



FEDERAL HOUSING ADMINISTRATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CONSUMER FACT SHEET for Home Equity Conversion Mortgages (HECM)

Reverse mortgages are becoming popular in America. HUD's Federal Housing Administration (FHA) created one of the first, the Home Equity Conversion Mortgage (HECM). A HECM (also known as a reverse mortgage) is a federally insured loan that enables you to withdraw some of the equity in your home or use the loan proceeds to buy a new primary residence that you will occupy. The HECM is a safe alternative resource that can provide older Americans with greater financial security and independence. Many seniors use it to supplement social security, meet unexpected medical expenses, make home improvements and more.

What are the borrower eligibility requirements?

- 62 years of age or older
- Property used as collateral must be the primary residence
- No delinquencies on any federal debt, suspensions, debarments, or excluded participation from FHA programs
- Completion of HECM counseling

Why is HECM Counseling required?

- To educate borrowers about using a HECM
 - financial implications
 - alternatives
 - borrower obligations
 - costs of obtaining the loan
 - repayment conditions

What costs are associated with getting a HECM?

- Loan Origination Fee
- Third party fees (i.e., appraisal, inspection, lender title policy, etc.)
- FHA Mortgage Insurance Premiums
- Servicing Fee
- Interest

How much will I receive?

- Varies loan-by-loan
- Disbursements are made in equal monthly payments or in amounts defined by the homeowner
- One time disbursement at loan closing

What are the borrower's obligations after the loan has closed?

- Occupy the home as a principal residence
- Make timely payments of their property taxes, Home Owners Association (HOA) fees, ground rents, etc.
- Maintain homeowner's hazard insurance policy
- Maintain the property in a condition equal to when the loan was closed

November 1, 2010 11:44

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