FHA CONNECTION

Changes and Processing Instructions

(for Lenders)

Housing Counseling Changes

Home Equity Conversion Mortgage (HECM) Changes

September 19, 2017

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1 Purpose

The purpose of this document is to explain the changes to the FHA Connection (FHAC) that affect the business processes of HUD's lending partners, effective September 19, 2017.

2 Lender Retrieval of Housing Counseling Certificates

Authorized lender personnel can now retrieve and view HECM certificates produced for their clients. However, before doing so, lenders must get written consent from the client.

Also, lender personnel must request FHA Connection authorization for **Counseling Certificate** from their FHA Connection Application Coordinator (**Figure 1**).

Figure 1: Modified **FHA Connection ID Administration** page for lender personnel

The *Case Processing* menu was modified to include a **Counseling Certificate** option to accommodate lender users (**Figure 2**). However, all users with the **Counseling Certificate** authorization can access **Counseling Certificate** from this menu and the *Counseling Functions* menu.
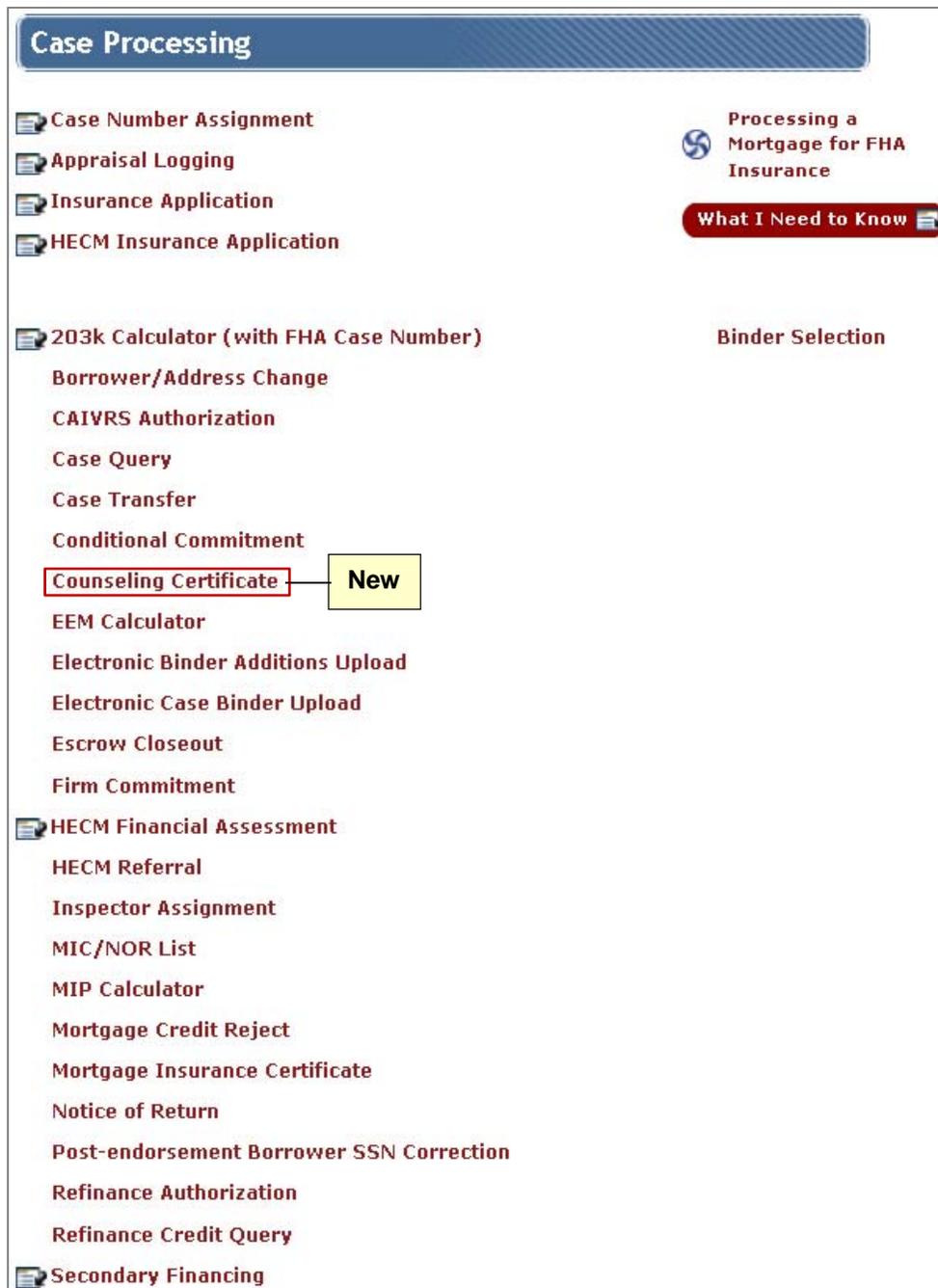
Figure 2: Modified *Case Processing* menu

When the **Counseling Certificate** menu option is selected, the **Counseling Certificate Request** page appears (**Figure 3**). The **Certificate Type** field has only a *HECM* option. A statement is displayed near the bottom of the page requiring lenders to have authorization by the client before retrieving the certificate.

Figure 3: New **Counseling Certificate Request** page for lender personnel

To get the client's certificate, the unique nine-digit identifier issued for the certificate is entered in the **Certificate ID** field on the **Counseling Certificate Request** page (**Figure 3**).

-OR-

The following search criteria must be entered:

- The type of certificate is selected from the drop-down list in the **Certificate Type** field (*HECM*).

- The last name of the borrower or client is entered in the **Borrower/Client Last Name** field. The entire last name must be entered.

- The first name of the borrower or client is entered in the **Borrower/Client First Name** field. All or part of the first name (three characters or more) can be entered.

- The zip code for the geographical area in which the borrower/client resides is entered in the **Zip Code** field.

- A date range for when the counseling was completed is entered in the **Counseling Completion Date** field.

Send is clicked to process the search. When there is a match, the **Counseling Certificate List** page appears (**Figure 4**).

Figure 4: Counseling Certificate List page

On the **Counseling Certificate List** page, the certificate ID is clicked to view the certificate details. A pop-up dialog box appears for certifying whether the client provided written consent for the lender to view the certificate (**Figure 4**). If so, **OK** is clicked and the view-only certificate details are displayed on the **HECM Counseling Certificate Results** (**Figure 5**). At the bottom of the page, *Generate Counseling Certificate* is clicked to generate the *Certificate of HECM Counseling, form HUD-92902*.

Figure 5: View-only certificate information with link for generating the certificate

2.1 HECM Counseling Changes for Case Number Assignment and HECM Insurance Application

The **HECM Counsel TIN** field was removed from **Case Number Assignment** and **HECM Insurance Application** (**Figure 6** and **Figure 7**). It was formerly used to collect the Employer Identification Number of the FHA-approved housing counseling agency that provided HECM counseling to the borrower. Also, the **HECM Counsel Date** field for **Case Number Assignment** and the **Counsel Date** field for **HECM Insurance Application** are now view only. For a HECM case, information is required to be entered in the **HECM Counseling Certificate Number** field, if HECM counseling is required. The certificate number entered must match an existing **HECM Counseling Certificate**. When there is a match, the date the counseling was completed is displayed in the view-only **HECM Counsel Date** or **Counsel Date** field.

Changes were also made to **HECM Insurance Application** for FHA Connection Business to Government (FHAC B2G).

See also *3.3 HECM Insurance Application Changes*.

Figure 6: HECM counseling changes for **Case Number Assignment**

Figure 7: HECM counseling changes for **HECM Insurance Application**

3 Home Equity Conversion Mortgage (HECM) Changes

HECM changes are explained in the following paragraphs and comply with Final Rule FR-5353-F-03, Federal Housing Administration: Strengthening the Home Equity Conversion Mortgage Program, revising 24 CFR parts 30 and 206.

3.1 HECM Desktop Calculator Version 2.4 Implemented

HECM Desktop Calculator Version 2.4 is being implemented by September 19, 2017. Lenders can upgrade their existing HECM software by downloading the appropriate files from the HUD.gov website at:

http://www.hud.gov/pub/chums/hecm_upgrade.html

If the software is not already installed, instructions are available for installation on the HUD.gov website at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecminst

3.2 Appraisal Logging Changes

The *HECM Information* section of **Appraisal Logging** (which is only displayed for HECM cases) was modified as explained below.

The following fields were added to **Appraisal Logging**:

- **Net LESA:** Fully or partially funded Life Expectancy Set Aside (LESA) minus **Taxes/Insurance 1st Yr Payments**. The amount in this field must match (in dollars and cents) the LESA requirement amount entered through **HECM Financial Assessment** on the FHA Connection.

- **Servicing Fee Set Aside:** Funds used for the payment of the monthly servicing fee that increases each month at a rate equal to one-twelfth of the sum of the expected average mortgage interest rate (Expected rate), plus the annual mortgage insurance premium rate from the date the loan is funded.

The following **Appraisal Logging** fields were changed:

- **Initial MIP Factor:** For mortgages assigned an FHA case number on or after October 2, 2017, the new rate is displayed and is view only. (Per Mortgagee Letter 2017-12, the new rate is two percent (2%).) For mortgages assigned an FHA case number before October 2, 2017, this field has a drop-down list from which the MIP factor can be selected.

- **Initial Disbursement Limit:** For mortgages assigned a case number on or after September 19, 2017, the **Initial Disbursement Limit** field now displays the system-generated amount that is the lesser of A. or B. below:

  A. The greater of 60% of the **Initial Principal Limit (IPL)** or the sum of **Mandatory Obligations (Does not include cash)** and **Additional 10% of IPL Usage Amount** available during the first 12-month disbursement period, not to exceed 100% of the **Initial Principal Limit (IPL).**

  B. **Initial Principal Limit (IPL)** amount less the sum of the **Net LESA** and **Servicing Fee Set Aside**, not to exceed 100% of the Initial Principal Limit (IPL).

See **Figure 8**. Changes were also made to **Appraisal Logging** for FHAC B2G.

See also *2.1 HECM Counseling Changes for Case Number Assignment and HECM Insurance Application.*

Figure 8: Modified *HECM Information* section of **Appraisal Logging**

3.3 HECM Insurance Application Changes

The changes for **Appraisal Logging** are also applicable to **HECM Insurance Application**. The **Net LESA** and **Servicing Fee Set Aside** amounts entered for **Appraisal Logging** are carried over to **HECM Insurance Application** (**Figure 9**). If one of these amounts is updated for **HECM Insurance Application**, it is automatically updated for **Appraisal Logging**. As mentioned above, the **Net LESA** must be equal to the LESA requirement amount entered for **HECM Financial Assessment** minus **Taxes/Insurance 1st Yr Payments**.

Changes were also made to **HECM Insurance Application** for FHAC B2G.

Figure 9: Modified *Mortgage Information* section of **HECM Insurance Application**