Temporary Procedures: HECM Calculator Software Version 2.2— Data Entry Issues

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FHA Connection Message Board

Temporary Procedures for Reducing Borrower Mandatory Obligations and Initial Disbursement Limits in the FHA HECM Calculator Software

FHA has become aware of limited cases where the FHA HECM Calculator software incorrectly defaults to the 2.50 percent Mortgage Insurance Premium when the mortgagor has paid-down his/her closing costs to 60 percent or less of the Principal Limit using personal funds. When Version 2.2 was released, two new data fields, "Cash from Borrower" and "Cash from Lender", were created to collect the amount of funds that a mortgagor or mortgagee would bring to closing. These fields are used when the Principal Limit would be exceeded or for the purpose of reducing the amount of financed closing costs shown on the HUD-1. However, prior to the release of Version 2.2 of the FHA HECM Calculator Software, external testing of the software did not include test scenarios involving the "Cash from Borrower" and "Cash from Lender" fields. FHA has since determined all other functions of the FHA HECM Calculator are functioning as FHA intended.

For mortgagees who use the FHA HECM Calculator, the temporary procedures below are applicable immediately for loans in process that have not closed where the mortgagor or mortgagee will bring funds to closing. These procedures may be used until such time that FHA announces the release of updated software for the calculator.

1. The Mortgage Insurance Premium rate is determined by the amount of the mortgagor's Initial Disbursement Limit. Set the HECM Type to "Initial MIP FY 2014 – 0.50%".
2. Enter "$0.00" in the Cash from Borrower and "$0.00" in the Cash from Lender fields.
3. To reduce the Mandatory Obligations amount and lower the Initial Disbursement Limit amount, perform the following actions:
   a. Deduct the amount of funds brought to closing by the mortgagor or mortgagee from either the amount entered in the "Other Closing Costs" or "Discharge of Liens" fields.
   b. The software will generate a reduced Mandatory Obligations amount that will be used to set the Initial Disbursement Limit.

   Example:
   - Mortgagor brings $5,000 to closing.
   - The HUD-1 shows the Discharge of Liens amount to be $25,000. The amount entered in the calculator will be reduced to $20,000.
   - Cash from Borrower and Cash from Lender fields will reflect $0.00.

Mortgagees must include a detailed note on the HECM Calculator screen-print copy that explains which data field, either "Other Closing Costs" or "Discharge of Liens", was reduced by the amount of funds brought to closing by the mortgagor or mortgagee. The screen-print copy with detailed note must be included in the FHA case binder.