



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 24, 2017

Mortgagee Letter 2017-11

**To: All FHA-Approved Mortgagees
All HUD-Approved Housing Counselors**

Subject **Implementation of HUD's January 2017 Home Equity Conversion Mortgage (HECM) Final Rule**

Purpose On January 19, 2017, the Federal Housing Administration (FHA) published the Final Rule, Strengthening the Home Equity Conversion Mortgage (HECM) Program. The purpose of this Mortgagee Letter is to highlight requirements specifically related to servicing functions that were published in the Final Rule, and support Mortgagees in successfully implementing the Rule's servicing requirements which take effect for all case numbers assigned on or after September 19, 2017. The Final Rule is available online at <https://www.gpo.gov/fdsys/pkg/FR-2017-01-19/pdf/2017-01044.pdf>.

Affected Topics The policies in this Mortgagee Letter modify or supersede Mortgagee Letters 2015-10, 2015-11, and 2016-07, where there is conflict.

Effective Date The Final Rule's servicing requirements, including the additional guidance set forth in this Mortgagee Letter, will take effect for all case numbers assigned on or after September 19, 2017.

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send any feedback to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

Applicable HECM Rule Citations This Mortgagee Letter addresses sections 24 CFR 206.125 and 206.205, as amended by the Final Rule.

Background

The HECM Final Rule published on January 19, 2017, formally codifies policy that was previously issued through Mortgagee Letters under the Reverse Mortgage Stabilization Act (RMSA), the Housing and Economic Recovery Act (HERA), the National Housing Act, and Public Law 111-229; at the same time, the Rule implements new policies that were first proposed in the HECM Proposed Rule published on May 19, 2016. The provisions of the Final Rule are effective for all case numbers assigned on or after September 19, 2017.

Default for Unpaid Property Charges

If a Borrower is unable or unwilling to repay the Mortgagee for any Mortgagee funds advanced to pay property charges, the Mortgagee must submit a Due and Payable request within 30 calendar days of the later of: (1) the Borrower's response to the Mortgagee's written notification that an obligation of the mortgage was not met; or (2) the expiration of the Borrower's 30-day response period to the notice. Specifically, the Final Rule amends the notification process in 24 CFR 206.205 to supplement and precede the Due and Payable process in 24 CFR 206.125.

This guidance updates the "Notice to HUD for Due and Payable HECMs" and "Notice to Mortgagor of HECM in "Due and Payable" Status for Reasons Other than Death" sections of Mortgagee Letter 2015-10 and notifies Mortgagees that the permissive loss mitigation described in Mortgagee Letters 2015-11 and 2016-07 remains in effect.

Nothing in this Mortgagee Letter confers any right to a Mortgagor or a Non-Borrowing Spouse to any action on the part of HUD or the mortgagee.

Sale of Property Securing a Due and Payable HECM

When a HECM is Due and Payable, the Borrower, Eligible Non-Borrowing Spouse, Borrower's estate, or Borrower's heir(s), as applicable, may sell the property for a minimum of 95% of the appraised value.

This guidance announces to the industry the amount the Commissioner will accept when a Borrower, Eligible Non-Borrowing Spouse, Borrower's estate, or Borrower's heir(s) is satisfying a Due and Payable HECM for less than the total loan balance.

Cash for Keys Incentive and Relocation Incentive

HUD shall reimburse the Mortgagee up to \$3,000 for its payment of a Cash for Keys or relocation incentive, where either of the following apply:

- The Mortgagee paid the incentive to a Borrower or other party with a legal right to dispose of the property in association with a DIL transaction, provided the property was deeded to the Mortgagee within six months of the Due and Payable date; or

- The Mortgagee paid a financial incentive to a bona fide tenant who vacated the property prior to an eviction being initiated by the Mortgagee.

**HERMIT
System Updates**

The HERMIT User Guide will be updated to provide Mortgagees with instructions regarding guidance in the Final Rule and this Mortgagee Letter.

**Information
Collection
Requirements**

The information collection requirements contained in this document 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 Number 2502-0429. 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 may be directed to HUD's National Servicing Center at (877) 622-8525. For additional information, please visit www.hud.gov/answers or call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach either of these numbers by calling the Federal Information Relay Service at (800) 877-8339.

Signature

Dana T. Wade
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