



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: September 4, 2024

Mortgagee Letter 2024-18

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Debenture Interest Rates for Home Equity Conversion Mortgages (HECM)

Purpose This Mortgagee Letter (ML) updates HUD's debenture interest rates for HECM claims.

Effective Date The provisions of this ML are effective September 28, 2024.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

FHA will also take actions necessary to update the regulations codified in the Code of Federal Regulations (CFR) as soon as is practicable to incorporate the changes provided in this ML.

Affected Programs The provisions of this ML apply to the Title II HECM program.

Background

From 1989, it had been FHA’s practice to set debenture interest rates for HECMs consistent with the statutory rates established for debenture interest when the claim is paid in debentures, which is based on the date of commitment or endorsement of the HECM. In 2017, HUD updated its regulations at 24 CFR § 206.146(b) to provide that for “mortgages endorsed for insurance after January 23, 2004, if an insurance claim is paid **in cash** [emphasis added], the debenture interest rate for purposes of calculating such a claim shall be the monthly average yield, for the month in which the default on the mortgage occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years.” HUD, however, never fully implemented that regulatory change.

On January 27, 2024, FHA instituted a change to its Home Equity Reverse Mortgage Information Technology (HERMIT) system so that the debenture interest rate for all HECM claims filed from that date forward and paid in cash would be paid at the rate in effect as of the month the Mortgage became Due and Payable. FHA has since identified that system changes did not align with regulations that require the debenture interest to be calculated based on the monthly average yield, for the month in which the default on the Mortgage occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years (10-year CMT rate).

Following the most recent HERMIT system change in January 2024, FHA has become aware that usage of the date of default to determine the payment of debenture interest for claims on HECMs that became Due and Payable before January 27, 2024, presents a financial hardship to Mortgagees that hold a substantial number of loans that were already in default at that time. As a result, through this ML, FHA is changing its policies for debenture interest and establishing a process for adjusting the calculation of debenture interest for claims filed for HECMs that became Due and Payable on or after September 19, 2017.

In consideration of the events described above, and to reaffirm its commitment to the future success of this important program and the senior citizen population it is designed to serve, FHA has determined that changes are necessary to improve long-term program stability. FHA is therefore using the authority provided to FHA in the Reverse Mortgage Stabilization Act (RMSA) of 2013, codified in § 255(h)(3) of the National Housing Act, 12 U.S.C. § 1715z-20(h)(3), to issue this ML amending the regulations and requirements applicable to the HECM program as is necessary to improve the fiscal safety and soundness of the HECM program.

Summary of Changes

This ML:

- modifies 24 CFR § 206.146 *Debenture interest rate*; and
 - adds Debenture Interest Rate (III.B.2.f.i(F)) to Handbook 4000.1 and renumbers subsequent sections.
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24 CFR § 206.146

The HECM regulations as codified in the CFR are modified as follows:

Debenture interest rate. (24 CFR § 206.146)

(a) Debentures shall bear interest from the date of issue, payable semiannually on the first day of January and the first day of July of each year at the rate in effect as of the day the commitment was issued, or as of the date the mortgage was endorsed for insurance, whichever rate is higher. For applications involving mortgages originated under the single-family Direct Endorsement program, debentures shall bear interest from the date of issue, payable semiannually on the first day of January and on the first day of July of each year at the rate in effect as of the date the mortgage was endorsed for insurance.

(b) For mortgages endorsed for insurance after January 23, 2004:

(1) For mortgages that became due and payable before September 19, 2017, if an insurance claim is paid in cash, the debenture interest rate for purposes of calculating such a claim shall be the higher of the rate in effect for debentures in either the month in which the mortgage was endorsed for insurance or in which the commitment was issued.

(2) For mortgages that became due and payable on or after September 19, 2017, and before September 28, 2024, if an insurance claim is paid in cash:

(i) The debenture interest rate for purposes of calculating such a claim shall be the higher of the rate in effect for debentures in either the month in which the mortgage was endorsed for insurance or in which the commitment was issued, or the rate in effect for the month in which the default on the mortgage occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years.

(ii) The Commissioner will establish a process through notice to provide mortgagees a time period and a method to request corrected claim payments under (b)(2)(i).

(3) For mortgages that become due and payable after September 28, 2024, if an insurance claim is paid in cash, the debenture interest rate for purposes of calculating such a claim shall be the monthly average yield,

for the month in which the default on the mortgage occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years.

(4) For purposes of calculation of debenture interest, the date of default is the due and payable date that led to claim payment.

**FHA Single
Family Housing
Policy
Handbook
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

Claim Guidance (III.B.2.f.i)

(F) Debenture Interest Rate

**Servicing and
Loss Mitigation**

(1) Definitions

For purposes of payment of debenture interest, the Date of Default is the Due and Payable Date.

The Semi-Annual Rate is the rate in effect for debentures listed at https://www.hud.gov/program_offices/housing/comp/debnrate.

The 10-Year CMT Rate is the rate in effect on United States Treasury Securities adjusted to a constant maturity of 10 years listed at https://www.hud.gov/program_offices/housing/comp/debnrate.

(2) Standard

(a) Mortgages Endorsed before January 23, 2004, Regardless of when a Claim is Filed and Mortgages Endorsed on or after January 23, 2004, with a Due and Payable Date prior to September 19, 2017

The debenture interest rate is the higher of:

- the Semi-Annual Rate as of the date the commitment was issued, if applicable; or
- the Semi-Annual Rate as of the date the Mortgage was endorsed.

(b) Mortgages Endorsed after January 23, 2004, that have a Due and Payable Date on or after September 19, 2017, and before September 28, 2024

The debenture interest rate is the higher of:

- the Semi-Annual Rate for the month the commitment was issued, if applicable;
- the Semi-Annual Rate for the month the Mortgage was endorsed; or

- the 10-Year CMT Rate for the month the Mortgage became Due and Payable.

(c) Mortgages Endorsed after January 23, 2004, with a Due and Payable Date on or after September 28, 2024

The debenture interest rate is the 10-year CMT rate for the month the Mortgage became Due and Payable.

(3) Debenture Interest Rate Adjustment

(a) Definition

A Debenture Interest Rate Adjustment (DIRA) is a request from the Holder legally entitled to receive claim proceeds or their authorized representative for an adjustment to the debenture interest rate used to calculate payments for claims filed on HECMs that became Due and Payable on or after September 19, 2017, and filed prior to September 28, 2024.

(b) Standard

Mortgagees may request a DIRA from January 2, 2025, through July 1, 2025. To request a DIRA, Mortgagees must email a request to the FHA Resource Center at answers@hud.gov with the subject: DIRA Request. The request must include:

- the Holder's FHA Mortgagee Identification (ID);
- a designated DIRA contact;
- the designated DIRA contact's phone number and email address; and
- a certified statement that the Holder is entitled to receive claim payment for the indicated HECMs.

The certified statement must also include the following language:

"I am an authorized representative of the Mortgage Holder for the following FHA Mortgagee ID number: _____. I certify that I have the authority to both submit this request and authorize a DIRA for [include one of the following]:

- all eligible claims filed for the listed Holder ID for the time period between September 19, 2017, and September 28, 2024; or
- the HECMs included in the attached Excel spreadsheet (Attachment 1) for the listed Holder ID for eligible claims filed for the time period between September 19, 2017, and prior to September 28, 2024.

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I, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802).”

Only one DIRA and one corrective DIRA per Holder FHA Mortgagee ID is permitted. A corrective DIRA must be submitted no later than 30 Days after the initial DIRA request.

Following the time frame allowed for submitting a corrective DIRA, HUD will conduct a review to identify any difference in the debenture interest paid. HUD will provide the designated DIRA contact identified in the DIRA request with the results of the DIRA.

If the Mortgagee disagrees with the findings of the DIRA, the review decision can be appealed by emailing the FHA Resource Center at answers@hud.gov with subject line: DIRA Appeal. An appeal must be submitted within 60 Days of the date HUD sent the decision to the designated Mortgagee contact. The Mortgagee must include documentation in the appeal documenting:

- the debenture interest rates the Mortgagee believes should have been used to calculate each claim payment;
- the amount of debenture interest the Mortgagee believes should have been paid in each claim payment;
- the calculations used to determine the amount of debenture interest the Mortgagee believes should have been paid; and
- the data source(s) the Mortgagee used to make this determination.

Following the later of the expiration of the appeal period or final determination by HUD on the appeal, HUD will remit the amount to the Holder identified in the DIRA request through HERMIT.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

**Feedback or
Questions**

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Julia R. Gordon
Assistant Secretary for Housing -
FHA Commissioner
