Understanding HECM Costs and Fees

Upfront costs

- FHA initial mortgage insurance premium: 2% of the home value (up to the FHA lending limit).
- Origination fee: capped by HUD at $6,000.
- Third-party closing costs: appraisal, title, escrow, recording and similar.

Ongoing costs

- Interest accrues on the balance you use.
- Annual FHA mortgage insurance: 0.5% of the outstanding balance.
- Possible servicing fee, depending on the loan.

Why it matters

Costs are usually financed into the loan, which reduces the equity left in your home over time. Always compare the Total Annual Loan Cost disclosure and ask for a written estimate.