AUTHORITY: 12 U.S.C. 1715b, 1715z–1720; 42 U.S.C. 3535(d).

SOURCE: 54 FR 24833, June 9, 1989, unless otherwise noted.

Subpart A—General

§ 206.1 Purpose.

The purposes of the Home Equity Conversion Mortgage Insurance program are set out in section 255(a) of the National Housing Act, Public Law 73–479, 48 STAT. 1246 (12 U.S.C. 1715z–20) (''NHA'').

[61 FR 49032, Sept. 17, 1996]

§ 206.3 Definitions.

As used in this part, the following terms shall have the meaning indicated.

Contract of insurance. (See 24 CFR 203.251(j)).

Day means calendar day, except where the term *business day* is used.

Estate planning service firm means an individual or entity that is not a mortgagee approved under part 202 of this chapter or a housing counseling agency approved under § 206.41 and that charges a fee that is:

(1) Contingent on the homeowner obtaining a mortgage loan under this part, except the origination fee authorized by § 206.31 or a fee specifically authorized by the Secretary; or

(2) For information that homeowners must receive under § 206.41, except a fee by:

(i) A housing counseling agency approved under § 206.41; or

(ii) An individual or company, such as an attorney or accountant, in the *bona fide* business of generally providing tax or other legal or financial advice; or

(3) For other services that the provider of the services represents are, in whole or in part, for the purpose of improving an elderly homeowner's access to mortgages covered by this part, except where the fee is for services specifically authorized by the Secretary.

Expected average mortgage interest rate means the interest rate used to calculate the principal limit and the future payments to the mortgagor and is established based on the date on which the initial loan application is signed by the borrower. For fixed rate HECMs, it is the fixed mortgage interest rate. For adjustable rate HECMs, it is either the sum of the mortgagee's margin plus the weekly average yield for U.S. Treasury securities adjusted to a constant maturity of 10 years, or it is the sum of the mortgagee's margin plus the 10-year LIBOR swap rate, depending on which interest rate index is chosen by the mortgagor. The margin is determined by the mortgagee and is defined as the amount that is added to the index value to compute the mortgage interest rate. The index type (i.e., CMT or LIBOR) used to calculate the expected average mortgage interest rate must be the same index type used to calculate mortgage interest rate adjustments—commingling of index types is not allowed (e.g., it is not permissible to use the 10-year CMT to determine the expected average mortgage interest rate and use the one-year LIBOR index to adjust the interest