



OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



What you need to know if you inherit a home that is security for an FHA Home Equity Conversion Mortgage (HECM)



What is a Home Equity Conversion Mortgage?

A Home Equity Conversion Mortgage (HECM) is a reverse mortgage insured by the Federal Housing Administration (FHA) that converts the equity in a home into a source of available funds for the borrower. The borrower makes no payments on the loan while living in the house, but the loan balance becomes due and payable when the borrower either sells the home, no longer occupies it as their primary residence, or upon the death of the last surviving borrower. At this point no more HECM funds may be disbursed to any party.

Know your options

If you have inherited property secured by a HECM, you have certain options regarding disposition of the property and the outstanding HECM loan. The borrower's estate or heirs may satisfy the lesser of the outstanding HECM loan balance or 95-percent of the current appraised value of the property. The loan must be paid satisfied within 30 days of the date of death of the last surviving borrower:

- The estate or heirs may need to sell the home to repay the HECM loan. If the loan balance is more than the home is worth, the estate or heirs may sell the property for at least 95-percent of the current appraised value and the lender will accept the net proceeds as satisfaction of the loan. The lender may approve 90-day extensions with satisfactory documentation that the estate or heir is actively trying to sell the property or repay the loan. The lender will obtain the required appraisal to determine the value of the property.
- If the estate or heirs prefer to keep the home instead of selling it, the HECM loan balance must be paid in full. Any post death title transfer is considered a "sale" for these purposes.
- If you are the spouse of a deceased HECM borrower, you may have additional options repayment of the HECM and remaining in the property for your lifetime. You must provide the lender with required documentation within 30 days of the HECM borrower's death along with other requirements.
- The estate or heirs may also provide the lender a deed in lieu of foreclosure if paying off the HECM balance or purchasing the property is not an option.

More information

Contact the HECM lender immediately to review your responsibilities and options.

To contact FHA directly, email answers@hud.gov, or telephone (800) CALL FHA (225-5342) during business hours.