



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

March 27, 2006

MORTGAGEE LETTER 2006 -07

TO: ALL APPROVED MORTGAGEES

SUBJECT: Clarification of Mortgage Letter 2006-04 - Closing Costs for Home Equity Conversion Mortgages

This Mortgagee Letter clarifies that the rescission of paragraph 5-2 of handbook HUD 4000.2 REV-3 announced in [Mortgagee Letter 2006-04](#) applies to FHA-insured forward mortgages only and not FHA-insured Home Equity Conversion Mortgages (HECM).

Since the issuance of ML 2006-04, HECM lenders have inquired whether the provisions in ML 2006-04 rescinding paragraph 5-2 of the handbook apply to FHA-insured HECMs. By means of this Mortgagee Letter, FHA is emphasizing that paragraph 5-2 of the handbook only applies to FHA-insured forward mortgages and is not applicable to FHA-insured HECMs.

ML 2006-04 did not change FHA's existing policy relating to closing cost charges that a HECM lender may charge a HECM borrower. FHA permits a HECM lender to charge a loan origination fee agreed upon by the borrower and lender. The amount of the origination fee that can be charged to the HECM borrower and financed in the HECM loan is capped at the greater of \$2,000 or two-percent of the maximum claim amount on the HECM. (Also see MLs 2000-10 and 2004-18). The financed origination fee can include the costs for underwriting, processing, and any mortgage broker or loan correspondent fees. The HECM lender is not permitted to charge a HECM borrower any fees in addition to the origination fee to pay a mortgage broker or loan correspondent fee.

If you have any questions regarding this Mortgagee Letter, please contact your Homeownership Center (HOC) in Atlanta (888-696-4687), Denver (800-543-9378), Philadelphia (800-440-8647), or Santa Ana (888-827-5605).

Sincerely,

Brian D. Montgomery
Assistant Secretary for Housing