

## ML 2013-27 & 2013-33 FHA Connection and HECM Calculation Software Changes

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On September 3, 2013, the Federal Housing Administration (FHA) published Mortgage Letter (ML) 2013-27, *Changes to the HECM Program Requirements*, which provides HECM policy guidance on new initiatives that will strengthen the Mutual Mortgage Insurance Fund and preserve the financial soundness of the HECM program. FHA subsequently published ML 2013-33, *Home Equity Conversion Mortgage Program's Mandatory Obligations, Life Expectancy Set-Aside Calculation, and Purchase Transactions*, on September 25, 2013, to clarify policy and make technical corrections to ML 2013-27.

Since the release of these mortgagee letters and the implementation of Initial Disbursement Limits for the First 12-Month Disbursement Period, FHA has become aware that FHA Connection was unable to accommodate cases where the amount of the mortgagor's mandatory obligations were greater than the initial principal limit amount and required the borrower to bring funds to loan closing. To address this technical issue, two new data fields have been added to FHAC and it has become necessary for FHA to change how mortgagees enter the amount of mandatory obligations in FHA Connection and the HECM Calculation Software.

### **FHA Connection Appraisal Logging and HECM Insurance Application Screens**

Effective with case numbers assigned on and after **March 10, 2014**, mortgagees must follow the instructions below to successfully enter the amount of mandatory obligations in FHAC:

<b>Data Field Name</b>	<b>Lender Entry</b>
Mandatory Obligations	Enter the amount of "financed" mandatory obligations that will be applied to the mortgage balance.  Note: The Sum of Mandatory Obligations financed <u>cannot</u> exceed the available Principal Limit.
M.O. Cash from Borrower	Enter the amount of "cash" the mortgagor is required to bring to loan closing to satisfy the difference between the initial principal limit amount and the amount of mandatory obligations.
*M.O. Cash from Lender  *Applicable for traditional and refinance transactions only	Enter the amount of "cash" the mortgagee will contribute towards the mortgagor's mandatory obligations, as documented in the Good Faith Estimate and HUD-1 Settlement Statement.

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## **HECM Calculation Software**

To successfully enter the amount of mandatory obligations into the HECM Calculation Software, Enter the amount of "financed" mandatory obligations that will be applied to the mortgage balance.