



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 I)

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.



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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.
- Via email at: 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.

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Helpful Links

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

- FHA Lenders page:
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.





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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 I)

April 10, 2024

Presented by the
Office of Single Family Program Development:
Barb Leslie, Director
Erica Jessup, Housing Program Policy Specialist
Tonya York, Credit Policy Specialist



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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.

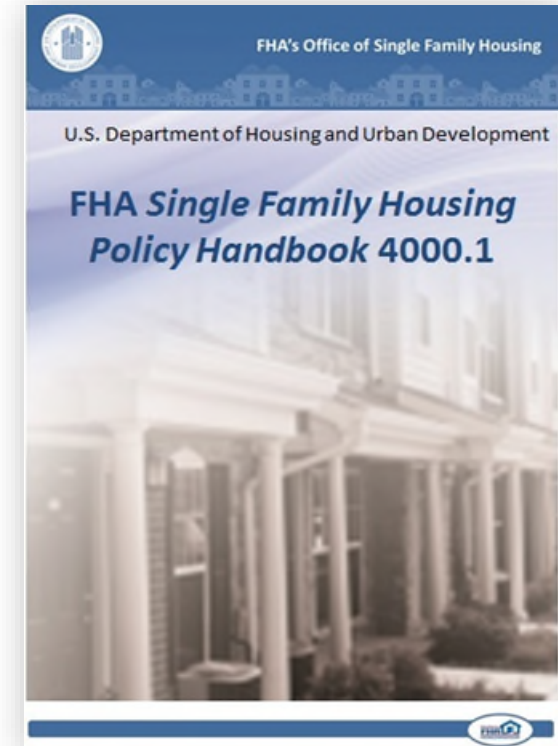
The information in this presentation is current as of the October 31, 2023, publication of HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

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



Publication

HUD published the Home Equity Conversion (HECM) policy in HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1) on October 31, 2023.



Handbook 4000.1: https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb

Handbook 4000.1 Overview Training: https://www.hud.gov/program_offices/housing/sfh/events/sfh_hb_webinars

HECM Overview Training: https://www.hud.gov/program_offices/housing/sfh/events/sfh_hb_webinars

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



Learning Objectives



By the end of these two sessions, you should be able to:

- Understand how to access and use the Handbook 4000.1 to locate HECM policy.
- Understand and implement HECM policy contained in the HECM Origination through Post-closing and Endorsement section of Handbook 4000.1.

How to Use Handbook 4000.1



How to Use Handbook 4000.1



Yellow highlighting shows the most recent update.



Capitalized terms are defined in the Glossary.



Policy guidance is structured into three categories: Definitions, Standard, and Required Documentation.



Hyperlinks are denoted in blue and underlined.

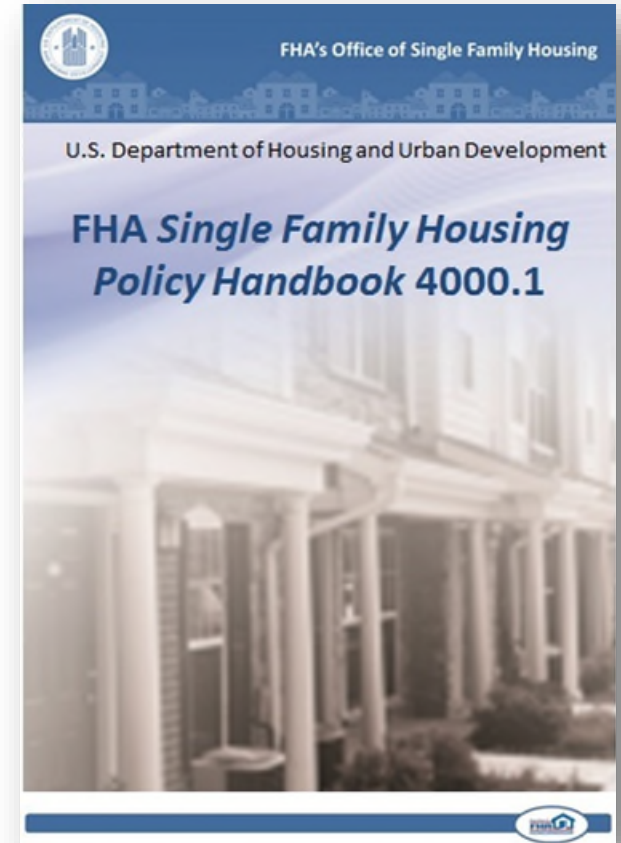
How to Use Handbook 4000.1

FHA Single Family Housing Policy Handbook

Topics follow the logical flow of the stakeholder's process.

The five major sections are:

- I. Doing Business with FHA
- II. Origination through Post-Closing/Endorsement
- III. Servicing and Loss Mitigation
- IV. Claims and Disposition
- V. Quality Control, Oversight, and Compliance



How to Use Handbook 4000.1

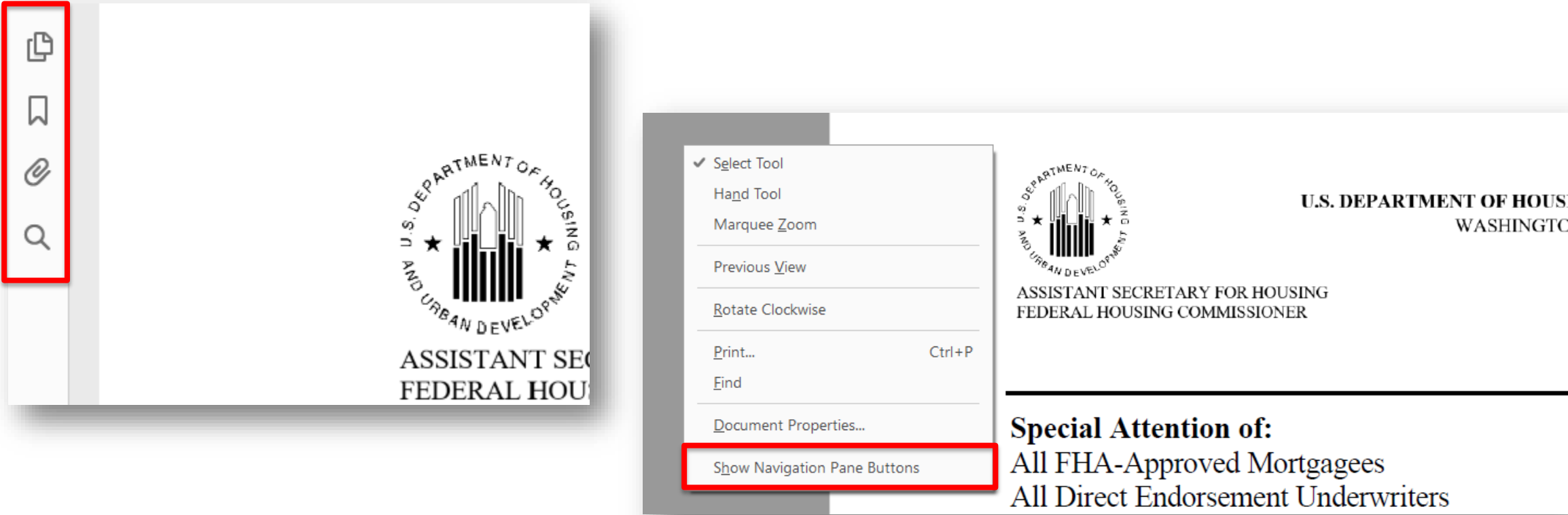
To use the search function, press Ctrl+F.



How to Use Handbook 4000.1 (cont.)

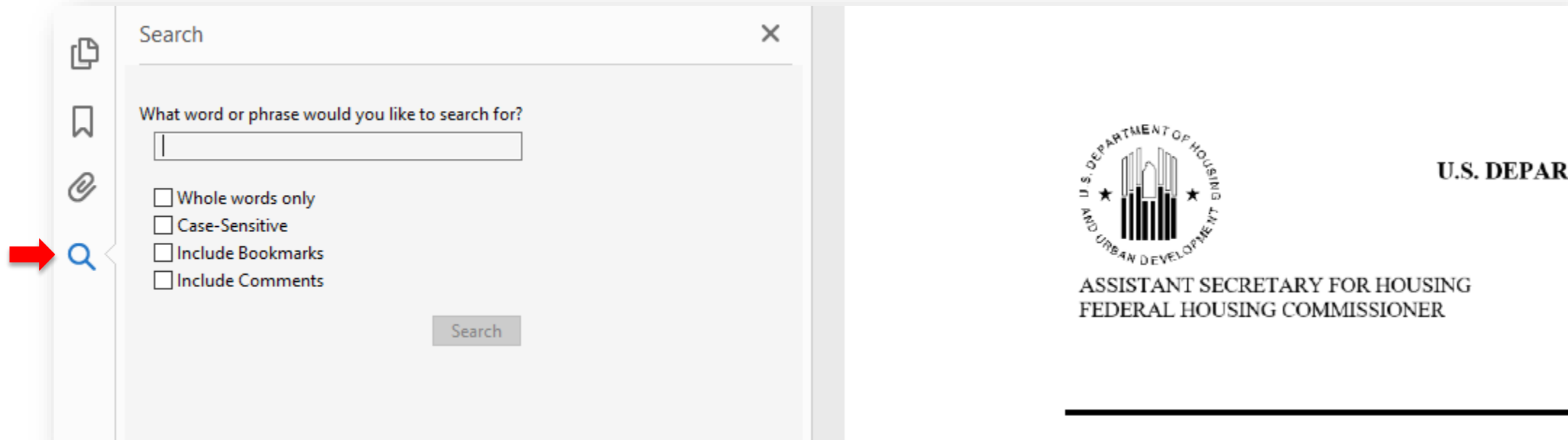
Adobe Acrobat Navigation Pane

- If the Navigation Pane is hidden, right-click and select Show Navigation Pane Buttons.



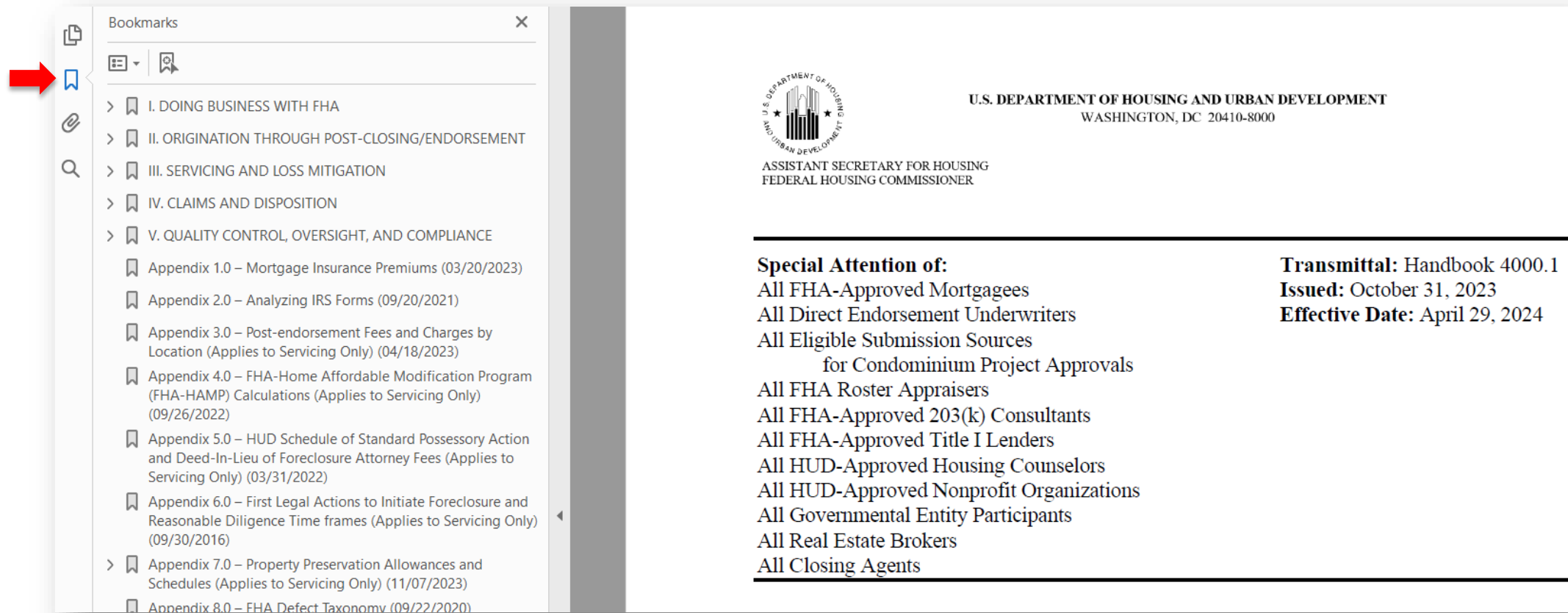
How to Use Handbook 4000.1

Adobe Acrobat search function



How to Use Handbook 4000.1

Adobe Acrobat bookmark function



The screenshot displays the Adobe Acrobat interface. On the left, the 'Bookmarks' panel is open, showing a list of document sections. A red arrow points to the bookmark icon in the left sidebar. The main document content on the right is the title page of Handbook 4000.1, featuring the U.S. Department of Housing and Urban Development logo and the following text:

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

ASSISTANT SECRETARY FOR HOUSING
FEDERAL HOUSING COMMISSIONER

Special Attention of:
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 FHA-Approved Title I Lenders
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Transmittal: Handbook 4000.1
Issued: October 31, 2023
Effective Date: April 29, 2024

How to Use Handbook 4000.1

Bookmarks in Google Chrome Internet Browser

FHA Single Family Housing Policy Handbook

1 / 1851 | 125%

- > I. DOING BUSINESS WITH FHA
- II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT**
 - > A. Title II Insured Housing Programs Forward Mortgages
 - > B. Title II Insured Housing Programs Reverse Mortgages
 - > C. Condominium Project Approval
 - > D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages

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

ASSISTANT SECRETARY FOR HOUSING
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Special Attention of:

- All FHA-Approved Mortgagees
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- for Condominium Project Approvals
- All FHA Roster Appraisers
- All FHA-Approved 203(k) Consultants
- All FHA-Approved Title I Lenders



User Quick Guide

User Quick Guide is available on the page before the Table of Contents.

FHA Single Family Housing Policy Handbook

HUD Handbook 4000.1 FHA Single Family Housing Policy Handbook

USER QUICK GUIDE

Below are some helpful tips for using HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1):

1. Handbook 4000.1 is organized in the sequence of a life cycle of a mortgage.
2. Effective dates are shown at the end of heading titles, at the 4th level (e.g., I.A.1.a) in parentheses.
3. Yellow highlighted text indicates the most recent updates to Handbook 4000.1.
4. Capitalization of words in Handbook 4000.1 generally denotes terms that are defined in the Glossary.
5. Hyperlinks are included in Handbook 4000.1 for easy navigation to a referenced section. Hyperlinks are indicated by blue, underlined text. Users can jump to the hyperlinked reference by clicking on the text. To navigate back to the hyperlink last used, click ALT+←.
6. Use Ctrl+F to search on words or phrases.

Handbook 4000.1 – HECM Sections

II. Origination through Post-closing/Endorsement

A. Title II Insured Housing Programs Forward Mortgages

B. Title II Insured Housing Programs Home Equity Conversion Mortgages

1. Origination/Counseling Requirements

2. Origination/Processing

3. Allowable Mortgage Parameters

4. Underwriting the Property

5. Performing the Financial Assessment of the Borrower

6. Closing

7. Post-closing and Endorsement

8. Programs and Products



Origination/Counseling



Origination/Counseling – Topics Covered in This Section

New Policy and Clarifications of Existing Policy

- Mortgagees are exempt from providing a list of Participating Agencies when the Borrower already completed HECM counseling and provides the Mortgagee with an unexpired Certificate of HECM Counseling.
- The Mortgagee must ensure all Borrowers, NBSs, and NBO with legal competency receive HECM counseling.
- Legal Agents for Borrowers, NBSs, and NBO that lack legal competency must attend HECM counseling.
- The validity period for the Certificate of HECM Counseling is 180 Days from the date counseling was completed.

Required Referral for HECM Counseling

Handbook Reference: II.B.1.a. Required Referral for HECM Counseling

- The Mortgagee must provide each prospective Borrower with a list of the names, addresses, and telephone numbers of the Participating Agencies eligible to provide HECM counseling that includes:
 - all HUD-approved intermediaries listed on the HUD Intermediaries Providing HECM Origination Counseling Nationwide;
 - Participating Agencies that provide telephone counseling; and
 - at least five Participating Agencies located in the prospective Borrower's state or locality, including at least one local agency within a reasonable driving distance of the prospective Borrower's residence for face-to-face counseling.
- **If the prospective Borrower has already received HECM counseling and provides the Mortgagee with an unexpired, signed and dated form HUD-92902, Certificate of HECM Counseling, the Mortgagee does not need to provide the prospective Borrower with the list of Participating Agencies.**



Individuals Required to Receive HECM Counseling

Handbook Reference: II.B.1.c. Individuals Required to Receive HECM Counseling

- The Mortgagee must ensure all Borrowers, NBSs, and NBOs, with legal competency, have received HECM counseling from a counselor on the HECM Roster **before** processing the loan application or obtaining an FHA case number.
- The Mortgagee must ensure HECM counseling is completed by an agent or attorney-in-fact that holds a durable Power of Attorney (POA) if they execute the Residential Loan Application for Reverse Mortgages (RLARM) or closing documents on behalf of a legally competent Borrower or Eligible NBS.
- For any Borrower, NBS, or NBO lacking legal competency, HECM counseling must be completed by:
 - the person holding a POA; or
 - a court-appointed conservator or guardian.



Test Your Knowledge

Question 1:

Is HECM counseling required for a NBO vested on title at origination, but who is signing a quitclaim releasing their interest in the subject property at closing? This individual will not be a vested owner after the loan closes.

Question 2:

I have a borrower who is currently on the title with her siblings for the property their deceased parents owned. One borrower has been living in the property and will remain on title. Her siblings will be coming off title at closing. Do the siblings who are being removed from title, and have nothing to do with our loan, need to complete HECM counseling?



Test Your Knowledge

Answer:

- In both these cases, the individuals who are on title at origination **MUST** complete HECM counseling. Even if these individuals plan on being removed from title in the future, they must receive HECM counseling if they are on title at time of application.
- There is no guarantee these individuals will be removed from title prior to closing and if they are not removed due to unforeseen circumstances, FHA's guidelines would be violated.



Certificate of HECM Counseling

Handbook Reference: II.B.1.d. Certificate of HECM Counseling

- The HECM counselor must provide the Borrower, NBS, NBO, and legal representative with a Certificate of HECM Counseling once counseling is successfully completed. **A Certificate of HECM Counseling must be signed and dated by the HECM counselor and the individual(s) required to receive counseling.** The Certificate of HECM Counseling may bear the name of one or more individuals required to receive counseling.

(A) Handling of Certificate of HECM Counseling

Mortgagees may accept a copy of the signed and dated Certificate of HECM Counseling, from the HECM counselor or the individual(s) required to receive counseling that has been faxed, mailed, or electronically transmitted. The Mortgagee may merge two separately signed and dated copies of the Certificate of HECM Counseling that are received via fax, mail, or electronically from the HECM counselor and/or the individual(s) required to receive counseling to create one document.



Certificate of HECM Counseling (cont.)

Handbook Reference: II.B.1.d. Certificate of HECM Counseling

Name of Individual Receiving Counseling (Print)

Check the applicable box for the Individual Receiving Counseling

- Prospective Borrower
- Non-Borrowing Spouse (if applicable & present)
- Non-Borrowing Owner (if applicable & present)
- Agent / Guardian (if applicable & present)
- Child / Sibling of Prospective Borrower
- Other (Specify):



Certificate of HECM Counseling (cont.)

Handbook Reference: II.B.1.d. Certificate of HECM Counseling

(B) Age of Certificate of HECM Counseling

The Certificate of HECM Counseling remains valid for a period of 180 Days from the date the counseling was completed.

(C) Restrictions on Beginning Loan Processing and Ordering the FHA Case Number

Mortgagees may not charge the Borrower any fees or proceed with processing the HECM loan application until they receive the Certificate of HECM Counseling, signed and dated by the HECM counselor and all individuals required to receive HECM counseling. The Mortgagee and sponsored TPOs may only request corrections to the Certificate of HECM Counseling up until the HECM is endorsed. The Mortgagee must contact the HECM counselor regarding corrections to the Certificate of HECM Counseling. Mortgagees may not request the FHA case number until they receive the Certificate of HECM Counseling.

To send an email to the Office of Housing Counseling: Housing.Counseling@hud.gov



Origination/Processing



Origination/Processing – Topics Covered in This Section

New Policy and Clarifications of Existing Policy

- Mortgagees must obtain a signed and dated copy of the HECM Program Description disclosure at initial application.
- Prior to ordering a case number, a copy of the Certificate of HECM Counseling for each individual required to receive counseling must be obtained by the Mortgagee.
- Functionality for canceling and reinstating case numbers was implemented in FHA Connection.

Origination/Processing – Topics Covered in This Section (cont.)

New Policy and Clarifications of Existing Policy

- Electronic Appraisal Delivery (EAD) Lender Admin Guide is applicable for all FHA appraisals, including HECM.
- Mortgagees may originate a HECM for a Property that is held by a Living Trust, either revocable or irrevocable.
- Delinquent federal debt or tax liens may be paid off prior to obtaining a HECM using the Borrower's own funds or paid off as a Mandatory Obligation at closing.
- New policy clarifies the property eligibility requirements for New Construction in Special Flood Hazard Areas (SFHA).

HECM Program Description Disclosure

Handbook Reference: II.B.2.a. Applications and Disclosures

- **HECM Program Description Disclosure**

- The Mortgagee must provide Borrowers with a HECM Program Description disclosure describing all products, options, and features of the HECM program that FHA will insure, regardless of the products they offer. The Mortgagee must provide a disclosure that is written in clear, consistent, and concise language.
- The Mortgagee must not mislead or otherwise cause a Borrower to believe that the HECM product contains any features or limitations that are inconsistent with FHA's requirements. Mortgagees are prohibited from seeking any agreement from the Borrower that is inconsistent with the ability of the Borrower to exercise their rights to the fullest extent permitted by law.
- **At initial application, the Mortgagee must obtain the HECM Program Description disclosure signed and dated by the Borrower.**



HECM Program Description Disclosure

Handbook Reference: II.B.2.a. Applications and Disclosures

- **The HECM Program Description Disclosure must explain that:**
 - **For all HECMs:**
 - the HECM is not assumable;
 - the HECM is a non-recourse loan;
 - the Property must be the Principal Residence:
 - the Borrower will be required to provide a written annual occupancy certification; and
 - the Borrower is responsible for notifying the Mortgagee of absences from the Property in excess of two months to avoid determinations that the Borrower's Principal Residence has changed;
 - FHA insures fixed rate HECMs, as well as annual and monthly adjustable rate HECMs;
 - the amount of funds made available to the Borrower is based on the age of the youngest Borrower or Eligible NBS;
 - principal limit growth for all payment plan options;
 - the Principal Limit may increase monthly but there are restrictions for disbursing those funds during the First 12-Month Disbursement Period;



HECM Program Description Disclosure (cont.)

Handbook Reference: II.B.2.a. Applications and Disclosures

- the Initial Mortgage Insurance Premium (IMIP) payment methods and the formula used to calculate the IMIP amount;
- the costs of obtaining the HECM:
 - provide the Borrower with a Good Faith Estimate (GFE), giving the Borrower an estimate of closing costs and explaining which charges are required to obtain the HECM and which charges are not required to obtain the HECM, including the disclosure of third-party fees; and
 - inquire whether the HECM proceeds will be used to pay any cost associated with estate planners and inform the Borrower that such services are unnecessary to obtain a HECM and are ineligible for payment from HECM proceeds;
- the Borrower may incur the cost of a second appraisal, if required by the collateral risk assessment, which is used to determine whether additional support for the collateral value is required;
- the Property must meet FHA's Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) and the provisions for completing required repairs either prior to or after closing;
- insurance is required for all improvements on the Property that serves as collateral for the HECM, whether in existence at the time of origination or subsequently erected, against any hazards, casualties, and contingencies, including fire and flood, for which the Mortgagee requires insurance. Such insurance must be maintained in the amount and for the period of time that is necessary to protect the Mortgagee's investment;

HECM Program Description Disclosure (cont.)

Handbook Reference: II.B.2.a. Applications and Disclosures

- the Borrower and NBS, if any, will be required to disclose and certify their marital status at closing;
- repayment and prepayment features; and
- the Borrower's rights, obligations, and remedies with respect to temporary absences from the home, late payments, and payment default by the Mortgagee and all conditions requiring satisfaction of the HECM.
- **For fixed rate HECMs:**
 - the Borrower is limited to the single lump sum payment option, which provides a single Disbursement at closing with no opportunity for future Disbursements to or on behalf of the Borrower, except as allowed from a Set-Aside established at closing; and
 - Disbursement of HECM proceeds during the First 12-Month Disbursement Period is limited to the amount of the Borrower's Advance, plus Disbursements from a Set-Aside that was established at closing.
- **For adjustable rate HECMs:**
 - the Borrower may choose from five, flexible payment options, allowing for future Disbursements, and the Borrower may change payment plans to one of the other available payment options at any time provided funds are available;
 - the frequency of annual and monthly adjustable rate changes; and
 - Disbursement of HECM proceeds during the First 12-Month Disbursement Period is subject to an Initial Disbursement Limit.

Ordering Case Numbers

Handbook Reference: II.B.2.a. Applications and Disclosures

- The Mortgagee must use FHAC to order FHA case numbers. A case number can be obtained only when the Mortgagee has an active HECM application for the subject Borrower and Property.
- In order to obtain a case number, the Mortgagee must:
 - provide the subject Borrower's name, SSN, and date of birth;
 - provide the property address;
 - certify that the Mortgagee has an active HECM application for the subject Borrower and Property; and
 - obtain a copy of the Certificate of HECM Counseling for **each individual required to receive counseling**.
- The Mortgagee is not required to input appraiser information at the time the case number is ordered.
- The Mortgagee **must order a case number prior to the expiration of the Certificate of HECM Counseling** for the last Borrower or legal representative who is required to receive counseling.
- The Mortgagee is not required to close on the HECM prior to the expiration of the Certificate of HECM Counseling.
- The Mortgagee must enter the HECM counseling certificate identification number belonging to the last Borrower or legal representative counseled when there are multiple certificates.



Ordering Case Numbers – Test Your Knowledge

Case Study 1:

- You would like to order a case number.
- You have an active HECM application with two Borrowers and there is an NBO.
- The information you obtained is as follows:
 - All Borrowers' names, SSNs, and dates of birth;
 - Subject Property address; and
 - Copy of the unexpired Certificate of HECM Counseling for the two Borrowers.

Question:

- Have you met all FHA requirements to proceed with ordering a case number?



Ordering Case Numbers – Test Your Knowledge (cont.)

Case Study 1:

- You would like to order a case number.
- You have an active HECM application with two Borrowers and an NBO.
- The information you obtained is as follows:
 - All Borrowers' names, SSNs, and dates of birth;
 - Subject Property address; and
 - Copy of the unexpired Certificate of HECM Counseling for the two Borrowers.

Question:

- Have you met all FHA requirements to proceed with ordering a case number?
No, you must obtain the NBO's Certificate of HECM Counseling.



Ordering Case Numbers – Test Your Knowledge (cont.)

Case Study 2:

Today is 4/29/2024. You are ordering the case number for the scenario in Case Study 1.

Individual Required to Receive HECM Counseling	HECM Counseling Certificate ID	Expiration Date
Borrower	111111111	5/1/2024
Co-Borrower	222222222	5/8/2024
Non-Borrowing Owner	333333333	5/15/2024

Question:

- Which Certificate ID must be used in FHA Connection?



Ordering Case Numbers – Test Your Knowledge (cont.)

Case Study 2:

Today is 4/29/2024. You are ordering the case number for the scenario in Case Study 1.

Individual Required to Receive HECM Counseling	HECM Counseling Certificate ID	Expiration Date
Borrower	111111111	5/1/2024
Co-Borrower	222222222	5/8/2024
Non-Borrowing Owner	333333333	5/15/2024

Question:

- Which Certificate ID must be used in FHA Connection?

111111111



Canceling/Reinstating a Case Number – FHA INFO 2023-65

Handbook Reference: II.B.2.a. Applications and Disclosures

- Beginning on August 14, 2023, new functionality in the FHA Connection (FHAC) system enabled Mortgagees to process their case cancellations and reinstatements through the Case Cancel/Reinstate Screen.
- When FHAC identifies an exception that requires FHA staff intervention, it will direct Mortgagees to submit the request to the FHA Resource Center using the applicable template on the Single Family Case Processing Requirements web page.
 - Link:
https://www.hud.gov/program_offices/housing/sfh/lender/origination/case_processing_req
- FHA Connection Application Coordinators must grant authority to users responsible for performing the Case Cancellation and Reinstatement functions.
- Section II.B.2.a.iii.(B)(3) Canceling and Reinstating Case Numbers will be updated in a future handbook update.



Appraisal Delivery – Electronic Appraisal Delivery

Handbook Reference: II.B.2.a. Applications and Disclosures

- The Electronic Appraisal Delivery (EAD) refers to a web-based platform where Mortgagees or their designated technology service providers electronically deliver FHA Single Family appraisal reports prior to endorsement.
- Mortgagees or their designated technology service providers must deliver appraisals through FHA's EAD portal.
- Appraisals submitted through FHA's EAD portal are the appraisals required for endorsement.

Electronic Appraisal Delivery – Helpful Resources

- For more helpful resources, please visit FHA's EAD webpage: https://www.hud.gov/program_offices/housing/sfh/lender/origination/ead

The screenshot shows the top navigation bar of the U.S. Department of Housing and Urban Development website. The main content area is titled "ELECTRONIC APPRAISAL DELIVERY (EAD) PORTAL". It includes a breadcrumb trail: Home / Program Offices / Housing / Single Family / Lenders / Origination / Electronic Appraisal Delivery. The text describes the EAD portal as a web-based technology system used by FHA-approved mortgagees to submit appraisal reports. It notes that the FHA Catalyst EAD Module is no longer available for appraisal submissions as of November 22, 2022. The "EAD Features" section lists: offers process efficiencies, uses industry standard data formats (MISMO), provides role-based access, and sends data to the FHA Connection (FHAC) system. The "EAD Access Methods" section states there are two ways to access the portal: via the web at <https://www.ElectronicAppraisalDelivery.com> or by building a direct integration interface. A sidebar on the right titled "Access the EAD Portal" includes a small image of a person at a computer and text stating that first-time users must obtain EAD Portal access from their organization's EAD Administrator. Below this, it instructs EAD Administrators that their FHA Connection User ID and password will not provide access to the EAD portal and that they must receive EAD-specific access credentials and a "One Time Key" for their first login. A link to the "Onboarding to the EAD" fact sheet is provided. At the bottom of the sidebar, there is a section for "System and Technical Information" with a note that users should call the FHA Resource Center at 1-800-225-5342 (Option 2, then Option 5) to request the EAD portal Technical Integration Guide for building a direct interface.

The fact sheet is titled "FHA's Office of Single Family Housing Fact Sheet" and "Electronic Appraisal Delivery Portal: Appraisal Loading". It features a blue header with the FHA logo. The "Features" section lists: three appraisal fields available for each case number for uploading appraisal forms; and uploaded data auto-populated in the FHA Connection Appraisal Logging screen. The "Benefits" section lists: helps ensure compliance with FHA policy before endorsement; provides an electronic trail of appraisal changes/updates; and saves time by reducing redundant data entry and submissions. The "Electronic Appraisal Delivery Portal: Appraisal Loading" section explains that the FHA web-based EAD portal allows mortgagees and their designated third-party service providers to load appraisal data and reports into the portal for submission to FHA prior to loan endorsement. It notes that EAD portal functionality allows mortgagees to load three appraisals for the same property address and FHA case number when appropriate. A sub-section titled "The EAD Portal Appraisal Screen and Appraisal Loading Sequence" states that the EAD portal's Appraisal screen has Document Type fields for loading appraisal reports. Below this is a screenshot of the EAD portal interface showing a table with columns for "Appraisal 1-2-3", "Add Document Button", and "Add Loan & Submit Buttons". The text below the screenshot states: "Most of the time, the appraisal report will be loaded to the Document Type Appraisal 1 (Appraisal 1) field, and will be the only appraisal needed. If there is..."

Borrower Ownership and Obligation Requirements/Living Trust

Handbook Reference: II.B.2.b. General HECM Insurance Eligibility

- To be eligible, all Borrowers must hold title, leasehold interest, or possessory interest to the Property in their own name or in the name of a Living Trust at closing, be obligated on the Note or credit instrument, and sign all security instruments.
- In community property states, the Borrower's spouse is not required to be a Borrower. However, the Mortgage must be executed by all parties necessary to make the lien valid and enforceable under state law.
- Mortgagees may originate a HECM that is held by a Living Trust, **either revocable or irrevocable**, provided all requirements listed in II.B.2.b.ii.(A)(5)(a) are met.

Delinquent Federal Tax Debt

Handbook Reference: II.B.2.b. General HECM Insurance Eligibility

- Borrowers with delinquent Federal Tax Debt are ineligible.
- Federal tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.
- The Mortgagee must include the payment amount in the agreement in the calculation of the Borrower's monthly expenses.
- **Delinquent federal debt or tax liens may be paid off prior to obtaining a HECM using the Borrower's own funds or paid off as a Mandatory Obligation at closing.**
- The Mortgagee must include documentation from the IRS evidencing the repayment agreement and verification of payments made, if applicable. **The Mortgagee must include documentation from the IRS evidencing the payoff of the tax lien, if applicable.**



Special Flood Hazard Areas (SFHA)

Handbook Reference: II.B.2.b. General HECM Insurance Eligibility

- The Mortgagee must determine if a Property is located in a Special Flood Hazard Area (SFHA) as designated by the Federal Emergency Management Agency (FEMA). The Mortgagee must obtain flood zone determination services, independent of any assessment made by the Appraiser, to cover the Life of the Loan Flood Certification.
- **A Property is not eligible for FHA insurance if:**
 - a residential building and related improvements to the Property are located within any SFHA Zone beginning with the letter A, a Special Flood Hazard Area, or any Zone beginning with the letter V, a Coastal High Hazard Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or
 - the improvements are, or are proposed to be, located within the Coastal Barrier Resources System (CBRS).
- To be eligible for FHA insurance, a Property located in an SFHA must be in a community that participates in the National Flood Insurance Program (NFIP) and has NFIP available, **regardless of whether the Borrower obtains NFIP coverage.**



Allowable Mortgage Parameters



Allowable Mortgage Parameters – Topics Covered in this Section

New Policy and Clarifications of Existing Policy

- Mortgagees, with the agreement of the Borrower, may select a date any time between initial application and the date of closing to lock in the Expected Rate and the Mortgagee's margin simultaneously.
- The Principal Limit may be recalculated at closing if the Expected Rate in effect on the date of closing is now lower than the stated Expected Rate in the lock-in agreement.
- The HECM Calculator Software was migrated into FHA Connection (FHAC).



HECM Interest Rate Options

Handbook Reference: II.B.3.c. HECM Interest Rate Options

- Fixed Rate refers to an interest rate that is fixed over the life of the HECM.
- Annually Adjustable Interest Rate refers to an interest rate that adjusts annually with a 2% annual cap and a 5% lifetime cap.
- Monthly Adjustable Interest Rate refers to an interest rate that adjusts monthly. **The maximum lifetime Note rate may not be more than ten percent higher than the initial Note rate.**



Principal Limit

Handbook Reference: II.B.3.d. Principal Limit

- Principal Limit refers to the maximum amount of proceeds that a Borrower may receive from the HECM before any Disbursements are made, **taking into account the age of the youngest Borrower or Eligible NBS, the Expected Rate, and the MCA.**
- The Mortgagee is responsible for calculating the Principal Limit to determine the amount of HECM proceeds that will be available to the Borrower.

Expected Rate

Handbook Reference: II.B.3.d. Principal Limit

- For fixed rate HECMs, the Expected Rate is **the same as the Note rate and is set simultaneously with the Note rate.**
- For adjustable rate HECMs, the Expected Rate is the sum of the mortgagee's margin plus the weekly average yield for U.S. Treasury securities adjusted to a constant maturity of 10 years and **published in the Federal Reserve Board Statistical Release H.15.**
 - URL: <https://www.federalreserve.gov/releases/h15/>

Optional Expected Rate Lock-In Agreement

Handbook Reference: II.B.3.d. Principal Limit

- Mortgagees, with the agreement of the Borrower, may simultaneously lock in the Expected Rate and the mortgagee's margin, if applicable, **at any time between initial application and the date of closing.**
- The lock-in period starts on the day that the FHA case number is assigned for a period of up to 120 Days.
- When the Expected Rate and mortgagee's margin are not simultaneously locked in, the Expected Rate and mortgagee's margin will be set at closing.



Optional Expected Rate Lock-In Agreement (cont.)

Handbook Reference: II.B.3.d. Principal Limit

- If the Expected Rate lock-in agreement includes a **float down option**, the Principal Limit may be recalculated at closing if the **Expected Rate in effect on the date of closing is now lower** than the stated Expected Rate in the lock-in agreement.
- Mortgagees are not permitted to charge a fee for the lock-in rate or the float down option.



Expected Rate – Float Down Option Example

Expected Rate Locked: 1/24/24	Closing 3/7/24
<ul style="list-style-type: none">• 10-year CMT weekly average: 4.26%• Mortgagee margin: 2.50%• Expected Rate: 6.76%	<ul style="list-style-type: none">• 10-year CMT weekly average: 4.12%• Mortgagee's Margin: 2.50%• Expected Rate: 6.62%

Float Down Option = 6.62% Expected Rate is used for determining the Principal Limit



Expected Rate Lock-In Extension

Handbook Reference: II.B.3.d. Principal Limit

- If the initial Expected Rate lock-in agreement has expired, the Mortgagee may extend the previous lock-in period up to an additional 120 Days, with the agreement of the Borrower.
- If the initial Expected Rate lock-in agreement has expired and the Mortgagee has not extended the previous lock-in period, the Expected Rate and mortgagee's margin will be set at closing.



Allowable Mortgage Parameters – HECM Calculator Software

Handbook Reference: II.B.3.f HECM Calculator Software

- The HECM Calculator Software is accessible from:
 - FHA Connection (FHAC);
 - Data can be saved
 - URL: <https://entp.hud.gov/clas/index.cfm>
 - The public domain
 - Data cannot be saved
 - URL: <https://entp.hud.gov/idapp/html/f17hecm-calc.cfm>

HECM Calculator

FHA Connection
Home | Main Menu | ID Maintenance | E-mail Us

Single Family FHA | Single Family Origination > Case Processing

Case Processing

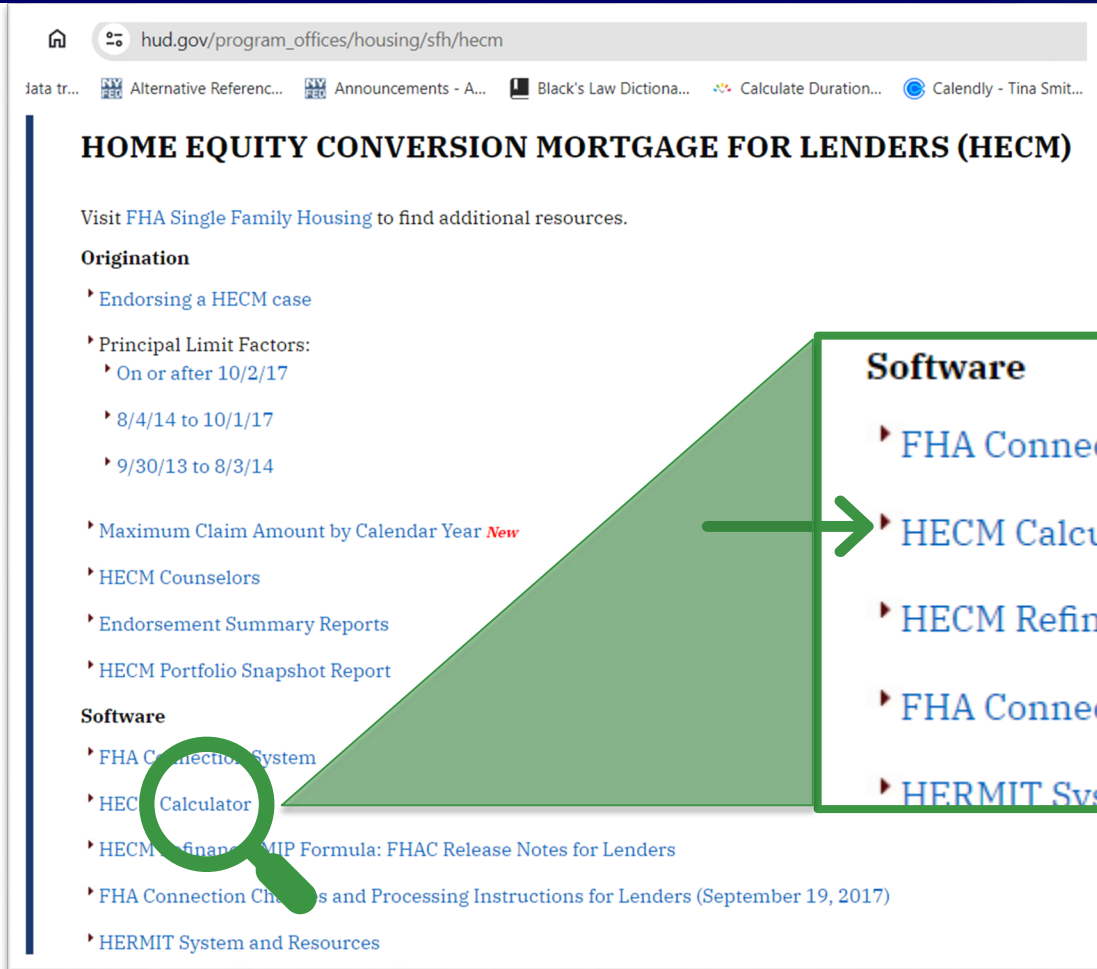
- Case Number Assignment
- Appraisal Logging
- Insurance Application
- HECM Insurance Application
- 203k Calculator (with FHA Case Number)
- Borrower/Address Change
- CAIVRS Authorization
- Case/Appraisal Transfer
- Case Query
- Conditional Commitment
- Counseling Certificate
- EEM Calculator
- Electronic Binder Additions Upload
- Escrow Closeout
- Firm Commitment
- HECM Calculator
- HECM Financial Assessment

Processing a Mortgage for FHA Insurance
What I Need to Know

- Binder Selection
- Case Cancel/Reinstate
- Binder Request
- Cancel MIC
- Case Warning
- Closing Package Loggin
- Electronic Binder Addit
- General Comments
- Indemnification Mainte
- Multiple Loan File
- Real Estate Owned
- TOTAL Scorecard Emul:

- Case Query
- Conditional Commitment
- Counseling Certificate
- EEM Calculator
- Electronic Binder Additions Upload
- Escrow Closeout
- Firm Commitment
- HECM Calculator**
- HECM Financial Assessment

HECM Calculator (cont.)



hud.gov/program_offices/housing/sfh/hecm

HOME EQUITY CONVERSION MORTGAGE FOR LENDERS (HECM)

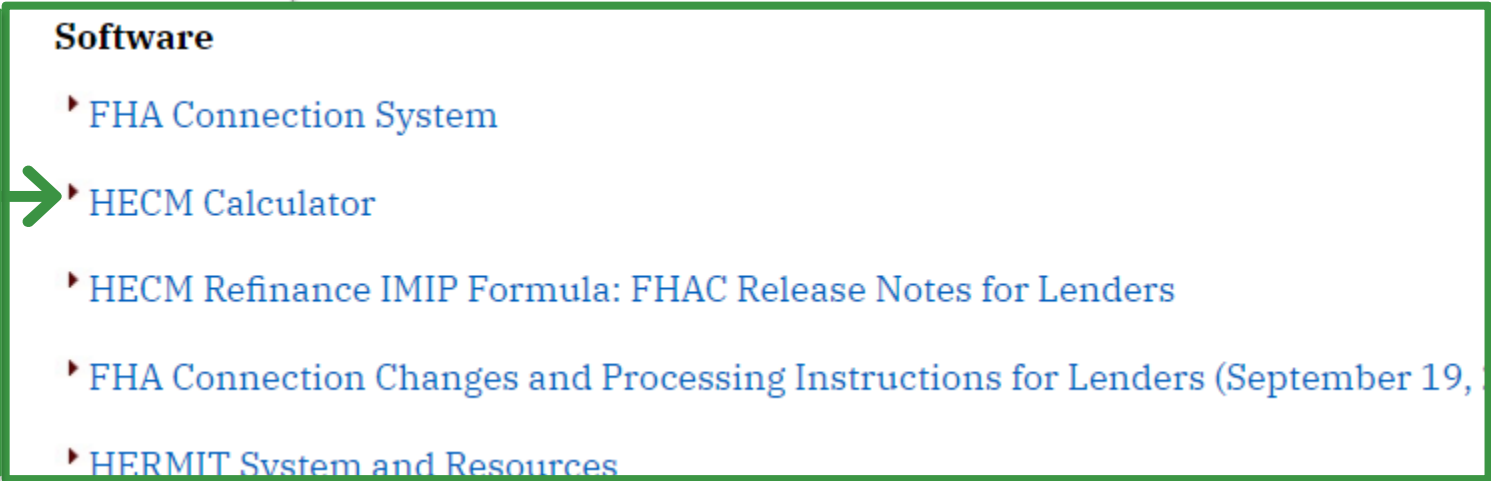
Visit [FHA Single Family Housing](#) to find additional resources.

Origination

- [Endorsing a HECM case](#)
- [Principal Limit Factors:](#)
 - [On or after 10/2/17](#)
 - [8/4/14 to 10/1/17](#)
 - [9/30/13 to 8/3/14](#)
- [Maximum Claim Amount by Calendar Year *New*](#)
- [HECM Counselors](#)
- [Endorsement Summary Reports](#)
- [HECM Portfolio Snapshot Report](#)

Software

- [FHA Connection System](#)
- [HECM Calculator](#)
- [HECM Refinance IMIP Formula: FHAC Release Notes for Lenders](#)
- [FHA Connection Changes and Processing Instructions for Lenders \(September 19, 2017\)](#)
- [HERMIT System and Resources](#)



Software

- [FHA Connection System](#)
- [HECM Calculator](#)
- [HECM Refinance IMIP Formula: FHAC Release Notes for Lenders](#)
- [FHA Connection Changes and Processing Instructions for Lenders \(September 19, 2017\)](#)
- [HERMIT System and Resources](#)

TEST Your Knowledge Scenario

1. True or False. When originating a monthly adjustable interest rate HECM with an initial Note rate of 5.060%, the Mortgagee may set the lifetime interest rate cap at 10.060%.
2. True or False. The Mortgagee must use an Expected Rate of 6.38% to calculate the Principal Limit.

January 16: The 10-year CMT index is 4.07% and the mortgagee's margin is 2.05%.

January 23: The Borrower signed a 60-day Expected Rate Lock-in Agreement, which included a float down option and 10-year CMT index value of 4.17% and mortgagee's margin is 2.05%.

February 22: The HECM Closed. The 10-year CMT index value in effect is 4.33% and the mortgagee's margin is 2.05%.



TEST Your Knowledge Scenario (cont.)

1. **True** or False. When originating a monthly adjustable interest rate HECM with an initial Note rate of 5.060%, the Mortgagee may set the lifetime interest rate cap at 10.060%.
2. True or **False**. The Mortgagee must use an Expected Rate of 6.38% to calculate the Principal Limit.

January 16: The 10-year CMT index is 4.07% and the mortgagee's margin is 2.05%.

January 23: The Borrower signed a 60-day Expected Rate Lock-in Agreement, which included a float down option and 10-year CMT index value of 4.17% and mortgagee's margin is 2.05%.

February 22: The HECM Closed. The 10-year CMT index value in effect is 4.33% and the mortgagee's margin is 2.05%.



OSFH Model Documents

SINGLE FAMILY MODEL DOCUMENTS

The documents below are categorized by all programs, forward and reverse mortgages.
For a list of model documents in other languages, visit the [Model Documents Translations Page](#).

ALL PRODUCTS

- [Informed Consumer Choice \(12/20\)](#)
- [Model Appraisal Exterior-Only Certification \(3/20\)](#) Valid for appraisals with effective dates through June 30, 2021 (See [ML 2021-06](#) and [FHA Info #21-44](#))
- [Model Appraisal Desktop-Only Certification \(3/20\)](#) Valid for appraisals with effective dates through October 31, 2020 (See [ML 2020-37](#))

FORWARD

Notes, Mortgages, Agreements

- [ARM Note \(eff. 1/10/15\)](#)
- [Mortgage Forward \(9/14\)](#)
- [Note Forward \(eff. 1/21/15\)](#)
- [Rehabilitation Loan Agreement \(8/15\)](#)
- [Instructions for Model Mortgages \(2001 GSE Forms\) \(1/23\)](#)

REVERSE

Notes, Mortgages, Agreements

- [HECM ARM Note – CMT & SOFR \(5/23\)](#)
- [HECM ARM Second Note – CMT & SOFR \(5/23\)](#)
- [HECM ARM Note – CMT & SOFR \(3/21\)](#)
- [HECM ARM Second Note – CMT & SOFR \(3/21\)](#)

REVERSE

In effect to coincide with Handbook 4000.1 published on October 31, 2023, and effective April 29, 2024.

Notes, Mortgages, Agreements

- [HECM ARM Note \(10/23\)](#)
- [HECM ARM Second Note \(10/23\)](#)
- [HECM ARM Loan Agreement](#)

https://www.hud.gov/program_offices/housing/sfh/model_documents

Performing the Financial Assessment of the Borrower



Performing the Financial Assessment of the Borrower – Topics Covered in This Section

New Policy and Clarifications of Existing Policy

- Mortgagees must verify and document the Borrower's Housing Obligation/Mortgage Payment history for the previous 12 months prior to case number assignment.
- Mortgagees are not required to verify the Borrower's personal property tax payment history for a Manufactured Home not taxed as real estate.
 - Verification of personal property taxes for Manufactured Homes not taxed as real estate may be in the form of online printouts from the taxing authority or through copies of bills and canceled checks or other equivalent proof of payment obtained from the Borrower or taxing authority.
- Mortgagees must determine whether the Property has Hazard Insurance and Flood Insurance, if applicable, plus review the insurance payment history to ensure continuous coverage for the preceding 12 months.

Housing Obligations/Mortgage Payment History

Handbook Reference: II.B.5.b Credit History Review Requirements

- The Mortgagee must verify and document the previous 12 months of housing payment history for the 12 months **prior to case number assignment**.
- For Borrowers who indicate they are living rent-free, the Mortgagee must obtain verification from the property owner where they are residing that the Borrower has been living rent-free and the amount of time the Borrower has been living rent-free.
- An existing or prior Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments.



Obligations Not Considered Debt

Handbook Reference: II.B.5.d. Monthly Expense Analysis

- Obligations not considered debt include:
 - medical collections;
 - automatic deductions from savings, when not associated with another type of obligation;
 - retirement contributions, such as 401(k) accounts;
 - collateralized loans secured by depository accounts;
 - childcare;
 - commuting costs;
 - union dues;
 - insurance, other than property insurance;
 - open accounts with zero balances; and
 - voluntary deductions, when not associated with another type of obligation.



Collection & Charge Off Accounts

Handbook Reference: II.B.5.b. Credit History Review Requirements

- The Mortgagee must determine if collection accounts were a result of:
 - the Borrower's disregard for financial obligations;
 - the Borrower's inability to manage debt; or
 - Extenuating Circumstances.
- The Mortgagee must document reasons for approving a HECM when the Borrower has any collection accounts.
- The Borrower must provide a letter of explanation, which is supported by documentation, for each outstanding collection account. The explanation and supporting documentation must be consistent with other credit information in the file.

Manufactured Homes Not Taxed as Real Estate

Handbook Reference: II.B.5.c Property Charge Payment History Review Requirements and II.B.5.d Monthly Expense Analysis

- **Mortgagees are not required to verify the Borrower's personal property tax payment history for a Manufactured Home not taxed as real estate.**
- Mortgagees must document the amount of current year property taxes, or personal property taxes for Manufactured Homes not taxed as real estate, due from all taxing authorities.
- Verification of personal property taxes for Manufactured Homes not taxed as real estate may be in the form of online printouts from the taxing authority or through copies of bills and canceled checks or other equivalent proof of payment obtained from the Borrower or taxing authority.



Property Charge Payment History Review Requirements

FHA Connection-HECM Financial Assessment

Credit Characteristics			
Real Estate Taxes Current	N/A ▼	Real Estate Taxes Delinquent Last 24 Months	N/A ▼
HOA, PUD, Condo Fees Current	N/A ▼	HOA, PUD, Condo Fees Delinquent Last 24 Months	N/A ▼
Real Estate Debt Current	N/A ▼	Real Estate Debt No Lates in Last 12 Months < 3 30 Day Lates in Last 24 Months	N/A ▼
Other Installment Debt Current (Non-Real Estate)	N/A ▼	Other Installment Debt No Lates in Last 12 Months < 3 30 Day Lates in Last 24 Months	N/A ▼
Revolving Debt Current	N/A ▼	Revolving Debt No 90 Day Lates < 3 60 Day Lates in Last 12 Months	N/A ▼



Hazard Insurance and Flood Insurance

Handbook Reference: II.B.5.c Property Charge Payment History Review Requirements

- The Mortgagee must analyze each applicable Property Charge for the preceding 24 months from the time of loan application, **except for Hazard and Flood Insurance.**
- Mortgagees must determine whether the Property has Hazard Insurance and Flood Insurance, if applicable, plus review the insurance payment history to ensure continuous coverage for the preceding 12 months.
- If Hazard Insurance and Flood Insurance, if applicable, were not in place for the Borrower's Principal Residence for the previous 12 months, the Borrower must obtain coverage and prepay for 12 months at or before mortgage closing.

Social Security Income

Handbook References: II.B.5.e. Effective Income Analysis

- The Mortgagee must verify and document the Borrower's receipt of income from the SSA. For SSI, the Mortgagee **must obtain any one** of the following documents:
 - federal tax returns;
 - the most recent bank statement evidencing receipt of income from the SSA;
 - a Proof of Income Letter, also known as a “Budget Letter” or “Benefits Letter” that evidences income from the SSA; or
 - a copy of the Borrower's form SSA-1099/1042S.

Social Security Income (cont.)

Handbook References: II.B.5.e. Effective Income Analysis

- In addition to verification of income, the Mortgagee **must document the continuance of this income** by obtaining from the Borrower (1) a copy of the last Notice of Award letter which states the SSA's determination on the Borrower's eligibility for SSA income, or (2) equivalent documentation that establishes award benefits to the Borrower (equivalent document). If any income from the SSA is due to expire within three years from the date of case number assignment, that income may not be used for qualifying.
- If the Notice of Award or equivalent document does not have a defined expiration date, the Mortgagee must consider the income effective and reasonably likely to continue. The Mortgagee may not request additional documentation from the Borrower to demonstrate continuance of SSA income.
- If the Notice of Award letter or equivalent document specifies a future start date for receipt of income, this income may only be considered effective on the specified start date.

Programs and Products



HECM for Purchase – Topics Covered in This Section

New Policy and Clarifications of Existing Policy

- Mortgagees must:
 - Use the new definition of New Construction
 - Use new inspection requirements based on status of construction
 - Review the appraisal for any applicable site considerations, such as well water testing
 - Provide home inspection and lead disclosures
- Premium Pricing may be used to pay the Borrower's actual closing costs and prepaid items.
- Interested Party Contributions permit up to 6 percent of the contract sales price to be applied towards the Borrower's loan origination fee, other closing costs including any items Paid Outside Closing (POC), prepaid items, and Discount Points.
- The PACE obligation will be satisfied by the seller at, or prior to, closing.

HECM Refinances – Topics Covered in This Section (Cont.)

New Policy and Clarifications of Existing Policy

- The five-year lookback period to determine eligibility to waive counseling on a HECM Refinance does not restart with a new refinance.
- To order a case number for a HECM refinance, Mortgagees must enter the existing case number and follow the applicable processing steps in HERMIT and FHA Connection.

New Construction

Handbook Reference: II.B.8.a. HECM for Purchase

- Existing Construction refers to a Property that has been 100 percent complete for over one year or has been completed for less than one year and was previously occupied.
- **New Construction** refers to Proposed Construction, Properties Under Construction, and Properties Existing Less than One Year as defined below:
 - **Proposed Construction** refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
 - **Under Construction** refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
 - **Existing Less than One Year** refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The Property must have never been occupied.



Construction and Inspection Requirements for New Construction HECM Properties

Handbook Reference: II.B.8.a. HECM for Purchase

- **Mortgagees must ensure New Construction HECM Properties are inspected to ensure compliance with FHA's MPS and MPR.** The construction status at the time of appraisal will determine the inspections that must be completed.
 - Site Built Housing (All New Construction Statuses)
 - Manufactured Housing (All New Construction Statuses)
 - Units in Condominium Project or Legal Phase (Existing Less Than One Year)



Required Documentation for New Construction Properties

Handbook Reference: II.B.8.a. HECM for Purchase

- **The Mortgagee must obtain and include the following documents in the case binder:**
 - Form HUD-92541, Builder's Certification of Plans, Specifications, and Site;
 - Form HUD-92544, Warranty of Completion of Construction;
 - a copy of the CO (or equivalent), if applicable;
 - required inspections, as applicable;
 - inspections performed by an ICC certified RCI or CI or a third-party, who is a registered architect, a structural engineer, or a qualified trades person or contractor must be reported on form HUD-92051, Compliance Inspection Report, or on an appropriate state-sanctioned inspection form;

Required Documentation for New Construction Properties (cont.)

Handbook Reference: II.B.8.a. HECM for Purchase

- **The Mortgagee must obtain and include the following documents in the case binder:**
 - a Wood Infestation Report, unless the Property is located in a county listed as not required on HUD's "Termite Treatment Exception Areas" list:
 - Form HUD-NPMA-99-A, Subterranean Termite Protection Builder's Guarantee, is required for all New Construction. If the building is constructed with steel, masonry, or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The Mortgagee must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.
 - Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the New Construction Property is treated with one of the following: Termite Bait System, Field Applied Wood Treatment, soil chemical termiticide, or Physical Barrier System is installed, as reflected on the HUD-NPMA-99-A. The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.

Completion of Construction

Handbook Reference: II.B.8.a. HECM for Purchase

- Regardless of the inspection process used, the Mortgagee must certify on form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value, that **the Property is 100 percent complete and meets HUD's MPR and MPS.**



Required Documentation for New Construction Properties (cont.)

Handbook Reference: II.B.8.a. HECM for Purchase

- local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority; and
- when a third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, is relied upon for required inspections due to the absence of an International Code Counsel (ICC), certified Residential Combination Inspector (RCI), or Combination Inspector (CI), include certification from such inspector that they are licensed and bonded under applicable state and local laws to perform the type of inspection completed.

HUD Required Disclosures

Handbook Reference: II.B.8.a. HECM for Purchase

- **Lead-Based Paint**

- If the Property was built before 1978, the seller must disclose any information known about lead-based paint and lead-based paint hazards before selling the house, in accordance with the HUD-EPA Lead Disclosure Rule. For such Properties, the Mortgagee must ensure that all requirements in II.B.8.a.x.(A) are met.

- **Form HUD-92564-CN, *For Your Protection: Get A Home Inspection***

- Mortgagees are required to provide form HUD-92564-CN, For Your Protection: Get a Home Inspection, to prospective homebuyers at initial application.



Premium Pricing

Handbook Reference: II.B.8.a. HECM for Purchase

- **Premium Pricing may be used to pay the Borrower's actual closing costs and prepaid items.**
- The funds derived from a premium priced HECM must be disclosed in accordance with the Real Estate Settlement Procedures Act (RESPA) and may not be used for:
 - payment of debts;
 - collection accounts;
 - delinquent property charge payments;
 - missed Mortgage Payments; or
 - Judgments.

Interested Party Contributions

Handbook Reference: II.B.8.a. HECM for Purchase

- **Interested Parties** refer to sellers, real estate agents, builders, developers, Mortgagees, Third-Party Originators (TPO), or other parties with an interest in the transaction.
- **Interested Party Contribution** refers to a payment by an Interested Party or combination of parties, toward the Borrower's origination fees, other closing costs including any items Paid Outside Closing (POC), prepaid items, and Discount Points.



Interested Party Contributions (cont.)

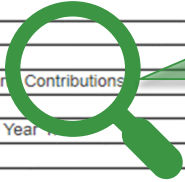
Handbook Reference: II.B.8.a. HECM for Purchase

- **Interested Parties may contribute up to 6 percent of the sales price** toward the Borrower's origination fees, other closing costs, prepaid items, and Discount Points. The 6 percent limit also includes:
 - Interested Party payment for permanent and temporary interest rate buydowns; and
 - Payment of the IMIP.
- **Exceptions**
 - Premium Pricing credits from the Mortgagee or TPO are excluded from the 6 percent limit provided the Mortgagee or TPO is not the seller, real estate agent, builder, or developer.
 - **Fees required to be paid by a seller under state or local law or customarily paid by a seller in the subject property locality, including real estate agent commissions or fees, and the purchase of the Home Warranty policy by the seller are already permitted under § 206.44(c)(1) and will be excluded from the six percent interested party contribution limit.**
 - The satisfaction of a PACE lien or obligation against the Property by the property owner is not considered an Interested Party Contribution.

HECM Calculator – HECM for Purchase

* HECM Calculator *

	Variables
Date of Closing MM/DD/YYYY:	<input type="text"/> / <input type="text"/> / <input type="text"/>
Borrower/Non-Borrowing Spouse Birth MM/DD/YYYY:	<input type="text"/> / <input type="text"/> / <input type="text"/>
Expected Interest Rate:	<input type="text"/>
Property Appraised Value:	\$ <input type="text"/> .00
Maximum Claim Amount:	\$ <input type="text"/> .00
Prior Loan Maximum Claim Amount:	\$ <input type="text"/> .00
Prior Loan MIP Paid Amount:	\$ <input type="text"/>
Prin Lim - Shared Prem Fac:	<input type="text"/>
Initial Principal Limit:	<input type="text"/>
10% of Initial Principal Limit:	<input type="text"/>
50% of Initial Principal Limit:	<input type="text"/>
80% of Initial Principal Limit:	<input type="text"/>
Initial Premium:	\$ <input type="text"/>
Other Closing Costs:	\$ <input type="text"/>
Discharge of Liens:	\$ <input type="text"/>
Repair Set Aside:	\$ <input type="text"/>
T&I First Year Payments:	\$ <input type="text"/>
Mandatory Obligations:	<input type="text"/>
Additional 10% IPL Usage:	\$ <input type="text"/>
Initial Disbursement Limit:	<input type="text"/>
Cash to Borrower at Closing:	\$ <input type="text"/>
Cash from Borrower:	\$ <input type="text"/>
Cash from Lender/Interested Party Contributions:	\$ <input type="text"/>
Disbursement at Closing:	<input type="text"/>
Remaining Draw Allowed during Year 1:	<input type="text"/>
Monthly Servicing Fee:	\$ <input type="text"/>
Servicing Fee Set Aside:	\$ <input type="text"/>
Net Fully-funded LESA Amount:	\$ <input type="text"/>
Net Partially-funded LESA Amount:	\$ <input type="text"/>
Net Principal Limit:	<input type="text"/>
Line of Credit during Year 1:	<input type="text"/>
Line of Credit Life of Loan:	\$ <input type="text"/>
Monthly Payment during Year 1:	<input type="text"/>
Monthly Payment Life of Loan:	\$ <input type="text"/>
Length of Term (in months):	<input type="text"/>
Youngest Borrower Birthdate MM/DD/YYYY: (Required for Amortization Reports)	<input type="text"/> / <input type="text"/> / <input type="text"/>



T&I First Year Payments:	\$ <input type="text"/>
Mandatory Obligations:	<input type="text"/>
Additional 10% IPL Usage:	\$ <input type="text"/>
Initial Disbursement Limit:	<input type="text"/>
Cash to Borrower at Closing:	\$ <input type="text"/>
Cash from Borrower:	\$ <input type="text"/>
Cash from Lender/Interested Party Contributions:	\$ <input type="text"/>
Disbursement at Closing:	<input type="text"/>



FHA Connection – HECM for Purchase

* HECM Information *

Maximum Claim Amount:	<input type="text"/>	Initial Principal Limit (IPL):	<input type="text"/>
Initial MIP Factor:	Select MIP Factor ▾	Initial Disbursement Limit:	<input type="text"/>
Mandatory Obligations: (Does not include cash)	<input type="text"/> ?	Mandatory Obligations Cash from Borrower:	<input type="text"/>
Mandatory Obligations Cash from Lender:	<input type="text"/>	Taxes/Insurance 1st Yr Payments:	<input type="text"/>
Repair Set Aside:	N/A ▾	Repair Set Aside Amount:	<input type="text"/>
Net LESA:	0	Servicing Fee Set Aside:	0
Additional 10% of IPL Usage:	N/A ▾	Additional 10% of IPL Usage Amount:	<input type="text"/>



Property Assessed Clean Energy

Handbook Reference: II.B.8.a. HECM for Purchase

Where the subject Property is encumbered with a Property Assessed Clean Energy (PACE) obligation, **the sales contract must include a clause specifying that the PACE obligation will be satisfied by the seller at, or prior to, closing.**



Waiver of Counseling on HECM Refinances

Handbook Reference: II.B.8.b. HECM Refinance

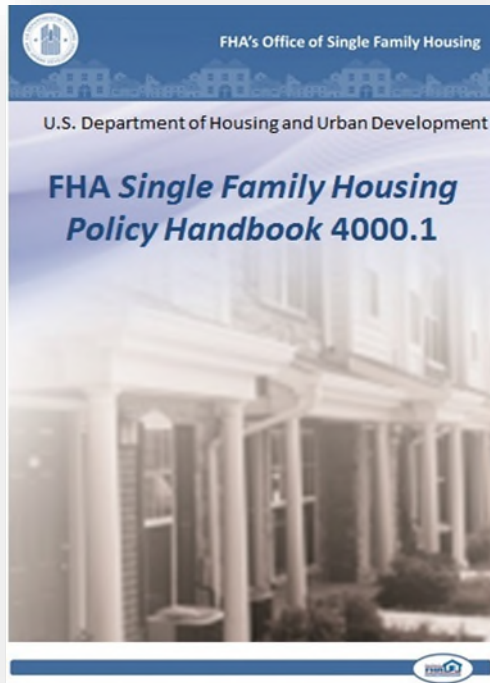
- The Borrower and NBS may elect not to receive counseling in a HECM Refinance if the following conditions are met:
 - i. the original HECM was assigned a case number on or after August 4, 2014, and the Borrower and NBS, if applicable, received HECM counseling; or the original HECM was assigned a case number prior to August 4, 2014, and there is no NBS as determined by the MOE Assignment policies;
 - ii. the Borrower has received form HUD-92901, Home Equity Conversion Mortgage (HECM) Anti-Churning Disclosure. See HECM Anti-Churning Disclosure;
 - iii. the increase in the Borrower's Principal Limit (block 2 of form HUD-92901) exceeds the total cost of the refinancing by an amount equal to five times the cost of the transaction (block 1 of form HUD-92901); and
 - iv. the time between the date of closing on the original HECM (i.e., the first time the Borrower obtains an FHA-insured HECM) and the application for refinancing does not exceed five years, even if less than five years have passed since a previous refinancing.
- **The five-year period in bullet (iv) above does not restart with each new refinance, even when the Borrower has received HECM counseling since the original HECM. Mortgagees are responsible for obtaining documentation to confirm the date of closing of the original HECM.**

Ordering a Case Number

Handbook Reference: II.B.8.b. HECM Refinance

- The Mortgagee must enter the FHA case number of the existing HECM being refinanced. FHAC will not issue a case number if the existing case number is “terminated” or Due and Payable. The Mortgagee must terminate the existing case number in HERMIT after closing and once the outstanding loan balance of the existing HECM is satisfied.

Session 1 - Summary



Today you learned:

- ✓ **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

Helpful Links

- SF Handbook 4000.1 Information
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
- Subscribe to FHA INFO
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 Mortgagee Letters web page (https://www.hud.gov/program_offices/housing/sfh/hecm/hecmml) will be deleted.
- Use link titled “All HECM Mortgagee Letters” on Home Equity Conversion Mortgages for Lenders (HECMS) web page (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

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: https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs .	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!**

