



NEWS AND UPDATES

**TO: All FHA-Approved HECM Mortgagees and Servicers
All FHA-Approved HECM Housing Counselors**

What's New

Home Equity Conversion Mortgage (HECM) Program Financial Assessment and Property Charge Changes

Revised HECM Financial Assessment and Property Charge Guide Now Available

Today, the Federal Housing Administration (FHA) published two Mortgagee Letters: one announces revisions to the HECM program's Financial Assessment and Property Charge Set Aside requirements and other policy changes detailed below; and a second that announces a new Financial Assessment and Property Charge Guide. These risk management changes are intended to reduce defaults and claims and protect FHA's Mutual Mortgage Insurance Fund. This in turn allows FHA to continue to maintain the viability of this important access to credit option, with safeguards to ensure that the HECM is both the right and sustainable age-in-place choice for seniors.

Both Mortgagee Letters contain policy changes to the HECM Financial Assessment and Property Charge Set Aside requirements that take into consideration public comments received in response to FHA's September 12, 2013 *Federal Register* Notice (Docket No. FR-5735-N-01).

FHA will host two industry briefing conference calls for interested stakeholders to review the contents of each of these Mortgagee Letters. Details are included in this *FHA Single Family Housing News* e-mail. Briefing sessions for HUD-approved HECM housing counselors will be announced separately.

Mortgagee Letter 2014-21, Revised Changes to the HECM Program Requirements

Mortgagee Letter 2014-21 revises the existing HECM Property Charge Set Aside structure, and introduces additional policy changes, **including but not limited to:**

- Origination and servicing requirements for a single Life Expectancy Set Aside that may be fully funded or partially funded if required based on the results of the Financial Assessment;
- Policy allowing lenders to order a credit report prior to the completion of HECM counseling; and
- A 12-month seasoning requirement for existing forward mortgages and other liens that will be paid off with HECM proceeds.

This Mortgagee Letter also consolidates existing policy implemented in Mortgagee Letters 2013-27 and 2013-33; and supersedes these Mortgagee Letters in their entirety. The policy requirements in Mortgagee Letter 2014-21 have varying effective dates. **Mortgagees should thoroughly review the effective date chart on page three of this Mortgagee Letter.**

Mortgagee Letter 2014-22, HECM Financial Assessment and Property Charge Requirements

Mortgagee Letter 2014-22 announces a revised *HECM Financial Assessment and Property Charge Guide* (Guide). The Mortgagee Letter and the revised Guide provide additional guidance for mortgagees on various aspects of the Financial Assessment, including **but not limited to:**

- A revised list of documents required for, and the stacking order of these documents in, the Case Binder.
- Expanded guidance on documenting and evaluating income/expenses, credit history, extenuating circumstances, compensating factors, and use of HECM funds.
- Guidance for determining when, and in what amount, mortgagees must require a Life Expectancy Set Aside to pay property charges, based on the result of the Financial Assessment.

This Mortgagee Letter and its attached Guide supersede Mortgagee Letter 2013-28 and its attached Guide in their entirety. Further, the revised Guide removes all references to FHA's Handbook 4155.1. Required policies are incorporated into applicable sections.

The financial assessment requirements of this Mortgagee Letter are effective for all Case Numbers issued on or after March 2, 2015. The *HECM Required Documents for Endorsement List* (Attachment One to the Mortgagee Letter) is effective immediately; except as noted in the attachment.

Overview Conference Calls for HECM Mortgagees, Servicers, and Housing Counselors

Join senior FHA policy experts for the following conference call briefing sessions that will cover the contents of Mortgagee Letters 2014-21 and 2014-22.

Revised Changes to the HECM Program Requirements Conference Call

FHA will review the Property Charge Set Aside and other HECM program requirements announced in Mortgagee Letter 2014-21.

- **Date:** November 18, 2014
- **Time:** 2:00-3:00 p.m. (Eastern)
- **Dial-in Number:** (866) 233-3852
- **Participant Access Code:** 343916

Understanding and Using the HECM Financial Assessment and Property Charge Guide

This detailed briefing session, designed specifically for mortgagees originating and underwriting HECMs, will review the Financial Assessment and Property Charge policies in the Financial Assessment and Property Charge Guide announced in Mortgagee Letter 2014-22.

- **Date:** November 20, 2014
- **Time:** 2:00-3:30 p.m. (Eastern)
- **Dial-in Number:** (866) 233-3841
- **Participant Access Code:** 343917

Operational questions to be addressed on either or both of these conference calls may be submitted in advance to FHA's special e-mail box, FHASFCall@hud.gov, **by 5:00 PM (Eastern) Monday, November 17, 2014**. You are encouraged to limit your submissions to two questions. This is an unattended e-mail box for collecting questions that may be addressed during this conference call. FHA is unable to respond in writing to individual questions or inquiries submitted to this e-mail box.

Quick Links and Resources

- View the November 10, 2014 [Mortgagee Letters](#) 2014-21 and 2014-22.
 - Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers:
 - E-mail the FHA Resource Center* at answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
 - Call 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 1-800-877-8339.
- * Please note that FHA is in the process of providing its Resource Center with updated information and frequently-asked questions related to the HECM changes described in this issue of Single Family Housing News. FHA intends to have detailed information available through the Resource Center in the coming weeks.*

RESOURCE INFORMATION

FHA INFO Archives:	Visit the FHA INFO Archives to access FHA INFO messages issued from 2012 to the present.	
Have FHA Questions?	For FHA technical support, please search the FHA Frequently Asked Questions site or contact the FHA Resource Center by email at: answers@hud.gov or by telephone toll free between 8:00 AM & 8:00 PM ET at: (800) CALLFHA or (800) 225-5342. Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at (800) 877-8339.	
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