



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

September 16, 2008

**MORTGAGEE LETTER 2008-24**

**TO: ALL APPROVED MORTGAGEES**

**SUBJECT: Home Equity Conversion Mortgage (HECM) Program - Requirements on Mortgage Originators**

Section 2122 (a) (9) of the Housing and Economic Recovery Act of 2008 (HERA) added Section 255 (n) to the National Housing Act to establish new requirements on HECM mortgage originators. Sections 255 (n)(1) and (n)(2) are described separately below.

Section 255 (n)(1): This section provides that a HECM mortgage originator or any other party that participates in the origination of a FHA insured HECM mortgage shall (1) not participate in, or be associated with, or employ any party that participates in or is associated with, any other financial or insurance activity; or (2) demonstrate to the Secretary of HUD that the mortgagee or other party maintains, or will maintain, firewalls and other safeguards designed to ensure that (i) individuals participating in the origination of a HECM mortgage have no involvement with, or incentive to provide the mortgagor with, any other financial or insurance product; and (ii) the mortgagor shall not be required, directly or indirectly, as a condition of obtaining a mortgage under this section, to purchase any other financial or insurance product.

Before providing definitive guidance on Section 255 (n)(1), FHA intends to seek comments from the public, including consumer groups, industry participants and other interested parties through appropriate administrative means. This will assist FHA in determining what requirements may already be in existence to address the consumer protections with which this section is concerned; for example, there may be state requirements in existence that govern insurance products. Until such comment is solicited and received, and FHA issues more definitive guidance, FHA advises that mortgagees must not condition a HECM mortgage on the purchase of any other financial or insurance product, and should strive to establish, consistent with the new law, firewalls and other safeguards to ensure there is no undue pressure or appearance of pressure for a mortgagor to purchase another product of the mortgage originator or mortgage originator's company.

Section 255 (n)(2): This section requires that all parties that participate in the origination of a mortgage to be insured under FHA's HECM program must be approved by the Secretary. This requirement means that loan origination must be performed by FHA approved entities including: (1) a FHA-approved loan correspondent and sponsor; (2) a FHA approved mortgagee through its retail channel; or (3) a FHA-approved mortgagee working with another FHA-approved mortgagee.

Consequently, Mortgagee Letter 2008-14, which provided guidance regarding the ways in which a non-approved entity or third party may participate and be compensated, is rescinded,

effective on October 1, 2008. Beginning with case number assignments made on or after that date, only FHA-approved mortgagees, as described above, may participate and be compensated for the origination of HECMs to be insured by FHA.

If you have any questions regarding this Mortgagee Letter, please call 1-800-CALLFHA.

Sincerely,

Brian D. Montgomery  
Assistant Secretary for Housing-  
Federal Housing Commissioner