

**NOTICE TO THE BORROWER**

In accordance with Section 255 of the National Housing Act, lenders must provide homeowners seeking to refinance a HECM with information on the total cost of the new mortgage, based on the projected total future loan balance. The lender must disclose all fees and charges associated with the refinance of the HECM, provide the borrower with the new maximum mortgage limit, and estimate the new funding that will be available to the borrower.

This disclosure is designed to prevent “churning,” an irresponsible lending practice whereby lenders engage in multiple refinancing to generate additional profit from loan fees and charges. The "churned" mortgages are not made in the interest of the borrower and provide no financial benefit to the borrower.

To ensure that lenders do not encourage HECM borrowers who would not benefit from refinancing their existing HECM mortgage to pursue this type of transaction, the Federal Housing Administration (FHA) requires that lenders provide HECM borrowers with their best estimate of:

|                                                                                                                                                                                                               |                                                                                                                        |    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----|
| 1. The total cost of the refinancing to the mortgagor.                                                                                                                                                        | <b>Mortgagee to input:</b> \$ amount of the total of the upfront MIP plus other closing cost plus servicing set-aside. | \$ |
| 2. The increase in the mortgagor’s principal limit, as measured by the estimated initial principal limit on the mortgage to be insured less the current principal limit on the HECM that is being refinanced. | <b>Mortgagee to input:</b> \$ amount of new principal limit minus the \$ amount of the existing HECM principal limit.  | \$ |

In addition the mortgagee shall provide their best estimate of funds available to the borrower minus any closing costs or other fees. It is the dollar amount of the new principal limit minus total dollar amount from block #1 above minus payoff amount for the HECM that is to be refinanced. \$ \_\_\_\_\_.

Any FHA approved lenders found to be engaged in mortgage “churning” will be subject to administrative action by the Mortgagee Review Board in accordance with 24 CFR Part 25.

FHA Case Number: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

Lender’s Signature: \_\_\_\_\_ Date: \_\_\_\_\_

*I, the borrower, have been provided with the lender’s best estimate of the total cost of refinancing my HECM mortgage and the new principal limit. I understand the amount of new funding that will be available to me after I have paid closing costs and other fees to obtain this new loan.*

Borrower Name(s): (print or type) \_\_\_\_\_

Borrower Name(s): (print or type) \_\_\_\_\_

Borrower’s Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower’s Signature: \_\_\_\_\_ Date: \_\_\_\_\_