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## FHA raises mortgage insurance premiums

Homeowners nationwide let out a sigh of relief when President Bush signed the housing relief plan. Those same homeowners will now pay more for the assistance they receive from the government under a policy that was designed to shield Washington from the costs of deteriorating loans.

The cost of mortgage insurance will increase by 25 basis points to 1.75 percent of the total at the request of the Federal Housing Administration. For example, if a homeowner applies for a \$200,000 loan, they will then be expected to pay a \$500 up front charge on that very loan.

Prior to the signing of the housing reform legislation a carefully thought out premium system was being considered that would take into account many risk factors in setting premiums. Once the legislation passed the considered plan was put on a shelf and.

Reuters reported that because of the now passed legislation the FHA has been ordered to “continue to apply a flat insurance rate at least through October 2009”. The FHA decided as an agency to increase that flat rate on insurance premiums as it begins to carry the financial burden of a larger fraction of the mortgage industry.