TO: All FHA-Approved Mortgagees Originating and Processing Home Equity Conversion Mortgages (HECMs)

In this Announcement:

- Home Equity Conversion Mortgage (HECM) Program — Life Expectancy Set-Aside Growth Rate and Clarification to Section 3.98 of HECM Financial Assessment and Property Charge Guide
- Revised HECM Financial Assessment Worksheet

See below for details.

**Home Equity Conversion Mortgage (HECM) Program — Life Expectancy Set-Aside Growth Rate and Clarification to Financial Assessment and Property Charge Guide**


This Mortgagee Letter establishes a monthly growth rate for Life Expectancy Set-Aside (LESA) as well as clarifies a discrepancy between the HECM Financial Assessment and Property Charge Guide and the model HECM Financial Assessment Worksheet that was transmitted with [Mortgagee Letter 2014-22](https://www.fha.gov/hsmpubs/mortgagee/2014-22-mortgagee-letter.pdf), dated November 10, 2014. The requirements defined in today’s Mortgagee Letter are effective for all HECM case numbers assigned **on or after April 27, 2015**.

**HECM Life Expectancy Set-Aside and Guide Clarifications**

The Life Expectancy Set-Aside Growth Rate information introduced in today’s Mortgagee Letter establishes the mortgage interest rate (Note Rate) plus Mortgage Interest Premium as the monthly growth rate for the LESA. It clarifies and replaces the existing guidance in Section 3.98 of the HECM Financial Assessment and Property Charge Guide that requires mortgagees to calculate property **taxes**—rather than property **charges**—as a percentage of gross income and then enter this figure on the HECM Financial Assessment Worksheet.

**Revised HECM Financial Assessment Worksheet**
The model HECM Financial Assessment Worksheet, which is referenced earlier in this email, has been updated to enhance content and use of the form. As a reminder, mortgagees may use the revised HECM Financial Assessment Worksheet or develop their own worksheet, provided all required information is captured on it.

Also note that the model HECM Financial Assessment Worksheet that was part of the Guide attachment to Mortgagee Letter 2014-22 is no longer applicable; it is superseded by today’s revised HECM Financial Assessment Worksheet. Mortgagees can download a copy of the revised Worksheet from the Single Family Housing Model Documents page at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/model_documents.

Quick Links


Resources

Contact the FHA Resource Center:

- 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.
We hope that you will want to continue receiving information from HUD. We safeguard our lists and do not rent, sell, or permit the use of our lists by others, at any time, for any reason. Connect with HUD on Social Media and follow Secretary Castro on Twitter and Facebook. If you wish to be taken off this mail list, please go here.