



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

January 30, 2013

MORTGAGEE LETTER 2013-01

TO: ALL FHA-APPROVED MORTGAGEES

SUBJECT: Home Equity Conversion Mortgage Program – Consolidation of Pricing Options and Principal Limit Factors for Fixed Interest Rate Mortgages

Purpose This Mortgagee Letter announces the consolidation of the Federal Housing Administration (FHA) Home Equity Conversion Mortgage (HECM) Standard and HECM Saver initial mortgage insurance premium (MIP) and maximum principal limit factors for fixed interest rate mortgages.

The guidance in this Mortgagee Letter replaces policy guidance found in Mortgagee Letter 2010-34, which provides the mortgagor with the option to select HECM Standard or HECM Saver as their initial MIP for fixed interest rate HECMs.

Effective Date This guidance is effective for all fixed interest rate case numbers assigned on or after April 1, 2013.

Background To help sustain the HECM program as a viable financial resource for aging homeowners and to strengthen the Mutual Mortgage Insurance Fund, the HECM Saver will be the only initial MIP option available to mortgagors who seek the predictability of a fixed interest rate mortgage and lower upfront closing costs.

Fixed Interest Rate MIP and Principal Limit Factors Mortgagees shall designate HECM Saver as the initial MIP and use the HECM Saver principal limit factors to determine the amount of funds available to the mortgagor.

For HECM Saver, the initial MIP, which is collected at the time of closing, will remain at 0.01 percent (0.01% or 0.0001) of the maximum claim amount. The annual MIP for HECM Saver will remain at an amount of 1.25 percent (1.25%) of the outstanding loan balance.

Mortgagors may still use the HECM Standard initial MIP option, but only with adjustable interest rate mortgages.

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Fixed Interest Rate MIP and Principal Limit Factors (continued)

NOTE: Mortgagees shall continue to use the HECM Saver principal limit factor table that has been in effect since October 2010; and all other provisions of Mortgagee Letter 2010-34 remain in effect.

Availability of HECM Saver

HECM Saver is available for:

- Fixed interest rate mortgages;
 - Adjustable interest rate mortgages (monthly and annual);
 - All interest rate indices (Constant Maturity Rate and London Interbank Offered Rate);
 - All HECM transaction types (traditional, purchase and refinance); and
 - All five payment plans (tenure, term, line of credit, modified tenure and term).
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Prohibited Practices

To ensure full compliance with the consolidation of the HECM initial MIP options and principal limit factors for fixed interest rate mortgages on or after April 1, 2013. Mortgagees may not:

1. Order case numbers before the mortgagor has completed counseling.
2. Order forward mortgage case numbers and then request a mortgage insurance certificate correction to have FHA change the case number to a HECM case number. **FHA will not honor these types of requests.**

NOTE: See Mortgagee Letter [2011-31](#) for additional information related to who must attend counseling and sign and date the Counseling Certificate to document the completion of counseling.

ADP Codes and FHA Connection Updates

To accommodate the changes to fixed interest rate mortgages, mortgagees must use the following ADP codes:

ADP Description	HECM Saver ADP Codes	HECM Standard ADP Codes
HECM Assignment/Fixed	971	N/A
HECM Assignment/ARM	972	952
HECM Condominium/Fixed	977	N/A
HECM Condominium/ARM	978	958

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**ADP Codes and
FHA
Connection
Updates**
(continued)

CASE NUMBER ASSIGNMENT SCREEN

Mortgagees must use the instructions below when designating HECM Saver as the initial MIP option in FHA Connection.

System Field	Lender Entry
ADP Code	Select the ADP code for HECM Saver that corresponds to the ADP description listed above
Housing Program	Select "HECM Saver"
Processing Type	Select "HECM Saver"

**Fixed Interest
Rate Pipeline
Loans**

All fixed interest rate mortgages that were assigned a FHA case number on or before March 31, 2013, may be processed as either a HECM Standard or HECM Saver as the initial MIP; but any fixed interest rate HECM Standard mortgage must close on or before July 1, 2013.

**Adaption of
Legal
Documents**

This Mortgagee Letter reiterates FHA's long standing policy of requiring mortgagees to make the necessary and appropriate modifications to HECM legal documents to ensure compliance with FHA requirements as well as other Federal, State and local laws.

**HECM
Calculation
Software**

Mortgagees that use FHA's HECM Calculation Software to determine the mortgagor's principal limit amount must designate HECM Saver as the "HECM Type."

Mortgagees are responsible for integrating and updating the initial MIP options for fixed interest rate mortgages into their loan origination systems.

**Paperwork
Reduction Act**

The information collection requirements contained in this document are pending approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0524. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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Questions Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at (800) 225-5342. Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at (800) 877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

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