



Life Expectancy Set-Aside (LESA) FAQs

Questions	Answers
What is a LESA?	A Life Expectancy Set-Aside (LESA) is an amount withheld from reverse mortgage proceeds for the payment of property charges throughout the life of the loan. Because the funds are in a set-aside, they are not subject to interest and mortgage insurance premiums until those funds are paid toward property insurance or taxes. Then, the amount of the payment shifts from the set-side to the loan balance. Both the set-aside and the LESA funds grow at the expected rate.
Do the funds in the LESA accrue interest?	The funds set aside for payment of property charges do not accrue interest. However, the set-aside amount increases at the same rate the line of credit increases.
The amount of funds in the LESA is based on a calculation of our life expectancy. If we outlive our life expectancy and run out of LESA funds, how will we pay our taxes and insurance?	Once the funds in the LESA are depleted, you are responsible for paying all property charges.
How will I know when property payments are withdrawn from my LESA account?	Your loan servicer provides statements showing all charges paid on your behalf.
Is a LESA the same as an escrow account, which is used to pay taxes and insurance on conventional mortgages?	No, a LESA is not an escrow account. HUD's life expectancy chart is part of the calculation that determines the amount of funds in your LESA. This one-time contribution to the fund is based on your life expectancy, rather than ongoing deposits to the fund. Your HECM line of credit adjusts the funds available for your withdrawal.
What happens to the unused portion of the LESA when I pay off my HECM loan through a sale or refinance?	Unused funds remain in the equity of your home. The amount of loan payoff equals the loan balance at the time of payoff. This consists of the property charge payments advanced from the LESA, funds advanced to the borrower, the initial loan balance, accrued interest, and FHA Mortgage Insurance Premium (MIP) premiums.
Can I request a LESA? If I do, can I remove it later?	You can choose a LESA so you don't have to worry about budgeting for taxes or insurance, as long as LESA funds are available. However, you cannot remove it after closing.
What happens to the LESA balance if my property charges increase or decrease?	The specified amount in your closing documents remains in the LESA account. Property charges are deducted from this amount until the fund is depleted. Then, you are responsible for payment.
When a lender requires a LESA, can it be removed during the life of the loan?	No. If the borrower requires a LESA to meet HUD's Financial Assessment criteria, you cannot remove the LESA after closing.
Is a partial LESA allowed on all products?	No. A partial LESA is not allowed on fixed rate products.