



# CORRESPONDENT LENDING NATIONAL BULLETIN



**Bulletin #2012-16**

**May 3, 2012**

**\*\*NEW PRODUCT ANNOUNCEMENT – FHA 5/1 ARM \*\***

Franklin American Mortgage Company is pleased to announce the introduction of FHA 5/1 ARMs!

The FHA 5/1 ARM loan program will be available with **locks effective on/after May 3, 2012**. Loans may be Purchases, Rate/Term Refinances, Streamlines and Cash-Out Refinances. Energy Efficient Mortgages are also eligible with FHA 5/1 ARMs. **Jumbo loan amounts will not be allowed** for this program. See the Product Description posted in our online lending manual for complete information.

	Index	Margin	Caps			Conversion Option
			First Adj.	Annual Adj.	Life Cap	
5/1	Treasury	2.00%	1%	1%	5%	None

- Index – The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year.
- Interest Rate Adjustment Cap - The interest rate is fixed for the first 60 months and will adjust no sooner than 60 months and no later than 66 months after the first payment date. Thereafter, the interest rate will adjust annually.
- Payment Adjustment Date – The first payment adjustment date will be the first of the month following the interest rate adjustment and every 12 months thereafter.

An important distinction between FHA 5/1 ARMs as opposed to Conventional ARMs is the requirement for loans to adhere to an ARM Interest Change Date Schedule. Due to secondary marketing pooling cycle requirements, loans must be purchased by FAMC in accordance with the Interest Change Date Schedule. The individual loan’s lock expiration date will determine the FAMC purchase cutoff date as well as the corresponding Interest Change Date. This Schedule is identified below and will be posted in the FAMC loan product description.

## FHA 5/1 ARM Interest Adjustment Date

Lock Commitment Expiration Date Range	Last Date to Purchase by FAMC	Required Change Date
11/1/2011 to 01/31/2012	2/7/2012	4/2017
2/1/2012 to 04/30/2012	5/7/2012	7/2017
5/1/2012 to 07/31/2012	8/7/2012	10/2017
8/1/2012 to 10/31/2012	11/7/2012	1/2018
11/1/2012 to 01/31/2013	2/7/2013	4/2018
2/1/2013 to 04/30/2013	5/7/2013	7/2018
05/01/2013 to 07/31/2013	8/7/2013	10/2018
08/01/2013 to 10/31/2013	11/7/2013	1/2019

- Change dates subject to change with extensions or relocks.
- This FHA 5/1 ARM product is available for best-efforts delivery only, and is not eligible for inclusion in our mandatory delivery program.
- Be aware that loans not purchased by FAMC by the Last Date to Purchase as referenced above, may result in the need for a revised note to be executed by the borrower(s) with an updated Change Date.
- An example of an FHA 5/1 ARM Disclosure has been posted to the Forms Section of our website at [franklinamerican.com](http://franklinamerican.com).
- Loans that miss their cut-off dates for purchase are at risk of being non-saleable. It is imperative that the purchase deadlines are adhered to.

An updated SRP Schedule with a tab for this new FHA 5/1 ARM product is included as an attachment to this email.

*Please contact FAMC Correspondent Underwriting for further clarification of any Underwriting related topics or your Regional Sales Associate about other topics addressed in this bulletin. This information should not be considered as all-inclusive guidelines. Please see our online manual and rate sheet for complete guidelines and pricing information.*

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