



FHA INFO 2024-47

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HUD Proposes Updates to Debenture Interest Rates for Home Equity Conversion Mortgage Claims

Today, the Federal Housing Administration (FHA) posted a new draft Mortgagee Letter (ML), *Calculation of Debenture Interest Rates for Home Equity Conversion Mortgages (HECM)*, on [FHA's Office of Single Family Housing Drafting Table](#) (Drafting Table) for public review and feedback. This draft ML proposes updates to HUD's calculations for the payment of debenture interest for HECM claims and establishes a process for retroactively adjusting the calculation of debenture interest for claims filed on HECMs that became due and payable on or after September 19, 2017.

On January 19, 2017, HUD updated the HECM program by publishing the final rule [Strengthening the Home Equity Conversion Mortgage Program](#). This final rule updated [24 CFR § 206.146\(b\)](#) to provide that, for HECMs endorsed after January 23, 2004, if an insurance claim was paid in cash, the debenture interest rate for purposes of calculating the claim shall be the monthly average yield on United States Treasury Securities adjusted to a constant maturity of 10 years, for the month in which the default on the mortgage occurred. HUD, however, never fully implemented this regulatory change. To reaffirm its commitment to the future success of the HECM program and the senior citizen population it is designed to serve, HUD has determined that changes to its debenture interest payment methodology are necessary to maintain long-term program stability.

With this draft ML, FHA proposes to:

- Modify [24 CFR § 206.146](#) for the calculation of the debenture interest rate including using the date of default as the date for determining the debenture interest rate on loans that become due and payable after publication of the final ML.
- Add debenture interest rates (Section III.B.2.f.i(F)) to the [Single Family Housing Policy Handbook 4000.1](#) (Handbook 4000.1); and
- Establish a Debenture Interest Rate Adjustment (DIRA) process whereby HECM holders can request an adjustment for mortgages that became due and payable on or after September 19, 2017, and filed a claim prior to the effective date of the final ML, if an insurance claim was paid in cash.

FHA believes that the proposed amendments to the HECM policy are necessary to improve the fiscal safety and soundness of the HECM program.

Interested stakeholders are encouraged to thoroughly review the draft ML and provide feedback through July 29, 2024. Instructions for providing feedback are posted on the [Drafting Table](#). FHA will carefully consider all feedback received before publishing a final ML.

As a reminder, this draft is not official departmental policy and cannot be used in connection with any FHA-insured mortgage until finalized. FHA's existing policies remain in effect until amended.

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