



OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



HUD Handbook 4000.1

FHA Single Family Housing Policy Handbook

Home Equity Conversion Mortgages (HECM) Origination and Servicing Overview

December 6, 2023



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.



How to Use Handbook 4000.1



Yellow highlighting shows the most recent update.



Capitalized terms are defined in the Glossary.



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

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

Learning Objectives

By the end of this training, you should be able to:

- Identify the benefits of the HECM publication
- Understand and implement new HECM policy highlighted in this training
- Locate the updated model documents



Agenda

Background

Policy Highlights

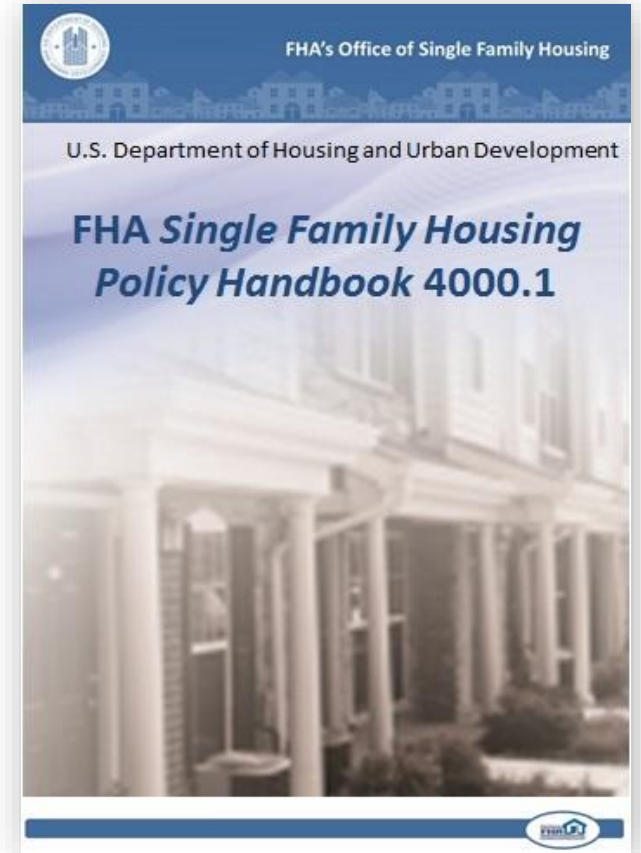
Model Documents



Background

Publication

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

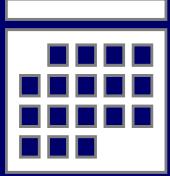


https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb



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Effective Date



All new content may be implemented immediately but must be implemented by April 29, 2024.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

B. Title II Insured Housing Programs Reverse Mortgages

4. Underwriting the Property

a. Property Acceptability Criteria (04/29/2024)

Benefits of a Consolidated Handbook

- Creates a consolidated source in Handbook 4000.1 for FHA HECM policy, which supersedes the following:
 - Handbook 4235.1 REV-1, *Home Equity Conversion Mortgages Handbook*
 - *HECM Financial Assessment and Property Charge Guide*
 - Chapter 13 of Handbook 4330.1 REV-5, *Administration of Insured Home Mortgages*
 - Many MLs
- Clarifies or adds policy to help industry understanding
- Streamlines HECM processes
- Reduces costs, time frames, and regulatory risks

Handbook 4000.1 HECM Sections

II. Origination through Post-closing/Endorsement

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

Handbook 4000.1 HECM Sections (continued)

II. Origination through Post-closing/Endorsement

D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages

1. Commencement of the Appraisal

3. Acceptable Appraisal Reporting Forms and Protocols

III. Servicing and Loss Mitigation

B. Title II Insured Housing Programs Home Equity Conversion Mortgages

1. Servicing of FHA-Insured HECMs

2. Default Servicing

3. Programs and Products

Appendix 9.0 Assumed Loan Periods for Computations of Total Annual Loan Cost Rates

Policy Highlights



HECM Counseling

Handbook 4000.1 References: II.B.1.a Required Referral for HECM Counseling
II.B.1.c Individuals Required to Receive HECM Counseling
II.B.1.d Certificate of HECM Counseling

New 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.
- Legal Agents for Borrowers, Non-Borrowing Spouses (NBS), and Non-Borrowing Owners must attend HECM Counseling.
- The validity period of the Certificate of HECM Counseling is 180 Days from the date that counseling was completed.

Loan Processing

Handbook 4000.1 Reference: II.B.2.b General HECM Insurance Eligibility

New Policy

- Mortgagees may originate a HECM 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).

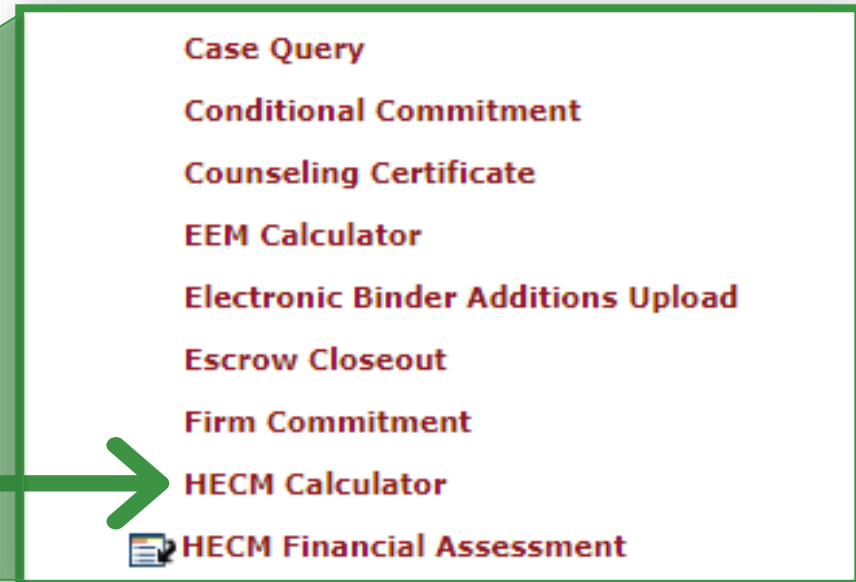
Allowable Mortgage Parameters

Handbook 4000.1 References: II.B.3.d Expected Rate and Mortgagee's Margin Lock In
II.B.3.f HECM Calculator Software

New 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 will be migrated into FHA Connection (FHAC).

HECM Calculator



Performing the Financial Assessment of the Borrower

Handbook 4000.1 References: II.B.5.b Credit History Review Requirements
II.B.5.c Property Charge Payment History Review Requirements
II.B.5.d Monthly Expense Analysis

New 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.
- 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.
- 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.

Post-closing and Endorsement

Handbook 4000.1 References: II.B.7.b Mortgagee Pre-endorsement Review Requirements
II.B.7.d Procedures for Endorsement

New 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.

Programs and Products – HECM for Purchase

Handbook 4000.1 Reference: II.B.8.a HECM for Purchase

New Policy

- Mortgagees must:
 - Use the new definition of New Construction
 - Use new inspection requirements based on status of construction
 - Perform well water testing, if applicable
 - Provide home inspection and lead disclosures
- 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.

Cash for Keys

Handbook 4000.1 Reference: III.B.2.d Initiation of Foreclosure and Reasonable Diligence Time Frames

New Policy

- Cash for Keys applies to HECMs with any FHA case number assignment date.

Presidentially-Declared Major Disaster Areas (PDMDA)

Handbook 4000.1 Reference: III.B.3.a Presidentialy-Declared Major Disaster Areas

New Policy

- PDMDAs have a 90-Day foreclosure moratorium.
- Mortgagees are granted an automatic 90-Day extension from the date of foreclosure moratorium expiration to commence or recommence foreclosure action.

Model Documents

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

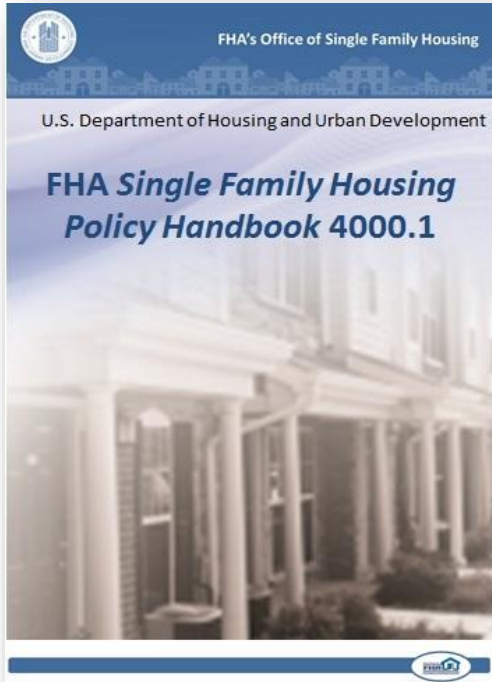
In effect to coincide with Handbook 4000.1 published on October 31, 2023, and effective April 29, 2024.

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

Training Summary



By the end of this session, you have learned how to:

- Identify the benefits of the HECM publication
- Understand and implement new HECM policy highlighted in this training
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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!**

