



FEDERAL HOUSING ADMINISTRATION
OFFICE OF SINGLE FAMILY HOUSING



**2017 National Reverse Mortgage Lenders Association (NRMLA)
Annual Meeting & Expo**

FHA Update

**San Francisco, CA
November 13, 2017**

Presented by:

**Cheryl Walker, Director,
Home Valuation Policy Division
Office of Single Family Program Development**

**Kasey Watson, Program Director,
HECM Servicing,
Office of Single Family Asset Management**



OFFICE OF SINGLE FAMILY HOUSING

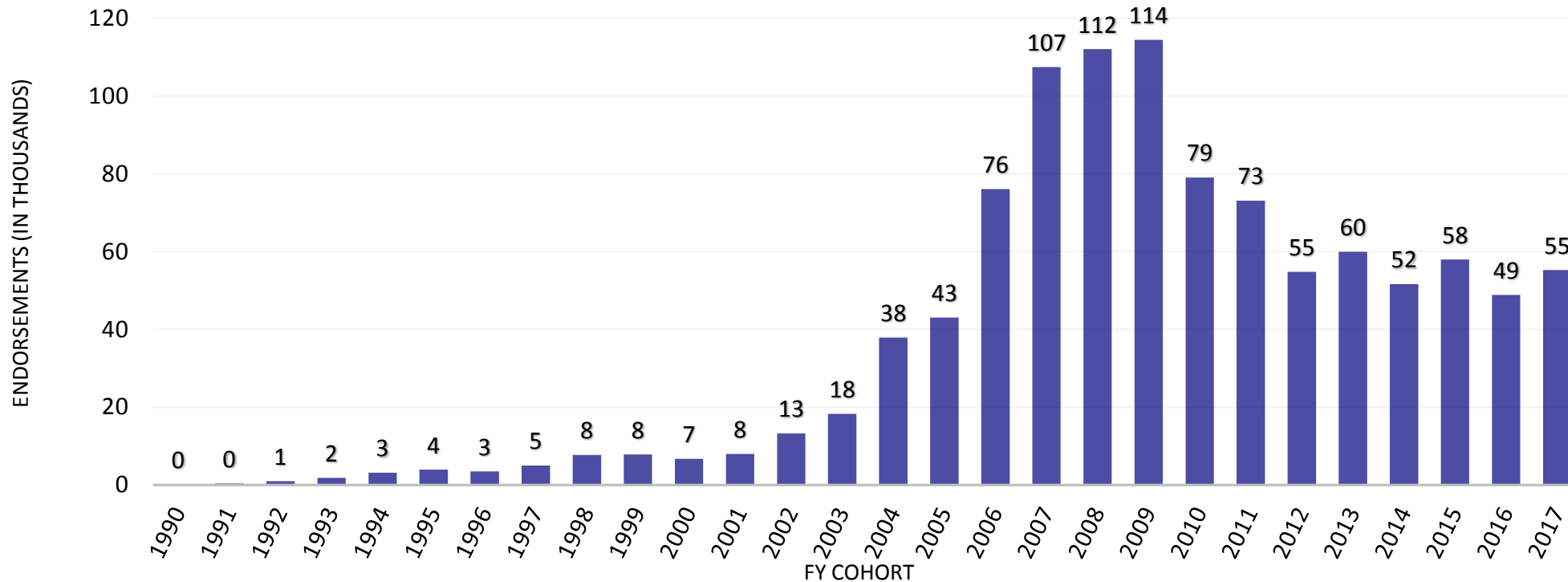


Program Development
Cheryl Walker,
Director
Home Valuation Policy Division



HECM Endorsement Portfolio Snapshot

Volume



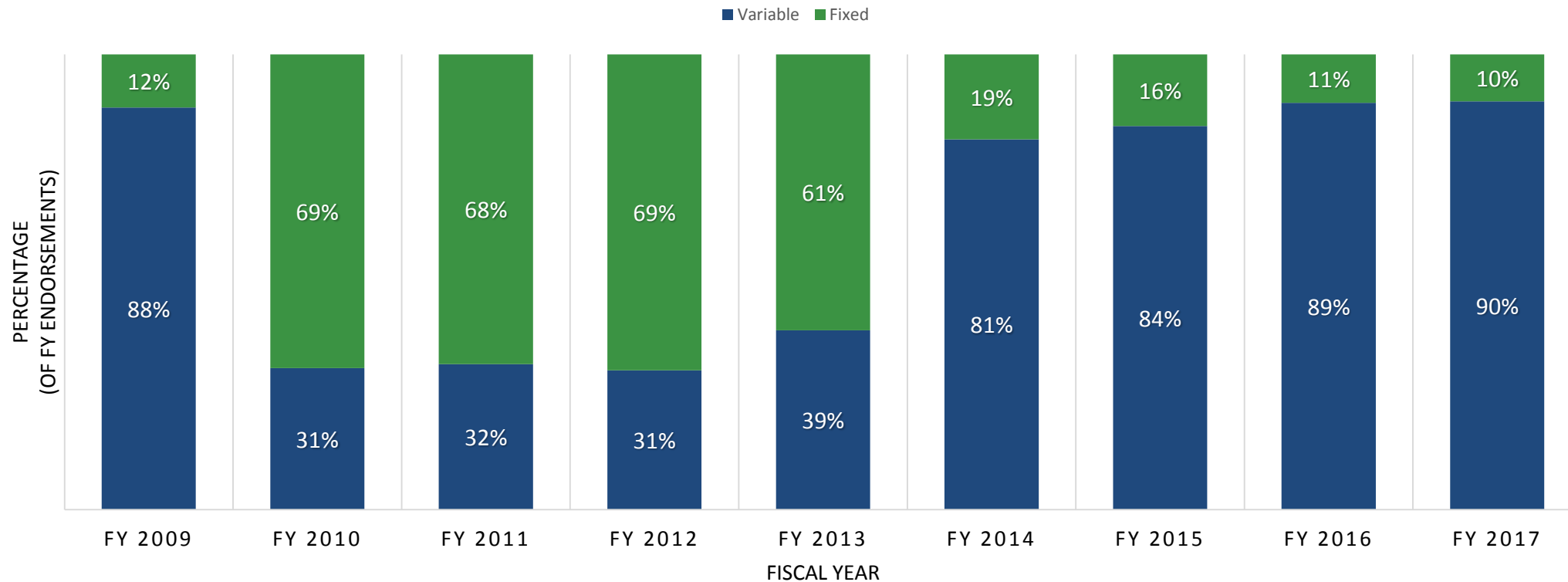
Maximum Claim Amount (in billions)												
FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
\$ 8.9	\$ 17.9	\$ 24.6	\$ 24.2	\$ 30.1	\$ 21.1	\$ 18.2	\$ 13.2	\$ 14.7	\$ 13.5	\$ 16.1	\$ 14.7	\$ 17.7

• Data as of September 30, 2017



HECM Endorsement Portfolio Snapshot

FY 2009 – FY 2017 HECM Interest Rate Type



• Data as of September 30, 2017



HECM Program Priorities

- Monitoring the Impact of Policy Changes
 - Product structure and endorsement levels
 - Taxes and Insurance defaults
 - Financial Assessment
- Providing Training for U.S. Department of Housing and Urban Development (HUD) Staff, Industry Participants, and Counselors



Priorities for HECM (cont.)

- Developing HECM Section of the *Single Family Housing Policy Handbook* 4000.1: Origination and Servicing



HECM Financial Assessment



Financial Assessment Update

- Financial Assessment requirements became effective for HECMs with case numbers issued on or after April 27, 2015.
- In FY 2015, only 16.3 percent of HECMs were subject to the financial assessment requirements.
- In FY 2017, we endorsed 55,293 HECMs. Only 14 had a case number issued prior to April 27, 2015, and were not subject to the financial assessment requirements.
- Almost 70 percent of the FY 2017 HECMs were processed under the revised Financial Assessment Guide that was issued with Mortgagee Letter 2016-10.



Financial Assessment Update (cont.)

Residual Income

- Residual income entered on worksheet and on *HECM Financial Assessment Update* screen in FHAC should represent the total residual income from all borrowers.
- It should not include residual income from an Eligible Non-Borrowing Spouse or from any other Compensating Factor.
- To avoid the requirement for a LESA, at a minimum, the:
 - Borrower must meet the applicable residual income standard; or
 - mortgagee must document at least one Compensating Factor.
- Entries on the worksheet must match entries in FHAC.



Financial Assessment Update (cont.)

Imputed Income from Asset Dissipation

- If a borrower takes a cash distribution at HECM closing, those funds cannot be used as an asset that can then be dissipated as a source of income.
- If there are funds remaining in the initial principal limit after closing, those funds may not be counted as an asset to be dissipated and counted as residual income.
- They may be used as a Compensating Factor, provided all of the criteria for *Imputed Income From HECM* are met.

Financial Assessment Update (cont.)

Compensating Factors

- Results of policy changes made on some Compensating Factors effective on October 3, 2016 are readily apparent.
- For HECMs with case numbers issued prior to October 3, 2016, *HECM Sufficient To Pay Off Debts* was by far the most frequently cited Compensating Factor.
- Since we instituted the 80 percent residual income standard for that and two other Compensating Factors, it is rarely cited.
- Overwhelmingly, the Compensating factor cited most frequently now is *Imputed Income from HECM*.
- *Imputed Income from HECM* must be calculated properly.



Financial Assessment Update (cont.)

Dealing with Residual Income Shortfalls

- **Q:** I have required a Fully Funded LESA. Can I consider the reduction in monthly expenses resulting from the Fully Funded LESA when determining if residual income is sufficient?

A: Yes. While you don't technically increase residual income based on the reduction in expenses, this is something you can take into account.

- **Q:** If there is still a residual income shortfall after considering the effect of the Fully Funded LESA, can I also cite a Compensating Factor?

A: Yes. Normally, any income from the Compensating Factor must itself bring residual income up to the standard. Where there is a Fully Funded LESA, you can consider the combined effect of income from the Compensating Factor and the reduction in expenses from the Fully Funded LESA.

HECM Refinance IMIP Limit



HECM Refinance IMIP Limit, Section 206.53 (c)

- Applicable to HECM-to-HECM refinances when the property that serves as collateral remains the same.
- Section 206.53 (c) **Initial MIP limit** -The initial MIP paid by the mortgagee pursuant to 206.105(a) shall not exceed the difference between: three percent of the increase in the maximum claim amount for the new HECM, minus the amount of the initial MIP already charged and paid by the borrower for the existing HECM that is to be refinanced. No refunds will be given if the initial MIP paid on the existing HECM exceeds the initial MIP due on the new HECM.
- FHA systems update in process to align FHAC/CHUMS and HECM Calculator Software



HECM Refinance IMIP Limit Test Examples

For Case Numbers assigned on or after October 2, 2017

- **Refinance MIP Example 1: From existing HECM with 60% or less Initial Disbursement Limit (IDL)**
Calculate New HECM Initial MIP: $\$480,000 \times 2\% = \$9,600$
Determine Old HECM Initial MIP Paid: $\$400,000 \times .50\% = \$2,000$
HECM Refi UFMIP Limit Test: $\$480,000 - \$400,000 = \$80,000 \times 3\% = \$2,400$, Less Old MIP paid (\$2,000) = \$400
New HECM MIP Due: \$400
- **Refinance MIP Example 2: From existing HECM with Initial Disbursement over 60%**
Calculate New HECM Initial MIP: $\$480,000 \times 2\% = \$9,600$
Determine Old HECM Initial MIP Paid: $\$400,000 \times 2.50\% = \$10,000$
HECM Refi UFMIP Limit Test: $\$480,000 - \$400,000 = \$80,000 \times 3\% = \$2,400$, Less Old MIP paid \$10,000 = (\$7,600)
New HECM MIP Due: \$0 since no refunds allowed

HECM Refinance IMIP Limit Test Examples

For Case Numbers assigned on or after October 2, 2017

- **Refinance MIP Example 3: From existing HECM with .01% (HECM Saver)**

Calculate New HECM Initial MIP: $\$480,000 \times 2\% = \$9,600$

Determine Old HECM MIP Paid: $\$400,000 \times .01\% = \40

HECM Refi UFMIP Limit Test: $\$480,000 - \$400,000 = \$80,000 \times 3\% = \2400 , Less Old MIP paid $\$40 = \2360

New HECM MIP Due: $\$2360$

- **Refinance MIP Example 4: From existing HECM with 2% MIP (HECM Standard)**

Calculate New HECM Initial MIP: $\$480,000 \times 2\% = \$9,600$

Old MIP Paid: $\$400,000 \times 2\% = \$8,000$

HECM Refi UFMIP Limit Test: $\$480,000 - \$400,000 = \$80,000 \times 3\% = \2400 , Less Old MIP paid $\$8000 = (\$5600)$

New HECM MIP Due: $\$0$ since no refunds allowed



HECM for Purchase Transactions



FAQ Regarding HECM for Purchase Transactions

FHA INFO #17-44, Published September 29, 2017

- **Q:** When can a Mortgagee take the HECM initial loan application on a property that will serve as collateral for a HECM for Purchase transaction?
A: The Mortgagee may take the initial application either prior to or after the completion of HECM counseling.
- While the Mortgagee may take the initial loan application, the Mortgagee can only proceed to process it once the housing counseling is complete, as evidenced by a completed HUD 92902 (HECM Counseling Certificate).



FAQ Regarding HECM for Purchase Transactions

FHA INFO #17-44 (cont'd)

- **Q:** Must the Mortgagee obtain a copy of the Certificate of Occupancy?
A: Yes. Properties are eligible for FHA insurance under the HECM for Purchase program when construction is completed and the property is habitable, as evidenced by the issuance of the Certificate of Occupancy, or its equivalent, by the local jurisdiction. The Certificate of Occupancy is required to be included in the case binder. **Mortgagees may obtain the Certificate of Occupancy at any time prior to submission for endorsement.**



HECM Asset Management/Servicing
Kasey Watson,
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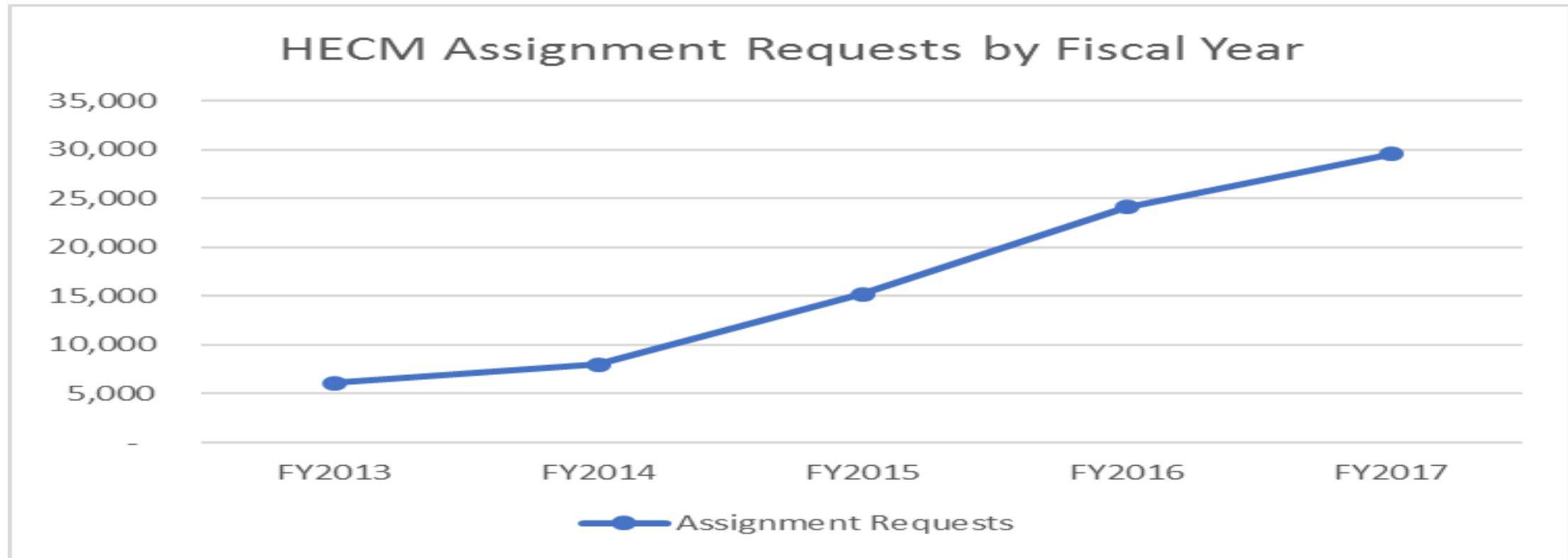


HECM Servicing Mortgagee Letters Issued

- 2017-05: Home Equity Conversion Mortgage (HECM) Claim Type 22 (CT-22) Assignment Requests
- 2017-11: Implementation of HUD's January 2017 Home Equity Conversion Mortgage (HECM) Final Rule

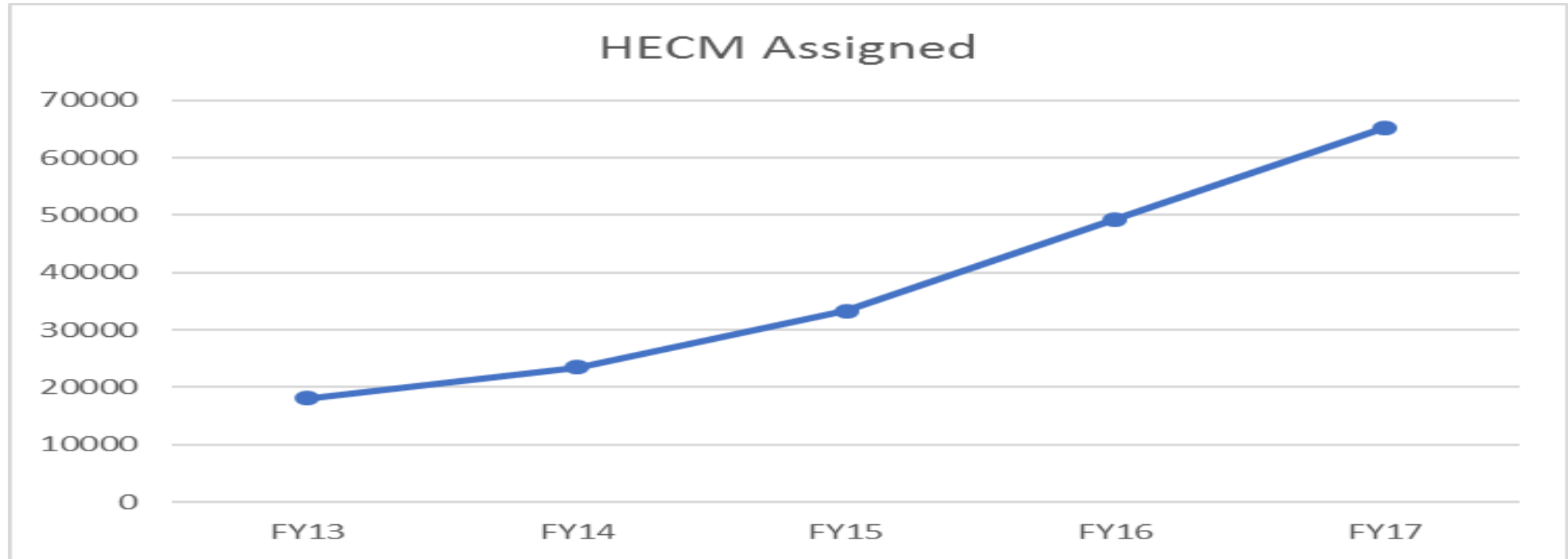


Assignment Requests



Fiscal Year	FY2013	FY2014	FY2015	FY2016	FY2017
Assignment Requests	6,117	7,994	15,185	24,091	29,558

Secretary-Held HECM Portfolio



Fiscal Year	FY13	FY14	FY15	FY16	FY17
HECM Assigned	18,153	23,538	33,305	49,294	65,291

For More Information



For More Information

- Topics discussed today, as well as other HECM-related resources, are available on the HECM web pages at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm
- Resources include:
 - Handbooks, Mortgagee Letters, and other policy guidance;
 - Principle Limit Factor tables;
 - Archived training presentations; and
 - Information on installing or upgrading the HECM calculation software on FHA Connection and HERMIT.



FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALL-FHA (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.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.



Questions?



**Thank You for joining
us today!**

