FHA Finalizes Updates to Debenture Interest Rates and Reimbursement Process for Home Equity Conversion Mortgage Claims

Today, the Federal Housing Administration (FHA) published Mortgagee Letter (ML) 2024-18, *Debenture Interest Rates for Home Equity Conversion Mortgages (HECM)*. This ML updates the debenture interest rate used for the payment of debenture interest for HECM claims and establishes a process for adjusting debenture interest for claims already filed on HECMs that became due and payable on or after September 19, 2017. Today's ML takes into consideration industry feedback received on the draft ML that was previously announced in FHA INFO 2024-47.

This ML:

- Modifies 24 CFR § 206.146 by defining the date of default as the date for determining the debenture interest rate on loans that become due and payable after publication of this ML and reaffirms the interest rate used for the payment of debenture interest for HECM claims to align with the 2017 rule;
- Adds Debenture Interest Rates (Section III.B.2.f.i(F)) to the *Single Family Housing Policy Handbook 4000.1* (Handbook 4000.1); and
- Establishes a Debenture Interest Rate Adjustment (DIRA) process so HECM holders, or their authorized representative, can request an adjustment to the debenture interest rate used to calculate payments for claims filed on HECMs that became due and payable on or after September 19, 2017, and filed prior to September 28, 2024.

The DIRA process will be available from January 2, 2025, through July 1, 2025. To aid HECM holders and their authorized representatives with this process, HUD is providing a DIRA request template that may be used for DIRA submissions as Attachment 1 to the Mortgagee Letter.

HUD encourages all HECM holders to thoroughly analyze their portfolio to determine which HECM claims they are legally entitled to include in a DIRA submission, as only one DIRA and one corrective DIRA will be accepted by HUD.

The provisions of this ML are effective September 28, 2024. The policy updates in this ML will be incorporated into a future version of the Handbook 4000.1.