

## **HECM Refinance**

With higher lending limits coming and refinances likely, review of refinance guidelines are in order. Legislation (24CFR206.53(c)) allows FHA to reduce the costs to HECM borrowers by collecting a lower upfront mortgage insurance premium for the refinanced HECM. The initial MIP is set at two (2) percent of the increase in the maximum claim amount. An Anti-Churning Disclosure must be issued concurrently with the Good Faith Estimate. The official HUD form HUD-92901 "Home Equity Conversion Mortgage Anti-Churning Disclosure" must be used. The purpose of this form is to ensure that the borrower(s) is not being induced to refinance an existing HECM without benefit.

### **FHA requires the servicer to provide the following information:**

- Maximum Claim Amount for the outstanding HECM that is to be refinanced
- Principal Limit of the outstanding HECM that is to be refinanced
- Payoff Amount for the outstanding HECM that is to be refinanced

Please note - The name of the servicer may be obtained from the case number assignment screen on the FHA Connection

### **Investor also requires the additional information listed below:**

- Status of taxes and insurance – current or in default
- Status of all repairs – completed or repairs still outstanding, if applicable

Please note – borrower(s) in default are not eligible for a refinance

### **Counseling Requirements:**

Currently, the HECM Program requires all HECM borrowers to receive counseling from an eligible third party. For HECM refinance transactions, HUD will waive this requirement and allow a borrower to opt out of the HECM Housing Counseling Requirements ONLY IF all three of the following conditions are met:

- 1) The borrower has received the required HUD Anti-Churning Disclosure form with correct information; and,
- 2) The increase in the borrower's principal limit (as estimated by the lender and provided to the borrower in

Block #2 of the Anti-Churning Disclosure form) exceeds the total cost of the refinancing by an amount equal to five (5) times the cost of the transaction (Block #1 on Anti-Churning Disclosure form)[see GMC Calculation Worksheet for Waiving Counseling on Reduced MI Loans]; and,

- 3) The time between the closing on the original HECM that is to be refinanced and the Application for

refinancing does not exceed five (5) years, even if less than five years have passed since a previous refinancing. In all cases where the borrower meets the criteria outlined above, it is necessary as well to include a letter from the borrower acknowledging their request to opt out of counseling.

- Remember, Borrowers in default for non payment of taxes or insurance are not eligible. Borrower must show current on servicing worksheet; and if the servicer ever paid taxes on the borrower's behalf or had to issue forced place insurance coverage, the investor requires the borrower to repay the servicer in order to be eligible for refinance. GMC will require an updated servicing worksheet showing no defaults prior to issuing a CTC.