The information in this document is current as of the Last Update date noted above. This document does not establish or modify the policy contained in FHA’s Handbooks and Mortgagee Letters in any way.

Presented by:

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Today’s Agenda

• Introduction and Welcome
• HECM Financial Assessment Policy Documents
• HECM Financial Assessment Basics
  — Credit History
  — Property Charge Payment History
  — Calculating Residual Income
• Extenuating Circumstances
• Compensating Factors
• Set-Aside Calculation Formulas
• Making Sustainable HECM Decisions
• Case Studies
Introduction

• Financial Assessment requirements became effective for HECMs with case numbers issued on or after April 27, 2015.

• Through July 31, 2016 HUD had issued 95,006 HECM case numbers since that effective date.

• Of these case numbers, 46,636 loans have closed and 42,999 have been endorsed.
HECM Financial Assessment Policy

• 2014-21 – Provides the regulatory basis for the HECM Financial Assessment
• 2014-22 – Transmits *HECM Financial Assessment and Property Charge Guide*
• 2015-06 – Extended effective date of financial assessment requirements to April 27, 2015
• 2015-09 – Revised Section 3.98 of Guide and New Model HECM Financial Worksheet
• 2016-10 – Transmits revised *HECM Financial Assessment and Property Charge Guide*
HECM Financial Assessment Policy (cont.)

Revised Guide

• Format and layout of revised Guide is similar to the previous Guide.
• Revised to address:
  – Published FAQs and industry questions
  – Changes in Single Family Housing Policy (SF Handbook) 4000.1 for forward mortgages
  – Residual income and use of Compensating Factors
  – Life Expectancy Set Aside (LESA) decision matrix replaced with more definitive guidance
HECM Financial Assessment Basics

- Financial Assessment requirements apply to all HECMs:
  - Traditional
  - Refinance
  - Purchase

- Complete Financial Assessment must be performed for every HECM mortgagor.
  - No “fast track” procedures.
  - Mortgagor request, or mortgagee requirements, for a LESA does not mean that the full financial assessment requirement do not have to be met.
HECM Financial Assessment Basics (cont.)

Credit History

• Satisfactory standard stated in Section 2.15

• Where the mortgagor has a credit history that does not meet the satisfactory standards, consider any Extenuating Circumstances.

• Where Extenuating Circumstances are documented, credit history may be deemed acceptable.
HECM Financial Assessment Basics (cont.)

Credit History (cont.)

• In Assessing *Payment History on Housing Obligations* per Section 2.14, limit analysis to principal residence.

• When evaluating overall credit history, analysis is not limited to principal residence only.

• Do not consider credit history of a Non-Borrowing Spouse or other Non-Borrowing Household Member.

• Note new policy regarding student loans.
HECM Financial Assessment Basics (cont.)

Non-Borrowing Spouse

• When we refer to a Non-Borrowing Spouse we are referring to an **Eligible** Non-Borrowing Spouse.

• Only exception is in regard to authorization for verification of Social Security Number; required for Eligible and Ineligible Non-Borrowing Spouse.

• Income from an Ineligible Non-Borrowing Spouse may not be used as a Compensating Factor or to reduce family size.
HECM Financial Assessment Basics (cont.)

Property Charge Payment History

• Satisfactory standard stated in Section 2.28.
• Review must include all owned real estate, not just principal residence.
• Whether or not hazard/flood insurance was in place is not part of Satisfactory standard.
• Whether or not property taxes and insurance were paid by servicing lender through escrow is not part of Satisfactory standard.
HECM Financial Assessment Basics (cont.)

Property Charge Payment History

- Where the mortgagor has a property charge payment history that does not meet the Satisfactory standard, consider any Extenuating Circumstances.

- Where Extenuating Circumstances are documented, property charge payment history may be deemed acceptable.
HECM Financial Assessment Basics (cont.)

Residual Income

• Calculation of residual income to determine if the mortgagor has the financial capacity to meet his or her documented financial obligations with his or her documented income.

• If mortgagor does not meet residual income standard, consider any documented Compensating Factors.
HECM Financial Assessment Basics (cont.)

Negative Residual Income

• FHA Connection permits the entry of a negative number for mortgagor residual income.

• FHA Connection cannot currently capture the amount of income from permissible sources other than the mortgagor.

• While a mortgagor may have negative residual income, when income from another source is taken into account, the residual income standard may be met.
HECM Financial Assessment Basics (cont.)

Example of Negative Residual Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual Income Standard</td>
<td>$ 886</td>
</tr>
<tr>
<td>Gross Monthly Income</td>
<td>$ 1,581</td>
</tr>
<tr>
<td>Monthly Expenses</td>
<td>- 1,385</td>
</tr>
<tr>
<td>Monthly Property Charges</td>
<td>- 305</td>
</tr>
<tr>
<td>Residual Income</td>
<td>- $ 109</td>
</tr>
<tr>
<td>Eligible Non-Borrowing Spouse Income</td>
<td>+ 1,100</td>
</tr>
<tr>
<td>Total Residual Income</td>
<td>$ 991</td>
</tr>
</tbody>
</table>
Extenuating Circumstances

• May be cited to support loan approval where the credit or property charge payment history standard is not met.

• You cannot cite Extenuating Circumstances to support loan approval where the residual income standard is not met.

• Extenuating Circumstances are not limited to those in the Guide.
Extenuating Circumstances (cont.)

Four criteria must be met:

1. There is a connection between the problem and the measurable impact on finances.

2. Actions of the mortgagor did not contribute to the problem.

3. The problem is not likely to recur.

4. The mortgagor has access to financial resources that enhance the ability to meet future financial challenges.
Compensating Factors

• May be cited to support loan approval where the applicable residual income standard is not met.
• You cannot cite Extenuating Circumstances to support loan approval where the residual income standard is not met.
• Compensating Factors are limited to the eight specific Compensating Factors described in the Guide.
• If a Compensating Factor is cited, all applicable criteria must be met.
Compensating Factors (cont.)

- Income from **one or more** of these sources, combined with the mortgagor's income, must **equal** or exceed the applicable residual income standard:
  - _Non-Borrowing Spouse Income_
  - _Overtime, Seasonal, Part-time or Bonus Income_
  - _Expected SSI or Pension Income_
  - _Imputed Income from HECM_

- Income from more than one source may be combined to meet residual income standard.

- Enter the amount of income from each source in FHA Connection.
Compensating Factors (cont.)

Imputed Income from HECM

- Most frequently cited Compensating Factor.
- Calculated using remaining principal balance.
- HECM Term or Tenure Payments may not be counted as income.
Compensating Factors (cont.)

**Imputed Income from HECM**

- Formula:
  
  $$ \text{Initial Principal Limit} \ - \ \text{Mandatory Obligations} \ - \ \text{LESA} \ - \ \text{Repair and Serving Set-Aside} \ = \ \frac{\text{Remaining Principal Balance}}{\text{Life expectancy in months of youngest mortgagor}} \ = \ \text{Imputed Income from HECM} $$
Compensating Factors (cont.)

Revisions to Compensating Factors in Revised Guide

• Added requirement that residual income equal or exceed 80 percent of standard for:
  — Assets Equal to Life Expectancy Property Charges
  — HECM Sufficient To Pay Off Debts
  — Access to Other Credit

• Revised and clarified other criteria for:
  — HECM Sufficient To Pay Off Debts
  — Access to Other Credit
Compensating Factors (cont.)

HECM Sufficient to Pay Off Debts

• Residual income must equal or exceed 80 percent of the applicable standard.

• Remaining principal balance must be sufficient to pay off revolving and installment debt to the point that monthly expenses would be reduced sufficiently to meet the residual income standard.
Compensating Factors (cont.)

HECM Sufficient to Pay Off Debts

Formula: Initial Principal Limit
minus Mandatory Obligations
minus LESA
minus Repair and Serving Set-Aside
minus Principal used for Imputed Income
equals Remaining Principal Balance
Compensating Factors (cont.)

Property Charge Payment History

• Requires that:
  — Mortgagor has paid his or her own property charges directly for past 24 months;
  — All property charge payments have been made without incurring penalties for last 24 months;
  — Current income is not less than that of the previous 24 months; and
  — Residual income is 80 percent – 99 percent of the applicable standard.

• If all four criteria are not met, you cannot cite this Compensating Factor.
Compensating Factors (cont.)

Assets Equal to Life Expectancy Property Charges

- Requires that:
  - Residual income is 80 percent – 99 percent of the applicable standard;
  - Assets are at least equal to Projected Life Expectancy Property Charges; and
  - Assets were not dissipated or considered in residual income calculation.

- If all three criteria are not met, you cannot cite this Compensating Factor.
Compensating Factors (cont.)

Access to Other Resources

• Residual income is 80 percent – 99 percent of the applicable standard.
• Requires that mortgagors have access to revolving credit accounts that are:
  — In their name;
  — Open at least 6 months; and
  — Paid off in full each month.
• If all three criteria are not met, you cannot cite this Compensating Factor.
Is a LESA Required?

• If, credit history and/or property charge payment history are not acceptable, and there are no Extenuating Circumstances; — Then, a Fully Funded LESA is required.

• If, credit history and/or property charge payment history are acceptable, but residual income does not meet the standard and no Compensating Factors apply;
  • Then, a Partially Funded LESA is required.
Projected Life Expectancy Property Charges

- Must calculate even if Set-Aside is not required.
- Must be entered in FHA Connection on the HECM Financial Assessment Update screen.
- To calculate, you need the formula in Section 5.3 of the Guide, and three data elements:
  - Monthly real estate taxes, hazard and flood insurance (annual amounts ÷ 12);
  - Monthly compounding rate (expected rate + annual MIP rate ÷ 12); and
  - Life expectancy in months of youngest mortgagor (annual life expectancy x 12).
Projected Life Expectancy Property Charges (cont.)

- Formula for calculating Projected Life Expectancy Property Charges
  - \((1.2 \times \text{PC} ÷ 12) \times \left\{ (1 + c)^{m+1} - (1 + c) \right\} ÷ \{c \times (1 + c)^m \}\)

- Where...
  - \(\text{PC} = \) annual property charges
    - (based on current charges or known rates for next year for real estate taxes, hazard, and flood insurance)
  - \(m = \) life expectancy in months of youngest mortgagor
    - (life expectancy in years from Appendix 2 in Guide x 12)
  - \(c = \) monthly compounding rate
    - (expected rate + 1.25% annual MIP rate ÷ 12)
Projected Life Expectancy Property Charges (cont.)

Let’s look at an example...

• Assume

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$2,000</td>
</tr>
<tr>
<td>Hazard Insurance</td>
<td>600</td>
</tr>
<tr>
<td>Flood Insurance</td>
<td>400</td>
</tr>
<tr>
<td><strong>Property Charges</strong></td>
<td><strong>TOTAL $3,000</strong></td>
</tr>
</tbody>
</table>

Youngest mortgagor is 77 years old

Expected rate is 4.16%
MIP rate is 1.25%
Monthly Compounding rate is 0.004508
(Youngest mortgagor is 77 years old, expected rate + Annual MIP rate ÷ 12)
Projected Life Expectancy Property Charge (cont.)

Remember the formula:

\[(1.2 \times PC \div 12) \times \{ (1 + c)^{m+1} - (1 + c) \} \div \{ c \times (1 + c)^m \}\]

\[
\begin{align*}
\text{(1.2 x PC ÷12)} & : 1.2 \times 3,000 \div 12 & : 300 \\
\text{(1 +c)}^{m+1} & : 1.004508^{121} & : 1.723302 \\
\text{-(1 +c)} & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad
\end{align*}
\]

\[
\begin{align*}
\text{(1 +c)^m} & : 1.004508^{120} & : 1.715568 \\
\text{x } c & : 0.004508 & : 0.007734 \\
\end{align*}
\]
Projected Life Expectancy Property Charge (cont.)

Remember the formula

\[
(1.2 \times PC ÷ 12) \times \left\{ (1 + c)^{m+1} - (1 + c) \right\} ÷ \left\{ c \times (1 + c)^m \right\}
\]

\[
300 \times 0.718794 ÷ 0.007734 = 27,881
\]

Projected Life Expectancy Property Charges = $27,881
Projected Life Expectancy Property Charges
FHA Connection (FHAC) Data Entry Requirement

For the Projected Life Expectancy Property Charge field in FHAC, you will need the calculation and instructions from Sections 5.2 and 5.3 of the Guide.

- Multiply Monthly Property Charges Subtotal (from the Monthly Property Charges page section) by 1.2
- Multiply the life expectancy of the youngest borrower in years by 12
- Add the Expected Rate (entered directly above) plus 1.25% (annual mortgage insurance premium rate)

See calculation information in Sections 5.2 and 5.3 of the HECM Financial Assessment and Property Charge Guide
Life Expectancy Set Asides (LESA)

• If a Fully Funded LESA is required, it is calculated using the formula for Projected Life Expectancy Property Charges.
• In our example, the amount of $27,881 is projected to be sufficient to pay monthly property charges of $300 for 10 years – the life expectancy of the youngest mortgagor.
• Note that the LESA amount of $27,881 is less than the figure you would get by simply multiplying the monthly amount by 120 months ($36,000).
Partially Funded LESA

• Formula for calculating Partially Funded LESA
  \[(1.2 \times \text{MRIS}) \times \left\{\left(1 + c\right)^{m+1} - (1 + c)\right\} \div \left\{c \times (1 + c)^m\right\}\]

• Where...
  – MRIS = Monthly Residual Income Shortfall
    (based on the amount by which the mortgagor falls short of the applicable residual income standard for family size and geographic region)
  – m = life expectancy in months of youngest mortgagor
    (life expectancy in years from Appendix 2 in Guide x 12)
  – c = monthly compounding rate
    (expected rate + 1.25% annual MIP rate ÷ 12)
Partially Funded LESA (cont.)

Let’s look at an example...

• Assume

  Residual Income Standard $589
  Monthly Residual Income 469

  Monthly Residual Income Shortfall  =  TOTAL $120

  Youngest mortgagor is 77 years old
  Expected rate is 4.16%
  MIP rate is 1.25%
  Monthly Compounding Rate is 0.004508
    (expected rate + annual MIP rate ÷ 12 )

• This is all we need to calculate the Partially Funded LESA
Partially Funded LESA (cont.)

Remember the formula
\[(1.2 \times \text{MRIS}) \times \left\{ (1 + c)^{m+1} - (1 + c) \right\} \div \left\{ c \times (1 + c)^m \right\} \]

- \( (1.2 \times \text{MRIS}) \)  \( 1.2 \times 120 \)  \( 144 \)
- \( (1 + c)^{m+1} \)  \( 1.004508^{121} \)  \( 1.723302 \)
  - \( (1 + c) \)  \( 1.004508^{120} \)  \( 1.715568 \)
  - \( c \)  \( 0.004508 \)  \( x \)  \( 0.004508 \)  \( 0.007734 \)
Partially Funded LESA (cont.)

Remember the formula:
\[(1.2 \times MRIS) \times \{(1 + c)^{m+1} - (1 + c)\} \div \{c \times (1 + c)^m\}\]

\[
\begin{align*}
144 & \times \quad 0.718794 & \div & \quad 0.007734 & = \\
& & & & 13,383 \\
\end{align*}
\]

• Partially Funded Life Expectancy Set-Aside = $13,383

• Mortgagor will receive semi-annual payments of $720 (120 x 6)
Partially Funded LESA (cont.)

- Partially Funded Life Expectancy Set-Aside: $13,383
- Projected Life Expectancy Property Charges: $27,884

\[
\frac{13,383}{27,884} = 48\%
\]

- Since Partially Funded LESA amount is less than 75 percent of Projected Life Expectancy Property Charges, Fully Funded LESA is not required.
Making the HECM Loan Decision

So far we have determined:

• Whether credit history is Satisfactory or, if not, if there are Extenuating Circumstances.
• Whether property charge payment history is Satisfactory or, if not, if there are Extenuating Circumstances.
• If residual income meets the standard or, if not, if are there Compensating Factors.
• If a LESA is required, and what kind.

Are we done?
Making the HECM Loan Decision (cont.)

• Even if a Fully Funded LESA is required, is credit and/or property charge history so poor that mortgagor has not demonstrated the ability to manage financial affairs?
• Even if a Fully Funded LESA is required, is residual income sufficient?
  – Mortgagees may take into account reduction in expenses because real estate taxes and insurance will be paid out of LESA.
Case Study #1

Mortgagor Data

• Husband and wife, ages 68, and 63, respectively
• Gross Monthly Income $3,407
  – Monthly Expenses 1,130
  – Monthly Property Charges 525
  Residual Income TOTAL $1,752

• Residual Income Standard $906
• Residual Income Shortfall $ 0
Case Study #1 (cont.)

- Credit and property charge history:
  - Mortgage Payments – 4 x 30-day late
  - Credit card payments – 1 x 90-day late
  - Property charge payment history acceptable
    (Property charges escrowed and paid by mortgagee)
- No Extenuating Circumstances
- Mortgagor meets residual income standard.
- Residual income equals 193.4% of standard.
Case Study #1 (cont.)

• Compounding Rate is 0.0625%
• Life Expectancy in Months is 240 (20 years x 12)
• Monthly real estate taxes and insurance = $525
• Using formula, Projected Life Expectancy Property Charges are $86,641.
• Residual income standard is met; Partially Funded LESA not required.
Case Study #1 (cont.)

Decision Time

- Is a Fully Funded LESA required for this mortgagor?

- Would you approve this HECM? What factors would you cite for your decision?
Case Study #1 (cont.)

What’s the Decision?

• Approve with a Fully Funded LESA is the best answer here.

• Willingness is the issue here.

• The HECM is a sustainable solution to this mortgagor’s problems, because capacity has been documented, and the Fully Funded LESA will address the willingness issue.
Case Study #2

Mortgagor Data

- Wife and Husband, ages 76, and 75, respectively
- Gross Monthly Income: $1,507
- Monthly Expenses: $328
- Monthly Property Charges: $407
- Residual Income: $772

- Residual Income Standard: $906
- Residual Income Shortfall: $134
- Credit and Property Charge History Satisfactory
Case Study #2 (cont.)

- Credit and property charge history are Satisfactory.
- Mortgagor does not meet residual income standard.
- Residual income equals 85.2% of standard.
- No Compensating Factors.
- Is a Partially Funded LESA the answer?
Case Study #2 (cont.)

• Compounding rate is 0.0592 percent.
• Life Expectancy in Months is 144 (12 years x 12)
• Monthly real estate taxes and insurance = $407.
• Monthly Residual Income Shortfall is $135.
• Using formula, Projected Life Expectancy Property Charges are $50,501.
• Using formula, Partially Funded LESA is $16,743 (33% of Projected Life Expectancy Property Charges).
Case Study #2 (cont.)

Decision Time

• Is a LESA required for this mortgagor?

• Partially Funded or Fully Funded?

• Would you approve this HECM? What factors would you cite for your decision?
Case Study #2 (cont.)

What’s the Decision?

• Approve with a Partially Funded LESA is the answer here.

• In this case the HECM is a sustainable solution for the mortgagor’s circumstances. Willingness has been documented, and the requirement for a Partially Funded LESA will address the capacity issue.
Case Study #3

Mortgagor Data

• Wife and Husband, ages 73, and 72, respectively
• Gross Monthly Income $2,612
  Monthly Expenses -1,715
  Monthly Property Charges -235
  Residual Income TOTAL $662
• Residual Income Standard $886
  Residual Income Shortfall $224
• Credit and Property Charge History is Satisfactory
Case Study #3 (cont.)

• Credit and property charge history are Satisfactory.

• Mortgagors do not meet residual income standard.

• Residual income equals 74.7% of standard.

• *Property Charge Payment History* cited as Compensating Factor.
Case Study #3 (cont.)

- Compounding rate is 0.0629 percent.
- Life Expectancy in Months is 168 (14 years x 12).
- Monthly real estate taxes and insurance = $235.
- Monthly Residual Income Shortfall is $224.
- Using formula, Projected Life Expectancy Property Charges are $31,628.
- Using formula, Partially Funded LESA is $30,132 (95% of Projected Life Expectancy Property Charges).
- Mortgagor is not eligible for a Partially Funded LESA.
Case Study #3 (cont.)

Decision Time

• Is a Fully Funded LESA required for this mortgagor?

• What about that Compensating Factor?

• Would you approve this HECM? What factors would you cite for your decision?
Case Study #3 (cont.)

What’s the Decision?

• Approve with a Fully Funded Life Expectancy Set Aside is the answer here.

• The criteria for the *Property Charge Payment History* Compensating Factor was not met.
  – Residual income must be 80 percent – 99 percent of the standard; only 74.7 percent here.

• Residual income shortfall, and no Compensating Factors means a LESA is required.

• Partially Funded LESA is more than 75% of the Projected Life Expectancy Property Charges. Fully Funded LESA is called for.
Case Study #4

Mortgagor Data

• 1 mortgagor, age 71
• Gross Monthly Income $1,581
  Monthly Expenses - 1,385
  Monthly Property Charges - 305
  Residual Income TOTAL $ - 109

• Residual Income Standard $529
• Residual Income Shortfall $638
• Credit and Property Charge History Satisfactory
• No Compensating Factors
Case Study #4 (cont.)

• Credit and property charge history meet the Satisfactory standard.
• Mortgagor does not meet residual income standard.
• Residual income is negative.
• No Compensating Factors.
• Is a Partially Funded LESA the answer?
Case Study #4 (cont.)

- Compounding rate is 0.0624 percent.
- Life Expectancy in Months is 168 (14 years x 12).
- Monthly real estate taxes and insurance = $305.
- Monthly Residual Income Shortfall is $638.
- Using formula, Projected Life Expectancy Property Charges are $41,150.
- Using formula, Partially Funded LESA is $86,077 (209% of Projected Life Expectancy Property Charges).
- Mortgagor is not eligible for a Partially Funded LESA.
Case Study #4 (cont.)

Decision Time

- Payment of real estate taxes and insurance will be covered by Fully Funded LESA; **but**

- Even taking into account reduction in expenses because mortgagor will not have to pay real estate taxes and insurance, monthly residual income shortfall is still $333.

- Would you approve this HECM? What factors would you cite for your decision?
Case Study #4 (cont.)

What’s the Decision?

• This HECM should not be approved.

• Even after the HECM, and even with a LESA covering monthly property charges, mortgagor has only $196 a month to pay for food, medical care, transportation, telephone, internet, cable TV, entertainment and every other expense – less than $50 a week.

• A HECM is not a sustainable solution for this mortgagor.
What we covered in this Webinar

• Negative Residual Income may be entered in FHA Connection, but only where there are other documented sources of income (Compensating Factors).
• To cite a Compensating Factor, you must document that all criteria have been met.
• Projected Life Expectancy Property Charges must be calculated for every HECM and entered into FHA Connection.
• Published policy requires mortgagees to make loan decisions that represent a sustainable solution for the mortgagor’s financial situation.
• **Preview new Origination through Endorsement FAQs on our SF Handbook Information page:**
  - Commonly asked questions/detailed answers.
  - Was uploaded to the online Knowledge Base on September 14, 2015.

• **www.hud.gov/answers**: **1600+ Qs and As** addressing 90 percent of our phone calls **and** announcements of policy changes and training opportunities.

• **Email**: answers@hud.gov

• **Phone**: (800) CALL-FHA or (800) 225-5342
  Monday through Friday, 8:00 am – 8:00 pm ET

• **Single Family Housing News (FHA INFO) emails**: Frequent email notifications of new policies and training opportunities for anyone who signs up. To sign up go to:
Thank You!