



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: June 27, 2014

To: All Approved Mortgagees

Mortgagee Letter 2014-12

Subject Home Equity Conversion Mortgage (HECM) Program: New Principal Limit Factors

Purpose This Mortgagee Letter announces new HECM Principal Limit Factors.

Effective Date The new Principal Limit Factors (PLFs) must be used for all HECMs with FHA case numbers assigned on or after August 4, 2014.

Affected Topics This Mortgagee Letter supersedes the following section of Mortgagee Letter 2014-11: Determining The Principal Limit Amount.

HECM Must Meet the Financial Needs of the Mortgagor Under the National Housing Act at subsection 255(c), FHA insures reverse mortgages under the HECM program where such mortgages have the promise of meeting the special needs of the elderly homeowners and improve their financial situation.

Mortgagees must ensure that mortgagors are given an analysis of the cost of a HECM loan versus the benefits of the loan in order to make an informed decision pertaining to whether or not a potential HECM insured mortgage would meet their individual needs.

Further, mortgagees must advise prospective mortgagors and Non-Borrowing Spouses to discuss with their Housing Counselors whether PLFs below 20 percent may or may not actually improve their financial situation or meet their special needs and that significant consideration should be given to the potential benefits of the HECM in light of the total cost of obtaining the HECM.

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Principal Limit Factor Table

The new Principal Limit Factor (PLF) tables have been wholly revised and now also include PLFs for use where the Borrower has a Non-Borrowing Spouse younger than 62.

The new PLF table may be uploaded or copied from HUD's web site directly into any reverse mortgage technology system or tool used to support the HECM program. The new PLF tables are accessible from the following web site: <http://www.hud.gov/offices/hsg/sfh/hecm/hecmhomelenders.cfm>

FHA will release Version 2.1 of the HECM Calculation Software to accommodate the new PLF table on August 4, 2014.

Mortgagors with Case Numbers

Mortgagees must permit mortgagors, who have not yet closed on their mortgages but have FHA case numbers assigned prior to the effective date of Mortgagee Letter 2014-07, to elect to use the PLFs announced in this ML. In such circumstances the Mortgagee shall:

- Contact the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342) to cancel the current case number and request a new case number;
 - Where the current case number has an effective appraisal, certify in the FHAC Appraisal Login screen that the previous case number was cancelled;
 - Make any required re-disclosures, including recalculations of the HECM Principal Limit amount; and
 - Include documentation in the case binder substantiating the case number changes.
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Information Collection

Paperwork reduction information collection requirements contained in this Mortgagee Letter have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) and assigned OMB Control Numbers 2502-0059, 2502-0429 and 2502-0524. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

Questions

Any questions regarding this Mortgagee Letter should be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at (800) 877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Carol J. Galante
Assistant Secretary for Housing-Federal Housing Commissioner
