Repaying the Loan

Your HECM loan will become due when you and all other owners no longer live in the house. The loan can be repaid from the sale of the house, or your heirs may repay the loan in full to retain ownership. Any remaining equity in your home will belong to your heirs. You can never owe more than your home's value. If you choose to pay off your HECM loan, and the appraisal done by an FHA-approved appraiser shows your home's value has decreased, FHA will pay the difference in the payoff amount to the lender.

How to Apply

HECM Counseling: You must receive HECM counseling from a HUD-approved counseling agency before obtaining the loan. The counseling will give you comprehensive information about the HECM, alternatives to a HECM, and will help you learn about implications. Organizations providing HECM counseling must be separate from HECM lending institutions. Upon completing the counseling, you will receive a certificate that you will give to your lender as proof that you received counseling. To find a HUD-approved HECM counseling agency near you, call toll-free 1-800-569-4287 or search online at www.hud.gov.

HECM Lenders: You may meet with a lender and fill out a HECM loan application before receiving HECM counseling. However, you must complete the counseling before the lender can process your application. You should shop around because loan fees and closing costs may vary by lender. To find HECM lenders near you, search online at www.hud.gov.

HECM Information Resources

You may want more information for yourself, your family, or others. The following services are available to help you.

HUD Internet

www.hud.gov or **espanol.hud.gov.**

HUD-Approved HECM Counseling Agencies

HUD supports a network of approved housing counseling agencies that provide counseling services across the nation. For a list of HUD- approved counseling agencies that provide HECM services in your state, call the HUD housing counseling referral line toll-free at **1-800-569-4287** or visit **www.hud.gov.**

HUD-Approved HECM Lenders

A searchable database of HUD-approved HECM lenders is available on the HUD website at **www.hud.gov.**

HECM Information from AARP

You can receive free information about HECM from AARP's website at **www.aarp.org/revmort/** or by calling AARP toll-free at **1-800-209-8085.**

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U.S. Department of Housing and Urban Development
Office of Housing • Office of Single Family Housing

The Home Equity Conversion Mortgage at a Glance

A Federally Insured Reverse Mortgage Loan

www.hud.gov
espanol.hud.gov

Reverse Mortgages

A reverse mortgage is a loan against your home's equity that allows you to convert the equity in your home into cash without having to repay the loan while you're living in the home.

A **Home Equity Conversion Mortgage (HECM)** is a reverse mortgage that is insured by the Federal Housing Administration (FHA), part of the U.S. Department of Housing and Urban Development (HUD). With a HECM, you have multiple options for receiving payments, with no limitations on how you use the money. You can use a HECM to pay for medical expenses, house repairs, travel, or any other living expenses.

HECM Eligibility

To get a HECM loan, you must:

- Be 62 years old or older.
- Own your home outright or have a low mortgage balance that can be paid off at closing with proceeds from the HECM loan.
- Live in the home as the primary residence.
- Complete a HECM counseling session with a HUD-approved HECM counselor.

Eligible Properties: Your property must meet the highest state/local code or HUD's minimum property standards. Eligible types of homes include:

- Single family detached homes.
- Townhouses.
- Two- to four-unit single family homes with one unit occupied by the borrower.
- Manufactured homes and condominiums that meet HUD/FHA guidelines.

How HECM Loans Work

A HECM loan allows you to convert a portion of your home's equity into cash, paid to you according to a payment plan that you choose. You do not have to repay the loan for as long as you live in your home. You will still own your home. However, a lien will be placed on your property, which will be security for the HECM loan. As the homeowner, you must continue to live in the house, and you must continue to pay property taxes and insurance.

Loan Amount: You will work with a lending institution, such as a mortgage lender, bank, credit union, or savings and loan association, to obtain the HECM loan. The amount you can borrow depends on your age or the co-owner's age (whichever is less), the current interest rate, other loan fees, and the appraised value of your home or FHA's mortgage limits for your area, whichever is less. Generally, the more valuable your home is, the older you are, and the lower the interest rate, the more you can borrow.

To determine how much you qualify to borrow, contact a HUD-approved HECM counseling agency. To find one near you, call toll-free 1-800-569-4287 or search online at www.hud.gov.

Receiving HECM Payments

You have several options for receiving HECM payments:

- A regular monthly cash advance for a specific number of years that you select (a *Term* plan).
- A regular monthly cash advance for as long as you live in your home (a *Tenure* plan).
- A creditline of a specific dollar amount, withdrawn at unscheduled times or in a lump sum payment in amounts of your choosing until the line of credit is exhausted.
- A combination of these payment methods.

HECM Loan Fees

Standard closing costs associated with all mortgages are usually financed with proceeds from the HECM loan, such as an origination fee, third-party closing costs, a loan servicing fee, and interest, which is the amount paid for the privilege of borrowing the money.

In addition, a mortgage insurance premium is financed as part of the loan costs. Since the HECM program is self-supported by FHA, the mortgage insurance premium is assessed on all borrowers to provide loss protection for lenders. This protection makes lenders more willing to offer HECM loans to you. Also, FHA will pay you what you are owed if your lender is unable.

The total cost of getting a HECM loan may vary depending on the payment option you choose and the number of years you intend to remain in the house. Since HECM loans are made by commercial lenders, you should compare costs from two or more lenders.