



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

March 1, 2010

MORTGAGEE LETTER 2010-07

To: All FHA-Approved Mortgagees

All HECM Counseling Roster Agencies

Subject Revisions to Model Home Equity Conversion Mortgage (HECM) Loan Agreement (Loan Agreement) and Fannie Mae Form 1009, Residential Application for Reverse Mortgages (Fannie Mae Form 1009)

Purpose This Mortgage Letter informs lenders and HECM counselors of

- Revisions to the model HECM Loan Agreement (HECM Loan Agreement);
- Revisions to the model HECM Loan Agreement Exhibits; and
- Revisions to Fannie Mae Form 1009, Residential Loan Application for Reverse Mortgages (Fannie Mae Form 1009).

This Mortgagee Letter also provides policy guidance for the

- Prohibit use of Freddie Mac Form 65/Fannie Mae Form 1003, Uniform Residential Loan Application; and
- Reaffirm use of Form 92900-A, HUD/VA Addendum to Uniform Residential Loan Application.

Effective Date This guidance is effective August 1, 2010 for all HECM case numbers assigned on or after this date. However, lenders may use the revised forms immediately.

Continued on next page

Mortgagee Letter 2010-07, Continued

Revisions to Fannie Mae form 1009, Residential Loan Application for Reverse Mortgages

Fannie Mae Form 1009 has been revised in the following manner:

- A. Section I. Type of Mortgage and Terms includes data fields for
 - HECM for Purchase
 - Sales Contract Price
 - Land Installment Contract Price
 - Borrower's Investment
 - Purpose of Loan
 - Index Type
 - Loan Origination Fee
- B. Section II. Primary Residence Property Information includes data fields for:
 - Irrevocable Trust
 - Revocable Trust
- C. Section VI. Liens Against The Property was updated by providing lien examples.
- D. Section VI. Declarations was updated by adding items i. through k.
- E. Section VIII. Information for Government Monitoring Purposes collects Loan Originator information.

The revised form can be downloaded from:

<https://www.efanniemae.com/sf/formsdocs/forms/index.jsp>

Revisions to 4235.1 REV-1, Appendix 7, Model HECM Loan Agreement

The model HECM Loan Agreement has been revised in the following manner:

- Section 1.4 defines the maximum claim amount as the lesser of the
- Appraised value of the property;
 - Sales price of the property; or
 - National maximum loan limit established under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a 1-family residence.

Continued on next page

Mortgagee Letter 2010-07, Continued

**Revisions to
4235.1 REV-1,
Appendix 7,
Model HECM
Loan
Agreement
Exhibits**

Exhibit 1 (Payment Plan) of the HECM Loan Agreement is amended to:

- A. Indicate
- payment plan selection of the borrower; and
- B. Disclose the
- Expected average mortgage interest rate;
 - Initial mortgage interest rate; and
 - Margin used to originate the loan.

Exhibit 2 is revised to read: “Schedule of Liens/HECM for Purchase Disbursements to Seller. The heading “Schedule of Closing Costs” remains unchanged.

Important: Lenders must itemize each closing cost item and the amount charged under the “Schedule of Closing Costs” section of Exhibit 2.

Exhibit 3 (Repair Rider) of the HECM Loan Agreement remains unchanged. Lenders may attach an addendum to the Repair Rider to spell out the repairs in clear and complete terms.

The revised model HECM Loan Agreement and Exhibits are attached to this Mortgagee Letter.

**Freddie Mac
Form 65/Fannie
Mae Form
1003, Uniform
Residential
Loan
Application**

FHA will no longer permit the use Freddie Mac Form 65/Fannie Mae Form 1003, Uniform Residential Loan Application, for HECM loan transactions.

Effective Date

This policy guidance is effective August 1, 2010 for all HECM case numbers assigned on or after this date.

Continued on next page

Mortgagee Letter 2010-07, Continued

Form 92900-A, HUD/VA Addendum to Uniform Residential Loan Application The completion of the HUD/VA Addendum to Uniform Residential Loan Application, Form 92900-A, will continue to be required for every HECM loan transaction.

Questions Please address any questions about the topics addressed in this Mortgagee Letter to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Signature David H. Stevens

Assistant Secretary for Housing-Federal Housing Commissioner

Attachments

Paperwork Reduction Act:

The information collection requirements contained in this Mortgagee Letter were approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). Approval of HECM Program is covered by OMB control number 2502-0524. An agency may not conduct or sponsor, and a person is not required to, a collection of information unless the collection displays a valid control number.