



FHA INFO 2024-22

April 26, 2024

### **FHA Revises Planned Updates to its Home Equity Conversion Mortgage for Purchase Program**

Today, the Federal Housing Administration (FHA) published a Federal Register (FR) Notice, *Home Equity Conversion Mortgage (HECM) for Purchase-Acceptable Monetary Investment Funding Sources and Interested Party Contributions (IPCs)* ([Docket 6382-N-02](#)) and supporting [Mortgagee Letter \(ML\) 2024-06](#), *Home Equity Conversion Mortgage (HECM) Program – Updates to Acceptable Monetary Investment Funding Sources*.

This FR Notice and ML revise some of the policy updates proposed for the HECM for Purchase program in a prior FR Notice, dated October 24, 2023, and published in the [Single Family Housing Policy Handbook 4000.1 \(Handbook 4000.1\)](#) update, dated October 31, 2023, which were originally scheduled to become effective on April 29, 2024.

After careful consideration of public comments received during the comment period in which some industry stakeholders raised significant concerns regarding potentially negative borrower impacts, FHA decided to not proceed with some of its planned updates to the HECM for Purchase program.

Consistent with the October 24, 2023, FR Notice, FHA will move forward with its proposal that permits contributions by the property seller, real estate agent, builder, or developer to HECM for Purchase borrowers' closing costs. However, at this time, FHA will not allow mortgagees and third-party originators (TPO) to make such IPCs, nor will it allow premium pricing to qualify as an eligible funding source to meet the borrower's minimum required investment. The FR Notice and ML that FHA is issuing today also restores FHA's previous policy that discount points and interest rate buydowns are not allowable closing costs.

#### **Background**

The HECM for Purchase program is a reverse mortgage financing option that allows eligible seniors to finance the purchase of a new principal residence and obtain a HECM in a single transaction. Like a traditional HECM, borrowers are not required to make monthly mortgage

payments if they live in the home, but must pay their property taxes, homeowners' insurance, maintenance costs, and any required fees such as homeowner association (HOA) fees.

A HECM for Purchase loan allows a senior to acquire a primary residence and reduce their housing expenses by eliminating the principal and interest payment on their mortgage, helping seniors looking to relocate, downsize, move closer to their family, or increase their cash flow to supplement their income.

A HECM for Purchase loan can be difficult to obtain since the borrower is buying a new home, which will have limited equity, and therefore, requires the borrower to put forward an often significant minimum required investment.

FHA has explored ways to reduce this burden while also ensuring the program remains safe and sound and that the borrower is fully protected. FHA believes allowing some interested parties to contribute to closing costs is a prudent way to expand access to the program. FHA will continue to evaluate the HECM for Purchase market and assess the need for flexibility to enhance the program.

### **Effective Date and Resources**

The FR Notice and ML are effective for all HECM case numbers assigned on or after April 29, 2024. All other changes previously announced in the October 24, 2023, FR Notice and October 31, 2023, Handbook 4000.1 update, remain unchanged.

Additionally, the following model loan documents have been updated to align with the provisions of today's ML. They are available on the [Single Family Model Documents](#) web page:

- HECM ARM Payment Plan
- HECM Fixed Rate Payment Plan
- HECM Schedule of Closing Costs

The policy updates in the ML will be incorporated into a future version of the [Handbook 4000.1](#).

### **Need Support? Contact the FHA Resource Center.**

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at [www.hud.gov/answers](http://www.hud.gov/answers).
- E-mail [answers@hud.gov](mailto:answers@hud.gov). Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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