



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Welcome to...

# Home Equity Conversion Mortgages (HECM) Policy Update Origination through Post-closing/Endorsement (Session II)

Today's webinar begins  
at 2:00 PM (Eastern)

**We will be underway shortly**

Please test your speakers and choose Audio source (computer/smartphone or telephone) by selecting desired option in **Audio Settings** – see left side of toolbar at bottom of screen.



OFFICE OF SINGLE FAMILY HOUSING



# Technical Support

---

- Recommend Chrome browser.
- Technical issues? Review *Technology FAQs* by clicking **Chat** icon at bottom of screen or **Landing Page**.
- Need additional tech support? Click *Contact Tech Support* icon on **Chat** link or **Landing Page**.



# Contact FHA Resource Center

---

- Online at: [www.hud.gov/answers](http://www.hud.gov/answers).
- Via email at: [answers@hud.gov](mailto:answers@hud.gov).
- Via phone at: 1-800-Call-FHA (1-800-225-5342)

Persons with hearing or speech impairments call the Federal Relay Service at 1-800-877-8339.



# Documents/Materials & Training Evaluation

---

## Documents/Materials:

- Click **Chat** icon or **Landing Page** – select *Webinar Documents/Materials* link for copy of presentation.

## Training Evaluation:

- Click on **Chat** icon or **Landing Page** – select *Survey* link.



# Helpful Links

---

Click **Chat** icon or **Landing Page** – select links to bookmark:

- FHA Lenders page:  
[https://www.hud.gov/program\\_offices/housing/sfh/lender](https://www.hud.gov/program_offices/housing/sfh/lender).
- FHA FAQ page:  
<https://www.hud.gov/FHAFAQ>.
- Single Family Housing Archived Webinars (On Demand) page:  
[https://www.hud.gov/program\\_offices/housing/sfh/events/sfh\\_webinars](https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars).





OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



HUD Handbook 4000.1

*FHA Single Family Housing Policy Handbook*

## Home Equity Conversion Mortgages (HECM) Policy Update Origination through Post-closing/Endorsement (Session II)

April 11, 2024

Last Updated: 4/4/2024

Presented by the  
**Office of Single Family Program Development:**  
**Barb Leslie**, Director, Home Valuation Policy Division  
**Jo Stinett**, Housing Program Policy Specialist  
**Michelle Herrera**, Housing Program Policy Specialist



OFFICE OF SINGLE FAMILY HOUSING



# Disclaimer

---

The purpose of this presentation is to provide an overview and summation of recent changes to Federal Housing Administration (FHA) policy. It introduces and explains official policy issued in Department of Housing and Urban Development (HUD) Handbooks and Mortgagee Letters (ML). If you find a discrepancy between the presentation and Handbooks, MLs, etc., the official policies prevail. Please note, the information provided in this training is subject to change.

The information in this presentation is current as of the October 31, 2023, publication of HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Please consult HUD Handbooks and MLs through HUD's Client Information Policy Systems ([HUDCLIPS](#)) for the most recent updates and current policy.

---



# Agenda

## Session I:

How to Use HUD Handbook 4000.1

Origination/Counseling

Origination/Processing

Allowable Mortgage Parameters

Performing the Financial Assessment  
of the Borrower

Programs and Products

## Session II:

**Underwriting the Property**

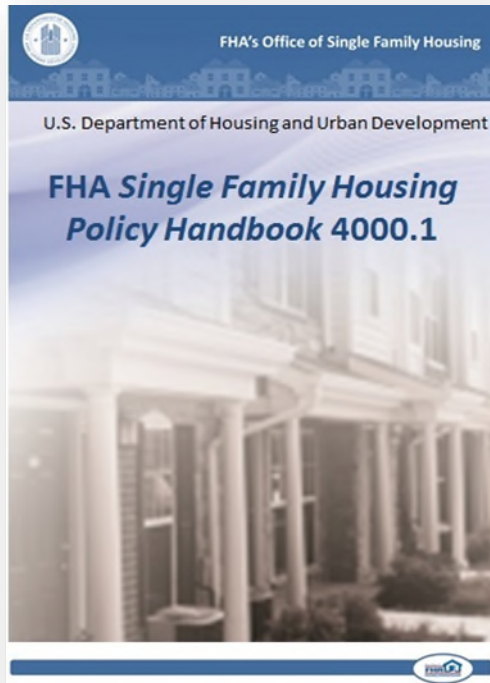
**Closing**

**Post-closing and Endorsement**





# Recap of Session 1



## Highlights from Session I:

- ✓ **Quick tips and tricks** for navigating HUD Handbook 4000.1
- ✓ **Counseling policy updates** including the individuals that are required to complete HECM counseling and how to enter the counseling certificate in FHAC if there are multiple certificates
- ✓ **Loan processing policy updates** including the system functionality for canceling and reinstating case numbers and resources for appraisal delivery
- ✓ **Mortgage parameter policy updates** including how to lock-in the expected rate and apply the float down option
- ✓ **Financial Assessment policy updates** including the “look back” period for the housing obligation payment history and collection accounts
- ✓ **Programs and products policy updates** including the new construction requirements, how to use interested party contributions in a HECM for Purchase transaction, and how to apply the “look back” period for waiving counseling in a HECM Refinance transaction

---

# Underwriting the Property



# Topics Covered in This Section

---

Part 1: General Appraiser and Appraisal Reporting

Part 2: Minimum Property Requirements and Standards

Part 3: Helpful Reminders on Reviewing the Appraisal

Part 4: Special Property Requirements



---

# General Appraiser and Appraisal Reporting



# Helpful Definitions (cont.)

- Minimum Property Requirements (MPR) refer to **general requirements** that all homes insured by FHA be safe, sound, and secure.
- Minimum Property Standards (MPS) refer to **regulatory requirements** relating to the safety, soundness and security of New Construction (Proposed, Under Construction, and Existing Less than One Year).



## MPR and MPS Compliance

Existing and New Construction properties must comply with Application of Minimum Property Requirements (MPR) and Minimum Property Standards (MPS), when applicable, by Construction Status.

# Property Acceptability Criteria

Handbook Reference: II.B.4.a

- The Mortgagee must evaluate the appraisal and any supporting documentation to determine if the Property complies with HUD's Property Acceptability Criteria.
- HECM Properties must comply with Application of Minimum Property Requirements and Minimum Property Standards by Construction Status. **See HECM for Purchase product sheet for additional Property Acceptability Requirements.**



# Mortgagee Responsibility for Appraisal Integrity

Handbook Reference: II.B.2.

The Mortgagee is responsible for identifying any problems or potential problems with the integrity, accuracy, and thoroughness of an appraisal submitted to FHA for Mortgage insurance purposes.

The Mortgagee is responsible for the appraisal's integrity.



# General Appraiser Requirements

Handbook Reference: II.D.2.b.

- The Appraiser must follow FHA guidance and comply with the Uniform Standards of Professional Appraisal Practice (USPAP) when completing appraisals of Property used as security for FHA-insured Mortgages.
- When performing an appraisal, the Appraiser must review and analyze the following:
  - the land lease, if applicable;
  - a complete copy of the executed sales contract for the subject, if a purchase transaction.
  - Surveys or legal descriptions, if available; and
  - Any other legal documents contained in the loan file and report the results of that analysis in the appraisal report.





---

# Minimum Property Requirements and Standards



# MPR and MPS: Appraiser Responsibility to Report Property Compliance

Handbook Reference: II.D.2.

The Appraiser must observe, analyze and report that the Property meets HUD's MPR and MPS.

Minimum Property Requirements (MPR)



Existing properties and new construction properties

Minimum Property Standards (MPS)



New construction properties\*

- New Manufactured Homes are required to be built to the HUD Code.

# Property Acceptability

## Handbook References: II.B.4.a. and II.D.3.n.

- The Mortgagee must evaluate the appraisal in accordance with the requirements for defective conditions. When defective conditions exist and correction is not feasible, the Mortgagee must reject the Property.
- The Mortgagee may only approve a Property after the Mortgagee confirms that all defects reported by the Appraiser (or an inspection from a qualified Entity) have been corrected or a Repair Set-Aside is established in accordance with HECM Repair Set Aside Requirements.
- Regardless of the Appraiser's suggested repairs, the Mortgagee will determine which repairs are required.



# Defective Conditions

## Handbook References: II.B.4.ii.

- The Appraiser must identify defective conditions that require repair to make the Property comply with HUD's Property Acceptability Criteria, together with the estimated cost to cure.
- If the Appraiser cannot determine that a Property meets HUD's MPR or MPS, the Mortgagee may obtain an inspection from a qualified entity to make the determination.



# Repair Requirements – Are they Cosmetic?

## Handbook References: II.D.3.n.ii.

- Cosmetic or minor repairs are not required, but the Appraiser must report and consider them in the overall condition when rating and valuing the Property. Cosmetic repairs include missing handrails that do not pose a threat to safety, holes in window screens, cracked window glass, defective interior paint surfaces in housing constructed after 1978, minor plumbing leaks that do not cause damage (such as a dripping faucet), and other inoperable or damaged components that in the Appraiser's professional judgment do not pose a health and safety issue to the occupants of the house.
- If an element (*such as mentioned above*) is functioning well but has not reached the end of its useful life, the Appraiser should not recommend replacement because of age.

# Inspections by a Qualified Entity

Examples that may require inspection include, but are not limited to:

- electrical or mechanical systems,
- possible foundation or other structural failure,
- pest infestation,
- roof covering.

The Mortgagee is responsible for determining the qualifications of the inspector and the degree of the inspection necessary to clear or repair the condition.

# Required Documents for Underwriting the Property



If additional inspections, repairs, or certifications are noted by the appraisal or are required to demonstrate compliance with Property Acceptability Criteria, the Mortgagee must obtain evidence of completion of such inspections, repairs, or certifications.

# Defective Paint

## Handbook References II.B.4. and II.D.3

- If the dwelling or related improvements were built in or after 1978, the Appraiser must report all defective paint surfaces on the exterior and require repair of any defective paint that exposes the subsurface to the elements.
- The Mortgagee must confirm that the exterior of the Property is free from any defective paint that exposes the dwelling subsurface to the elements (e.g., cracking, chipping, peeling, flaking, scaling paint, etc.).
- If the dwelling or related improvements were built before 1978, refer to the section on Lead-Based Paint

BUT.....





# HECM Exception for Lead-Based Paint

## Handbook References: II.D.1.c

- A Property's ability to serve as collateral for the HECM program may qualify for an exception from the remediation of defective lead-based paint surfaces under the Lead-Based Paint Poisoning Prevention Act (LPPPA)
- The Mortgagee must obtain the Borrower's certification that the Property qualifies as housing for the elderly and that no child under six years of age resides, or is expected to reside, in the home.
- When performing an appraisal for a Property that meets the LPPPA exception requirements:
  - The Appraiser must receive from the Mortgagee a copy of the Borrower certification.
  - The repair of the defective lead-based paint surfaces is not required to meet MPR, and the appraisal report must reflect the impact of the Property's defective lead-based paint surfaces.
  - The appraisal report must prominently include the statement: "The mortgagee has identified that they have obtained borrower certification that this property qualifies for the exception from mitigating lead-based paint hazards under the Lead-Based Paint Poisoning Prevention Act."



# Repair, Set-Aside, or Reject

## Handbook Reference: II.B.4.

- When the appraisal report or inspection from a qualified Entity indicates that repairs are required to make the Property meet HUD's MPR, the Mortgagee must comply with Repair Requirements.
- Where major property deficiencies threaten the health and safety of the homeowner and/or jeopardize the soundness and security of the Property, all repairs must be completed prior to closing. *This implies the home is habitable and safe for occupancy at the time of closing.*
- If repairs for the HECM Property can be completed after closing, the Mortgagee may establish a Set-Aside account in accordance with HECM Repair Set-Aside Requirements.
- When defective conditions exist and correction is not feasible, the Mortgagee must reject the Property.



# Repair Set Aside

## Handbook Reference: II.B.4.a.ii.(C)(3) & (4)

- Required Repairs Estimated to Cost No More Than 15 Percent of Maximum Claim Amount
  - The Borrower may complete the required repairs after closing when the estimated repairs cost no more than 15 percent of the MCA using a Repair Set-Aside.
- Required Repairs Estimated to Exceed 15 Percent of the Maximum Claim Amount
  - The Borrower must complete the required repairs before closing when the estimated repair cost exceeds 15 percent of the MCA. The Mortgagee must include required repairs on form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value, as a condition of closing

# Encroachments and Easements

## Handbook References: II.D.3.

- The Mortgagee must ensure the subject's dwelling, garage, or other improvements do not encroach onto an adjacent Property, right-of-way, utility Easement, or building restriction line.
  - The Mortgagee must also ensure a neighboring dwelling, garage, or other improvements do not encroach onto the subject Property. Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property.
- An Encroachment refers to an interference with or intrusion onto another's property.
  - An Easement refers to an interest in land owned by another person, consisting of the right to use or control the land, or an area above or below it, for a specific limited purpose.

# Overhead Electrical Power Transmission and Local Distribution Lines

- The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS:
  - If the Overhead Electric Power Transmission Lines or the Local Distribution Lines pass directly over any dwelling, Structure or related property improvement, including pools, spas, or water features.
  - If the dwelling or related property improvements are located within an Easement or if they appear to be located within an unsafe distance of any power line or tower.

- Overhead Electric Power Transmission Lines refer to electric lines that supply power from power generation stations to Local Distribution Lines.
- Local Distribution Lines refer to electric lines that commonly supply power to residential housing developments, similar facilities and individual Properties.

# Overhead Electrical Power Transmission and Local Distribution Lines



If the dwelling or related Property improvements are located within the easement area, the Mortgagee must require a certification from the appropriate utility company or local regulatory agency that the relationship between the improvements and Local Distribution Lines conforms to local standards and is safe.

# Individual Water or Sewage Systems

- The Mortgagee is required to ensure the well and septic meet HUD, state, and local jurisdiction requirements.
- The Appraiser must report on the availability of connection to a public and/or Community Water System and any jurisdictional conditions requiring connection.
- The underwriter, not the Appraiser, is required to determine feasibility of connecting improvements to public water and/or septic system.

➤ The Appraiser and/or Mortgagee must require inspections for readily observable deficiencies of well or septic systems.



# Feasibility of Public Water and Sewer Hook-up



Feasibility is the evaluation of the costs and activities necessary for the Property to access public water or sewer.

Two questions you may ask are:

- Is it necessary to maintain or ensure adequate water service or disposal of effluent?
- Is it economically feasible for the Borrower?



# Water Supply and Water Quality



- Well water tests are always required for New Construction.
- Well water tests are required for existing construction if required by the health authority or located near dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous wastes.

# Water Supply and Water Quality (cont.)



- Public (or Community) Water Supply Systems are considered to be safe unless reported otherwise by the health authority or the Appraiser.
- In all cases where the Appraiser indicates deficiencies with the water or the water is reported to be unsafe, water tests or filtration systems may be necessary to ensure safe and potable water is provided to the Property.

# Stationary Storage Tanks



- If the subject property line is located within 300 feet of an aboveground, stationary storage tank with a capacity of more than 1,000 gallons of flammable or explosive material, then the Property is ineligible for FHA insurance.
- The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS.

---

# Helpful Reminders on Reviewing the Appraisal



# Photographs

Photograph Exhibit	FHA Minimum Photograph Requirements
Subject Property Exterior	<ul style="list-style-type: none"> <li>• Front and rear at opposite angles to show all sides of the dwelling</li> <li>• Improvements with Contributory Value not captured in the front or rear photograph</li> <li>• Street scene photograph to include a portion of the subject site</li> <li>• For New Construction, include photographs that depict the subject's grade and drainage</li> <li>• For Proposed Construction, include a photograph that shows the grade of the vacant lot</li> </ul>
Subject Property Interior	<ul style="list-style-type: none"> <li>• Kitchen, main living area, bathroom, bedrooms</li> <li>• Any other room representing overall condition</li> <li>• Basement, attic, and/or crawl space</li> <li>• Recent updates, such as restoration, remodeling, and renovation</li> <li>• For two- to four-unit properties, also include photographs of common areas, hallways, etc.</li> </ul>
Comparable Sales, Listings, and Pending Sales	<ul style="list-style-type: none"> <li>• Front view of each comparable utilized</li> <li>• Photographs must be taken at an angle to depict both the front and the side during the required exterior viewing of the comparable from the street when possible</li> <li>• Multiple Listing Service (MLS) photographs are acceptable to exhibit comparable condition at the time of sale – However, Appraisers must include their own photographs as well to document compliance</li> </ul>
Subject Property Deficiencies	<ul style="list-style-type: none"> <li>• Photographs of the deficiency or condition requiring inspection or repair</li> </ul>
Condominium Projects	<ul style="list-style-type: none"> <li>• Additional photographs of the common areas and shared amenities of the Condominium Project</li> </ul>
View	<ul style="list-style-type: none"> <li>• Photographs of any negative or positive view influences that substantially affect value or marketability</li> </ul>



# Reviewing the Appraisal Report Conclusion (Reconciliation)

## Reconciliation Section

As-Is	<ul style="list-style-type: none"> <li>• There is/are no repair(s), alteration(s) or inspection condition(s) noted by the Appraiser.</li> <li>• The Property is being recommended for rejection.</li> </ul>
Subject to Completion per Plans & Specs	<ul style="list-style-type: none"> <li>• Proposed Construction where construction has not started.</li> <li>• Under Construction but not yet complete (less than 90%).</li> </ul>
Subject to the Following Repairs or Alterations	<ul style="list-style-type: none"> <li>• Repair or Alteration Condition(s) noted by the Appraiser to:             <ul style="list-style-type: none"> <li>○ protect the health and safety of the occupants;</li> <li>○ protect the security of the Property;</li> <li>○ correct physical deficiencies or conditions affecting structural integrity.</li> </ul> </li> <li>• Under Construction, more than 90% complete with only minor finish work remaining (buyer preference items e.g., floor coverings, appliances, fixtures, landscaping, etc.). This eliminates the need for plans and specifications.</li> </ul>
Subject to the Following Required Inspection	<ul style="list-style-type: none"> <li>• Required inspection(s) to meet HUD's Minimum Property Requirements and Minimum Property Standards, as noted by the Appraiser.</li> </ul>

# Material Deficiencies

## Example 1

Failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house.

## Example 2

Reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal.

## Example 3

Fraudulent statements or conclusions when the Appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy, and/or thoroughness of the appraisal submitted to the client.

*The above examples are not all-inclusive. Additional material deficiencies may occur.*

# Material Deficiencies/Reconsideration of Value

Handbook Reference: II.B.2. and II.B.4.

Material Deficiencies	Reconsideration of Value
<ul style="list-style-type: none"><li>• A second (<i>or replacement</i>) appraisal may be ordered if the DE underwriter determines the first appraisal is materially deficient and the Appraiser is unable to resolve or uncooperative in resolving the deficiency.</li><li>• The Mortgagee must fully document the deficiency and status of the appraisal in the mortgage file.</li><li>• The Mortgagee must pay for the second appraisal.</li></ul>	<ul style="list-style-type: none"><li>• The underwriter may request a reconsideration of value when the Appraiser did not consider information that was relevant on the effective date of the appraisal.</li><li>• The underwriter must provide the Appraiser with all relevant data that is necessary for a reconsideration of value.</li></ul> <p><i>The underwriter may request the Appraiser to consider additional sales that had closed before the effective date of the appraisal.</i></p>





---

# Special Property Underwriting Requirements



# Planned Unit Developments (PUD)

Handbook Reference: II.D.3.b.



Contains common areas or facilities owned by a Homeowners' Association (HOA) to which all homeowners must belong and must pay mandatory lien-supported HOA dues.



Zoning does not determine if the Property is in a PUD.

# Condominiums



A Condominium Unit refers to real estate consisting of a one-family Dwelling Unit in a Condominium Project.



Condominium Project refers to a project in which one-family Dwelling Units are attached, semi-detached, detached, or Manufactured Home units, and in which owners hold an undivided interest in Common Elements.



A Condominium Unit must be either located within an FHA-approved Condominium Project, meet FHA's definition of a Site Condominium, or have completed the FHA Single-Unit Approval process before a Mortgage can be insured.

# Condominium Project Policy

---



## Condominium Project Approval Requirements

**The Condominium Project Approval section was integrated into the Federal Housing Administration's (FHA) Single Family Housing Policy Handbook (Handbook 4000.1) and can be found under Section II.C**

# Manufactured Housing

---



The Appraiser must notify the Mortgagee and report a deficiency of MPR or MPS if a Manufactured Home was not constructed on or after June 15, 1976, in conformance with the federal MHCSS, as evidenced by an affixed HUD Certification Label.



If the Certification is missing, the Mortgagee must obtain the serial number and request a certificate directly from the Institute for Building Technology and Safety. (Website: [www.ibts.org](http://www.ibts.org))

---

# Closing



# Closing – Topics Covered in This Section

## New Policy and Clarifications of Existing Policy

- For a Home Equity Line of Credit (HELOC) that does not meet the seasoning requirements, the Mortgagee may pay off the Borrower's HELOC using Borrower funds, the HECM proceeds, or a combination of HECM proceeds and Borrower funds.
- Mortgagees may pay a portion or full amount of the Initial Mortgage Insurance Premium (IMIP).
- Mortgagee must upload a copy of the Borrower and Eligible NBS's marriage certificate, legal opinion certifying the validity of the marriage, or other evidence sufficient to establish the legal validity of the marriage.

# Seasoning Requirements for Existing Non-HECM Liens

Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

## Seasoning Requirements for Existing Non-HECM Liens

- The Mortgagee must determine the age of the lien and, if necessary, the amount of funds provided to the Borrower. The Mortgagee may use HECM proceeds to pay off existing non-HECM liens if:
  - the liens have been in place for longer than 12 months prior to the date of the HECM closing;
  - the lien resulted in the Borrower receiving \$500 or less in cash whether at closing or through cumulative draws prior to the date of the HECM closing; or
  - the lien has been in place for 12 months or less prior to the date of the HECM closing, but funds were used exclusively for the purpose of making required repairs needed to satisfy MPR or MPS.



# Seasoning Requirements for Existing Non-HECM Liens (cont.)

Handbook Reference: II.B.6.a. Mortgage Closing Requirements

For a Home Equity Line of Credit (HELOC) that does not meet the seasoning requirements shown in the previous slide, the Mortgagee may pay off the Borrower's HELOC using Borrower funds, the HECM proceeds, or a combination of HECM proceeds and Borrower funds, as long as the Initial Disbursement Limit or Borrower's Advance remains at or under 60 percent of the Principal Limit.



# Principal Limit Calculation at Closing

## Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

- Float Down Option refers to the calculation of the Principal Limit at closing when the Expected Rate in effect on the date of closing is lower than the Expected Rate used when the lock-in agreement was signed by the Borrower.
- The Mortgagee must calculate the Principal Limit at closing if there is no lock-in agreement. In accordance with the lock-in agreement terms and conditions, if the lock-in agreement includes a float down option, **the Mortgagee may recalculate the Principal Limit if the Expected Rate in effect on the date of closing has declined and is now lower than the Expected Rate used for the lock-in agreement.**

# Case Study #1

## Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

What is the Expected Rate that is used to calculate the Principal Limit if there is no float down option and the lock-in period has not expired?

Origination Activity	Date	10-YR CMT Index	Mortgagee Margin
Counseling Completed	November 6, 2023	4.67%	2.05%
Initial Application Taken	December 18, 2023	3.95%	2.05%
Case Number Assigned	December 22, 2023	3.90%	2.05%
Closing	February 6, 2024	3.99%	2.05%



# Case Study #1 (cont.)

Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

Expected Rate used to determine the Principal Limit is 6%

Origination Activity	Date	10-YR CMT Index	Mortgagee Margin
Counseling Completed	November 6, 2023	4.67%	2.05%
Initial Application Taken	December 18, 2023	3.95%	2.05%
Case Number Assigned	December 22, 2023	3.90%	2.05%
Closing	February 6, 2024	3.99%	2.05%



# Case Study #2

## Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

What is Expected Rate that is used to calculate the Principal Limit when there is a float down option and the lock-in period has not expired?

Origination Activity	Date	10-YR CMT Index	Mortgagee Margin
Initial Application Taken	October 20, 2023	4.93%	1.75%
Counseling Completed	November 5, 2023	4.72%	1.75%
Case Number Assigned	November 7, 2023	4.85%	1.75%
Closing	January 17, 2024	5.10%	1.75%



# Case Study #2 (cont.)

Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

Expected Rate Lock used to determine the Principal Limit is 6.68%

Origination Activity	Date	10-YR CMT Index	Mortgagee Margin
Initial Application Taken	October 20, 2023	4.93%	1.75%
Counseling Completed	November 5, 2023	4.72%	1.75%
Case Number Assigned	November 7, 2023	4.85%	1.75%
Closing	January 17, 2024	5.10%	1.75%



# Payment of Initial Mortgage Insurance Premiums

Handbook Reference: II.B.6.a. Mortgagee Closing Requirements

- Payment of IMIP is processed automatically once the originating Mortgagee or servicing Mortgagee completes loan setup in HERMIT. **Mortgagees may pay a portion or full amount of IMIP.**
- For HECM for Purchase transactions, see the Initial Mortgage Insurance Premium Amount section of the product sheet.



# Upload of Marriage Documentation in HERMIT for Eligible Non-Borrowing Spouse

Handbook Reference: II.B.6.a. Mortgage Closing Requirements

Once the originating Mortgagee or servicing Mortgagee completes loan setup in HERMIT, the Mortgagee must upload a copy of the Borrower and Eligible NBS's marriage certificate, legal opinion certifying the validity of the marriage, or other evidence sufficient to establish the legal validity of the marriage in HERMIT.





---

# Post-closing and Endorsement



# Post-closing and Endorsement – Topics Covered in this Section

## New Policy and Clarifications of Existing Policy

- Mortgagees must send the following original legal documents to the HECM Servicing Contractor:
  - Loan agreement and all related exhibits
  - Second Mortgage and Note
- New policy updated the documentation required in the FHA case binder.

# Pre-Endorsement Review

## Handbook Reference: II.B.7.a. Pre-Endorsement Review

The Mortgagee must complete a pre-endorsement review of the mortgage file to ensure all applicable documents as described in the Assembly of Case Binder for Electronic Submission are included in the endorsement submission.

The Mortgagee must exercise due diligence in performing its pre-endorsement responsibilities.

**This review must be conducted by staff not involved in the originating, processing, or financial assessment of the HECM.**

The case binder must contain all documentation relied upon by the Mortgagee to justify its decision to approve the HECM.



# Assembly of Case Binder

## Handbook Reference: II.B.7.d. Procedures for Endorsement

- The Mortgagee must ensure that all case binders are complete, meet FHA specifications, contain all required documents, and are submitted electronically according to the document order designated below. All documents that are submitted electronically to FHA are considered complete and accurate copies of the original documents.
- All appraisals must be submitted through FHA's legacy EAD portal or FHA Catalyst: EAD Module prior to endorsement. Complete instructions and data delivery format requirements for each appraisal form are found in the Appraisal Report and Data Delivery Guide.



# Documents Sent to HUD Servicing Contractor

## Handbook Reference: II.B.7.b. Mortgagee Pre-Endorsement Review Requirements

- The Mortgagee must ensure that the **recorded HECM second security instrument** is mailed directly to HUD's HECM servicing contractor
- The Mortgagee must ensure that the **HECM Second Note**, if applicable, is mailed directly to HUD's HECM servicing contractor.
- Mailing Address: U.S. Dept. of Housing and Urban Development  
National Servicing Center  
110 West 7th Street, Suite 1110  
Tulsa, OK 74119



# Originals Sent to HUD Servicing Contractor

## Handbook Reference: II.B.7.b. Mortgagee Pre-Endorsement Review Requirements

- The Mortgagee must confirm the **original loan agreement** and the following related exhibits are accurate:
  - schedule of closing costs and liens;
  - payment plan; and
  - Repair Rider, if applicable.
- The Mortgagee must ensure the **original HECM loan agreement and exhibits** are mailed directly to HUD's HECM servicing contractor.
- Mailing Address: U.S. Dept. of Housing and Urban Development  
National Servicing Center  
110 West 7th Street, Suite 1110  
Tulsa, OK 74119



# Procedures for Endorsement

Handbook Reference: II.B.7.d Procedures for Endorsement

## How to get your cases endorsed without delay :

- Refrain from submitting multiple copies of the same form. For digital submissions, one copy is sufficient.
- Refrain from including internal QC documentation unless relevant to your decision to approve the case.
- Double check that all required documentation is present in the case binder.



# Procedures for Endorsement (*cont.*)

Handbook Reference: II.B.7.d. Procedure for Endorsement

## How to get your cases endorsed without delay :

- Make sure the correct Late Submission language is contained in your letter and that the letter is completed properly on company letterhead with all required information including your address and phone number.
- Make sure the Insurance Application Screen and Financial Assessment screen are complete, correct and submitted to FHA Connection properly.
- Make sure the loan data is correctly input into Catalyst (e.g. invalid case numbers, incorrect HOCs, incorrect submission types).



# After Receipt of a Notice of Return

## Handbook Reference: II.B.7.d. Procedures for Endorsement

- Notice of Return (NOR) refers to a notification to the Mortgagee specifying the reason a Mortgage is not currently eligible for endorsement.
- If the Jurisdictional HOC issues a NOR, the Mortgagee may request reconsideration for insurance endorsement. **All requests for reconsideration must be received by the Jurisdictional HOC within the 60-Day endorsement submission period or within 30 Days of the issuance of the NOR, whichever is longer. If the request for reconsideration is submitted after this time period, the Mortgagee must follow the guidelines for late submission.**
- Mortgagees must resubmit additional documentation for reconsideration and resolution of the NOR.

# Case Binder Late Submission

- If the case binder is submitted more than 60 Days after the Disbursement Date, the Mortgagee must submit a late endorsement request, certifying that:
  - at the time of certification, all payments to the Borrowers have been made in accordance with time frames specified by the payment option;
  - the MIP, Late Charge, and interest due have been remitted;
  - the Borrower is current in paying their Property Charges, i.e., taxes, Ground Rent, Flood and Hazard Insurance premiums, and special assessments; and
  - the Mortgagee or its agent did not provide funds to bring and/or keep the Property Charges current or to bring about the appearance that the Borrower has complied with the obligations of the HECM.

# Most Common Insuring Deficiencies

---

- Required documentation is missing, illegible, improperly completed or the incorrect form was used. This constitutes over 90 percent of the deficiency findings.
- Required documentation supporting calculations is missing from the file -  
Principal Limit and Life Expectancy Set-Aside
- Property issue resolution documentation
- Occupancy certification
- Income documentation-Current award letter and/or evidence of receipt

# Test Your Knowledge

---

1. True or False. The case binder must contain all documentation relied upon by the Mortgagee to justify its decision to approve the HECM.
2. True or False. The binder must include the original counseling certificate.
3. True or False. Mortgagees must send the original Loan Agreement and Exhibits to FHA after they receive a written request.



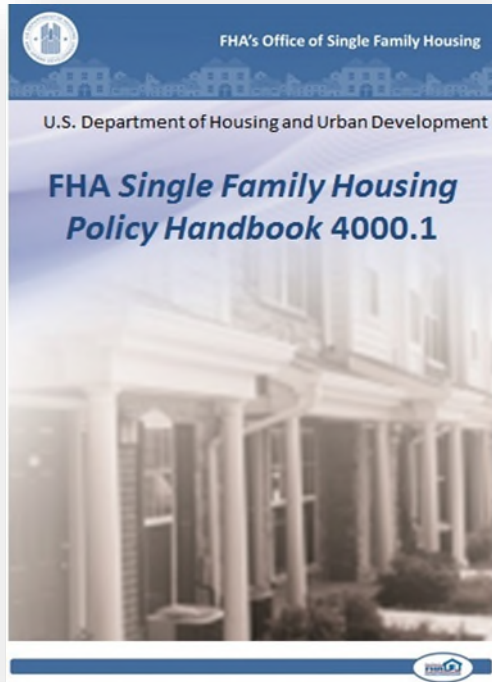
# Test Your Knowledge (cont.)

---

1. **True** or False. The case binder must contain all documentation relied upon by the Mortgagee to justify its decision to approve the HECM.
2. True or **False**. The binder must include the original counseling certificate.
3. True or **False**. Mortgagees must send the original Loan Agreement and Exhibits to FHA after they receive a written request.



# Session II - Summary



## Today you learned:

- ✓ **How to underwrite the property** according to FHA requirements
- ✓ **Loan closing policy updates** including examples of principal limit calculation with and without an expected rate float down option and the requirement for uploading marriage documentation in HERMIT
- ✓ **Post-closing and endorsement policy updates** including how to assemble the case binder and how to avoid common insuring deficiencies

# Helpful Links

---

- SF Handbook 4000.1 Information  
[https://www.hud.gov/program\\_offices/housing/sfh/handbook\\_4000-1](https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1)
- Upcoming Single Family Housing Events and Training  
[https://www.hud.gov/program\\_offices/housing/sfh/events](https://www.hud.gov/program_offices/housing/sfh/events)
- Subscribe to FHA INFO  
[https://www.hud.gov/program\\_offices/housing/sfh/FHA\\_INFO\\_subscribe](https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe)
- HUD's Client Information Policy Systems (HUDCLIPS)  
<https://www.hud.gov/guidance>



# Additional Links

---

- The HECM Mortgage Letters web page ([https://www.hud.gov/program\\_offices/housing/sfh/hecm/hecmml](https://www.hud.gov/program_offices/housing/sfh/hecm/hecmml)) will be deleted.
- Use link titled “All HECM Mortgage Letters” on Home Equity Conversion Mortgages for Lenders (HECMS) web page ([https://www.hud.gov/program\\_offices/housing/sfh/hecm](https://www.hud.gov/program_offices/housing/sfh/hecm)) instead – it will link to HUDCLIPS.
- Handbook 4000.1 Overview Training [https://www.hud.gov/program\\_offices/housing/sfh/events/sfh\\_hb\\_webinars](https://www.hud.gov/program_offices/housing/sfh/events/sfh_hb_webinars)





# FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALLFHA (1-800-225-5342) Information on how to make an accessible phone call: <a href="https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs">https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs</a> .	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.



---

**Thank you  
for joining us today!**

