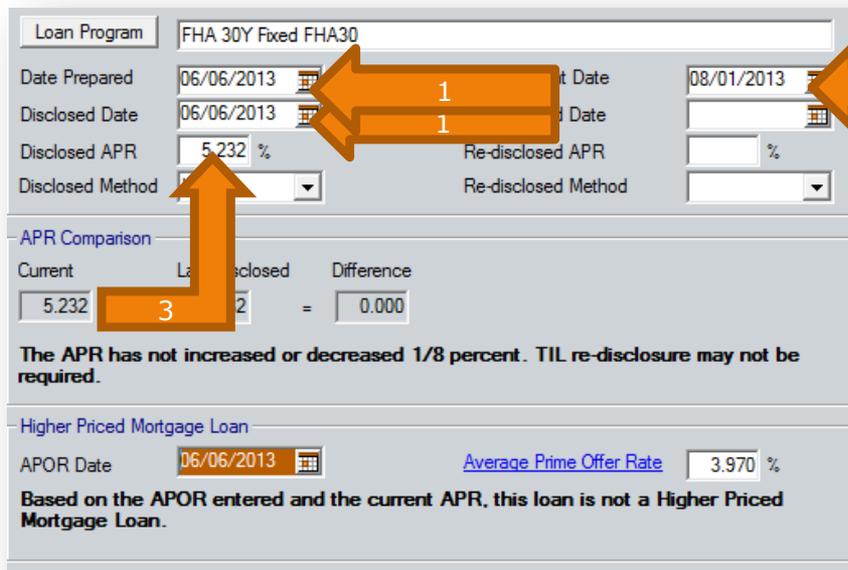
MI Factor

PMI/MIP/VAFF Impounds 1.350 %

PMI Renewal 1 %

PMI Renewal 2 %

Calculate



Loan Program

Date Prepared

Disclosed Date

Disclosed APR % Re-disclosed APR %

Disclosed Method Re-disclosed Method

APR Comparison

Current	Previously Disclosed	Difference
<input type="text" value="5.232"/>	<input type="text" value="5.232"/>	<input type="text" value="0.000"/>

The APR has not increased or decreased 1/8 percent. TIL re-disclosure may not be required.

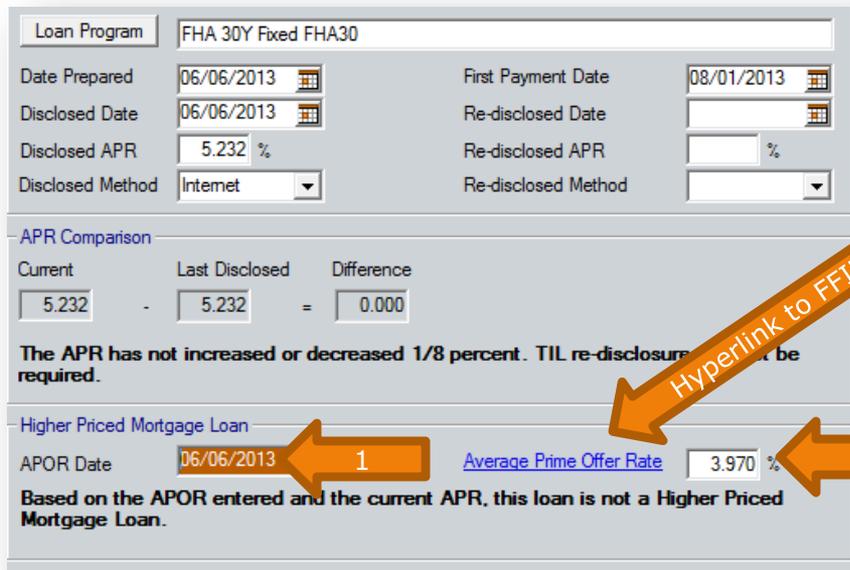
Higher Priced Mortgage Loan

APOR Date Average Prime Offer Rate %

Based on the APOR entered and the current APR, this loan is not a Higher Priced Mortgage Loan.

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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 performed 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.



Loan Program: FHA 30Y Fixed FHA30

Date Prepared: 06/06/2013 | First Payment Date: 08/01/2013

Disclosed Date: 06/06/2013 | Re-disclosed Date: []

Disclosed APR: 5.232 % | Re-disclosed APR: [] %

Disclosed Method: Internet | Re-disclosed Method: []

APR Comparison

Current	Last Disclosed	Difference
5.232	5.232	0.000

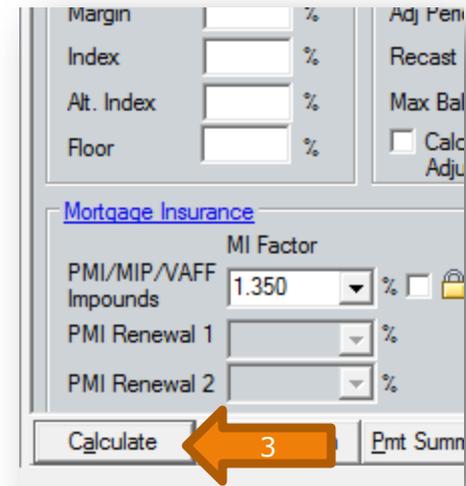
The APR has not increased or decreased 1/8 percent. TIL re-disclosure requirements may be required.

Higher Priced Mortgage Loan

APOR Date: 06/06/2013 (1) | Average Prime Offer Rate: 3.970 % (2)

Based on the APOR entered and the current APR, this loan is not a Higher Priced Mortgage Loan.

Hyperlink to FFIEC Site



Margin: [] % | Adj Pen: []

Index: [] % | Recast: []

Alt. Index: [] % | Max Bal: []

Floor: [] % | Calc: []

Mortgage Insurance

MI Factor: 1.350 %

PMI/MIP/VAFF Impounds: [] %

PMI Renewal 1: [] %

PMI Renewal 2: [] %

Calculate (3) | Pmt Summ

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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

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.

Mortgage Insurance

	MI Factor	Monthly Amount	Months
PMI/MIP/VAFF Impounds	1.350 % <input type="checkbox"/> <input type="checkbox"/>	\$ 215.27	for 132 mths
PMI Renewal 1	<input type="checkbox"/> %	\$	for <input type="checkbox"/> mths
PMI Renewal 2	<input type="checkbox"/> %	\$	for <input type="checkbox"/> mths

Cancel at % Calculate Based On

Calculate Based on Remaining Balance
 Midpoint Cancellation

USDA Annual Fee
 Annual Fee % Monthly Pmt \$

REQUIRED DEPOSIT: The annual percentage rate does not take into account your...
 DEMAND FEATURE: This obligation has a demand feature.
 VARIABLE RATE FEATURE: This loan contains a variable rate feature.

Previously Blank

Previously 78%

Mortgage Insurance

	MI Factor	Monthly Amount	Months
PMI/MIP/VAFF Impounds	1.350 % <input type="checkbox"/> <input type="checkbox"/>	\$ 215.27	for 360 mths
PMI Renewal 1	<input type="checkbox"/> %	\$	for <input type="checkbox"/> mths
PMI Renewal 2	<input type="checkbox"/> %	\$	for <input type="checkbox"/> mths

Cancel at % Calculate Based On

Calculate Based on Remaining Balance
 Midpoint Cancellation

USDA Annual Fee
 Annual Fee % Monthly Pmt \$

REQUIRED DEPOSIT: The annual percentage rate does not take into account your...
 DEMAND FEATURE: This obligation has a demand feature.
 VARIABLE RATE FEATURE: This loan contains a variable rate feature.

Previously Blank

Previously 78%

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**