



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

October 31, 2008

MORTGAGEE LETTER 2008-34

**TO: ALL FHA APPROVED MORTGAGEES
ALL HUD-APPROVED HOUSING COUNSELING AGENCIES**

SUBJECT: HECM Origination Fee – New Limits

The Housing and Economic Recovery Act of 2008 established new limits on the loan origination fee that may be charged for a Federal Housing Administration (FHA) Home Equity Conversion Mortgage (HECM). Therefore, for all HECMs where the FHA case number is assigned on or after the date of this mortgagee letter, the loan origination fee limit will be the greater of \$2,500 *or* two percent of the maximum claim amount of the mortgage, up to a maximum claim amount (MCA) of \$200,000, *plus* one percent of any portion of the maximum claim amount that is greater than \$200,000. Lenders may accept a lower origination fee when appropriate. The total amount of the loan origination fee may not exceed \$6,000.

Origination Fee Limit Examples

- Minimum of \$2,500
- 2% of MCA up to \$200,000
- Additional 1% of MCA > \$200,000
- Maximum amount of \$6,000

Example 1	Example 2	Example 3
Maximum Claim Amount \$100,000	Maximum Claim Amount \$300,000	Maximum Claim Amount \$417,000
Origination Fee Limit \$2,500	Origination Fee Limit \$5,000	Origination Fee Limit \$6,000
Calculation 2% of \$100,000 = \$2,000 Origination Fee = the greater of \$2,000 or \$2,500	Calculation 2% of \$200,000 = \$4,000 1% of \$100,000 = \$1,000 Total \$5,000	Calculation 2% of \$200,000 = \$4,000 1% of \$217,000 = \$2,170 Total \$6,170 Origination Fee may not exceed \$6,000

Origination Services

Consistent with existing policy, the loan origination fee, which may be fully financed with HECM proceeds, includes fees paid to FHA-approved loan correspondents and covers the full array of origination services, including:

- educating the client;
- analyzing the prospective borrower’s eligibility for a reverse mortgage;
- taking information from the borrower and filling out the loan application;
- collecting financial information, if applicable, and other related documents that are part

- of the application process;
- initiating/ordering verification of deposits or assets, if applicable;
- initiating/ordering request for mortgage and other loan verifications;
- initiating/ordering appraisals;
- initiating/ordering inspections or engineering reports;
- providing disclosures (truth in lending, good faith estimate and others) to the borrower(s);
- maintaining regular contact with the borrower, real estate professional, and lender between loan application and closing to apprise them of the status of the application and gather any additional information needed;
- assisting the borrower with understanding and resolving adverse property conditions;
- ordering legal documents;
- determining whether the property is in a flood zone or ordering such service;
- processing the loan; and
- participating in the loan closing.

Lenders may **not** charge the borrower any fees in addition to the origination fee to pay FHA-approved loan correspondents.

If you have any questions regarding this Mortgagee Letter, please call 1-800-CALL-FHA. Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

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