

FHA INFO #16-44

July 13, 2016



TO: All FHA-Approved Mortgagees

NEWS AND UPDATES

Revised HECM *Financial Assessment and Property Charge Guide* and Other HECM Updates in Mortgagee Letter 2016-10

Today, the Federal Housing Administration (FHA) published Mortgagee Letter 2016-10, [Home Equity Conversion Mortgage \(HECM\) Program – Servicing Fee Set-Aside Growth Rate; Third Party Property Tax Verification Fees; and Financial Assessment and Property Charge Guide](#). This Mortgagee Letter:

- Announces and transmits an updated HECM *Financial Assessment and Property Charge Guide*;
- Revises the calculation of the growth rate (compounding interest rate) for HECM Servicing Fee Set-Asides to use the Note Rate; and
- Adds the Third Party Property Tax Verification Fee to the list of allowable fees and charges.

The revised *Financial Assessment and Property Charge Guide* and the Servicing Fee Set-Aside policy become effective for FHA case numbers assigned on or after October 3, 2016. The Third Party Property Tax Verification Fee update is effective for FHA case numbers assigned on or after today, July 13, 2016.

FHA will host an industry briefing conference call to review the details in Mortgagee Letter 2016-10 on July 21. Additional information is included at the end of this *FHA INFO*.

Revised HECM *Financial Assessment and Property Charge Guide*

During the past year, FHA has gained additional insights into the practical application of its HECM Financial Assessment and Property Charge policies that became effective for FHA case numbers assigned on or after April 27, 2015. Based on this experience, FHA is making additional revisions to the HECM *Financial Assessment and Property Charge Guide*. These revisions include:

- Updates to reflect applicable forward mortgage policy changes that have been made to the *Single Family Housing Policy Handbook* 4000.1 subsequent to the Guide's November 2014 publication;
- More specific guidance for several components of the Financial Assessment; and
- Additional criteria for evaluating Compensating Factors in completing the Residual Income analysis to ensure HECM borrowers can comply with HECM requirements and stay in their homes long term.

The revised *Financial Assessment and Property Charge Guide* is attached to Mortgagee Letter 2016-10, and becomes effective for FHA case numbers assigned on or after October 3, 2016. The current Guide, in effect for case numbers assigned through October 2, 2016, remains accessible from [HUD's Client Information Policy Systems](#) (HUDCLIPS) web page and the [HECM for Lenders](#) web page.

FHA Systems Changes Required

To support certain revisions contained in Mortgagee Letter 2016-10, FHA will implement changes to both its FHA Connection (FHAC) and Home Equity Reverse Mortgage Information Technology (HERMIT) systems to coincide with the effective dates noted in the Mortgagee Letter. FHA will communicate additional information about the FHAC and HERMIT systems changes in the future.

Industry Briefing Conference Call on July 21

FHA-approved mortgagees and other stakeholders are invited to attend an industry briefing conference call on July 21. During this call, FHA subject matter experts will provide an overview of the revisions contained in Mortgagee Letter 2016-10.

- **Title:** HECM Mortgagee Letter 2016-10
- **Date:** July 21, 2016
- **Time:** 2:00 PM – 3:00 PM (Eastern)
- **Dial-in:** (866) 254-5935
- **Access Code:** 397712

Mortgagees may submit questions in advance of this call to FHA's special e-mail box, FHASFCall@hud.gov, by **July 19**. Please limit your submissions to two questions, which FHA subject matter experts will consider for responses during the call. Please note that this is an unattended e-mail box to be used only for submitting questions concerning Mortgagee Letter 2016-10. FHA will be unable to respond in writing to individual questions or inquiries submitted to this e-mail box.

Quick Links

- Review Mortgagee Letter 2016-10 at: <http://portal.hud.gov/hudportal/documents/huddoc?id=16-10ml.pdf>
- Access the current version of the HECM *Financial Assessment and Property Charge Guide* on the HUDCLIPS web page at: <http://portal.hud.gov/hudportal/documents/huddoc?id=14-22ml.pdf>

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 Relay Service at 1-800-877-8339.

RESOURCE INFORMATION

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