



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

NRMLA Washington Policy Conference: *Home Equity Conversion Mortgage FHA Update*

May 10, 2011



FEDERAL HOUSING ADMINISTRATION



Participants

- Vicki Bott – Deputy Assistant Secretary, Housing
- Karin Hill – Director, Office of Single Family Program Development
- Leslie Bromer – Mortgage Servicing Specialist
- Ruth Roman – Director, Program Support Division
- Gerry Kifer – Director, Home Valuation Policy Division



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HUD FHA Transition



HUD - FHA Transition

- **Acting Commissioner – Robert Ryan**
 - No change in focus and priorities
 - More challenges with budget issues, political environment, resources
 - With budget approval, now activating job postings and hiring
- **Priorities Continue to Be**
 - Supporting and strengthening the MMI Fund
 - Insuring sustainability of FHA programs in serving our mission
 - Supporting the housing market
 - Focus on accountability and responsibility of lenders
 - Support Administration goal of “normalizing” the market through return of Private Capital
- **Office of Risk Management**
 - Complete staffing
 - Continue to develop and implement a risk management infrastructure
 - Risk and Fraud Management Initiatives – tools, credit policy and oversight, technology
 - Evaluation of Total Scorecard
- **Concerns regarding political climate and impact of budget cuts on FHA mission critical functions**
 - Slashing of Counseling Budget – HECM, Homebuyers, Loss Mitigation
 - Staffing to support continued high origination volume, servicing/REO demands
 - Technology enhancements to support risk/fraud initiatives and update outdated systems
 - Expiration of expanded loan amounts



Program Profile



Program Profile

HECM Portfolio Snapshot (March 31, 2011)

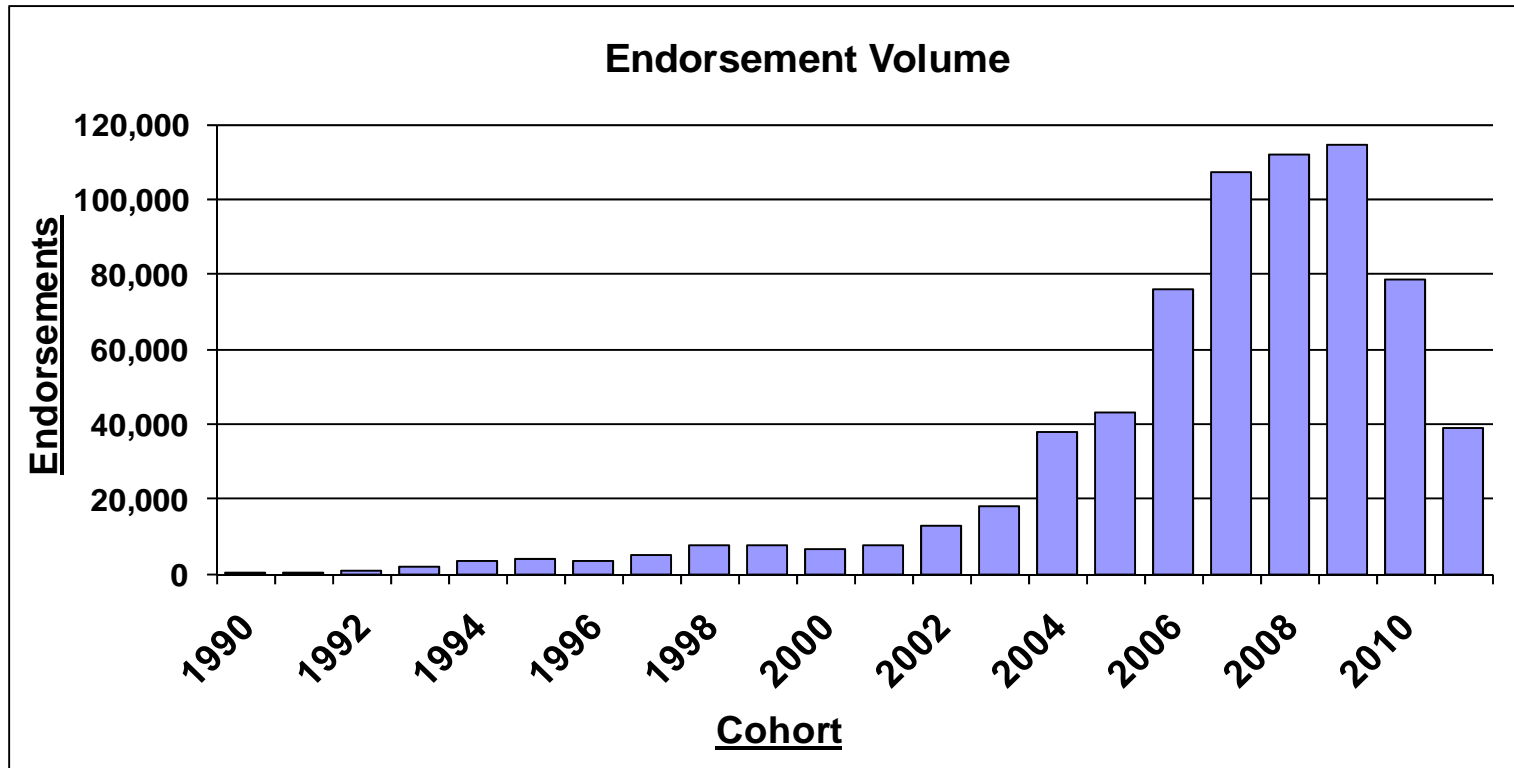
- Volume
 - 691,000 HECM insurance endorsements to date (March, 2011)
- Current composition of portfolio
 - 143,000 loans have terminated
 - 537,000 loans are actively insured
 - 11,000 loans are assigned to HUD as active notes in inventory



Program Profile

HECM Endorsements (FY 1990 – 3/31/11)

- Endorsements by Cohort (2011 includes 6 months of experience)

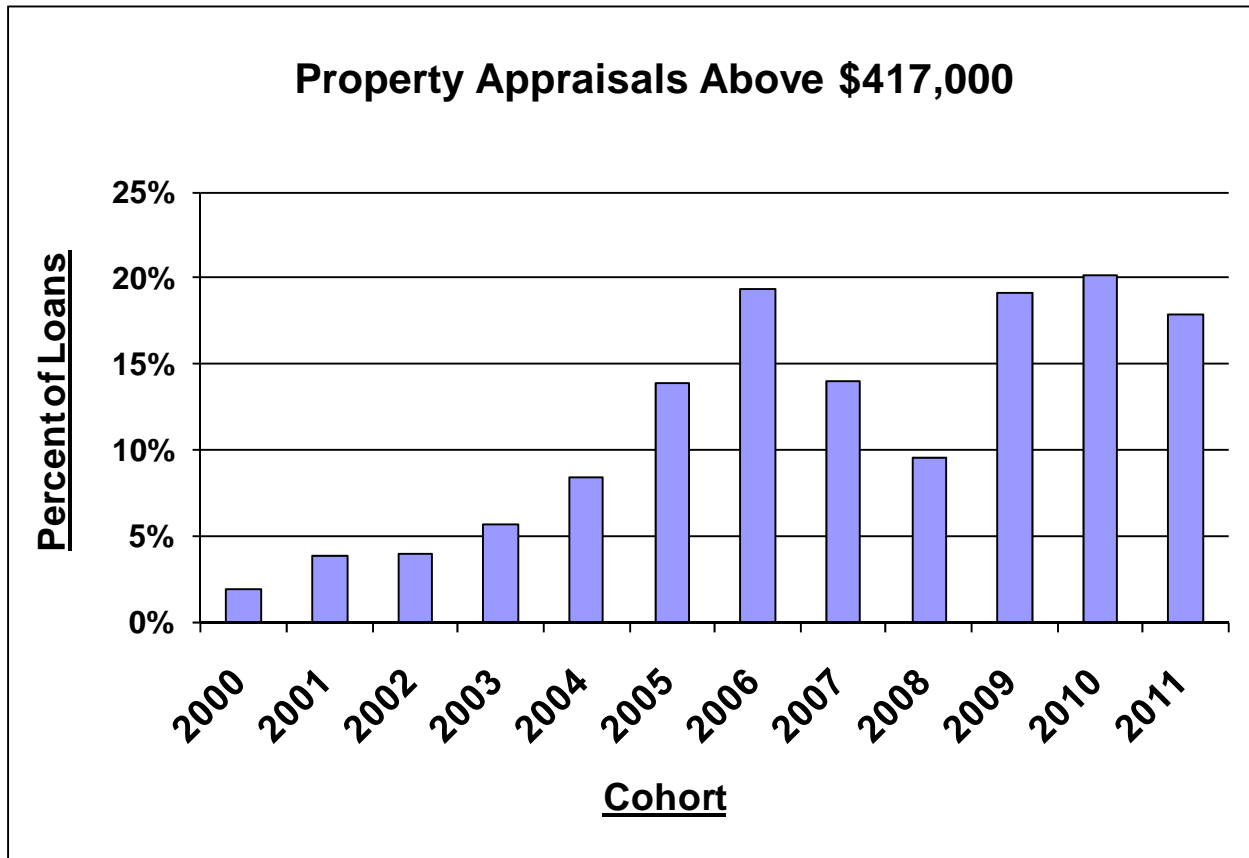




Program Profile

Home Values Above \$417K

- The percent of property values exceeding \$417,000 is nearly 20% for recent books of business



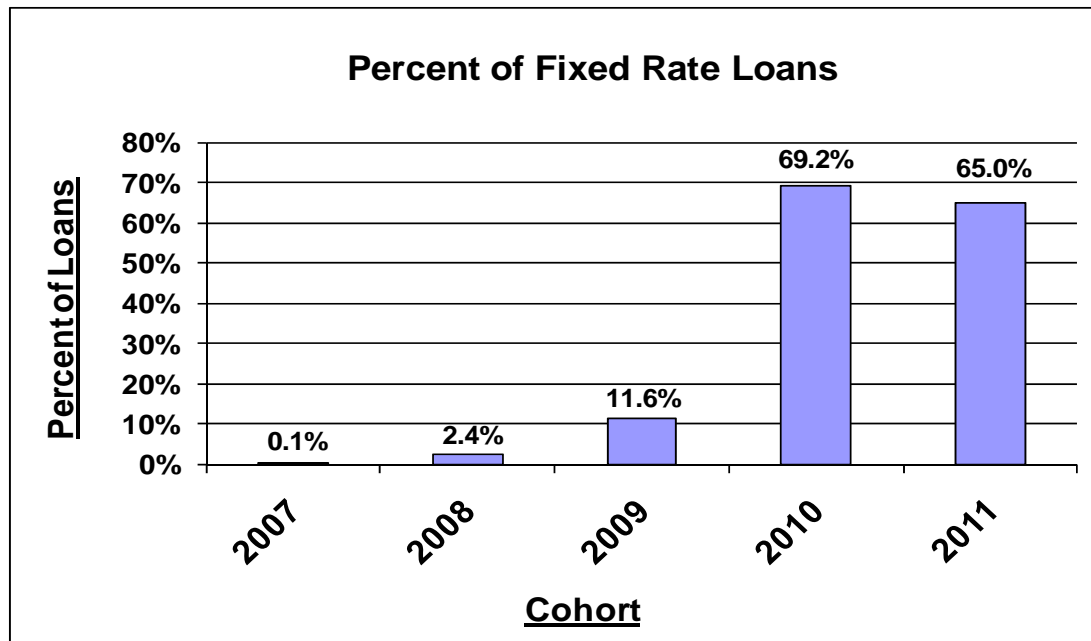


Program Profile

Fixed Interest Rate Loans

(All Loans; Fiscal Year 2007-2011)

- Low interest rates have encouraged a larger percentage of fixed rate loans in recent cohorts



- Cohort 2011
 - 67% of Standard loans are fixed rate
 - 15% of Saver loans are fixed rate



Program Profile

Standard vs. Saver

- Monthly view of applications for HECM insurance products through Feb 28, 2011 (Saver and Standard product offerings began October 4th, 2010)

Month	Applications			Percent Saver
	Original HECM	Standard	Saver	
Oct 2010	1,495	4,955	137	2.1%
Nov 2010		6,460	292	4.3%
Dec 2010		6,214	375	5.7%
Jan 2011		5,359	358	6.3%
Feb 2011		5,455	437	7.4%

- Actual Saver endorsements to date: 965 loans
- Actual Standard endorsements to date: 15,001 loans

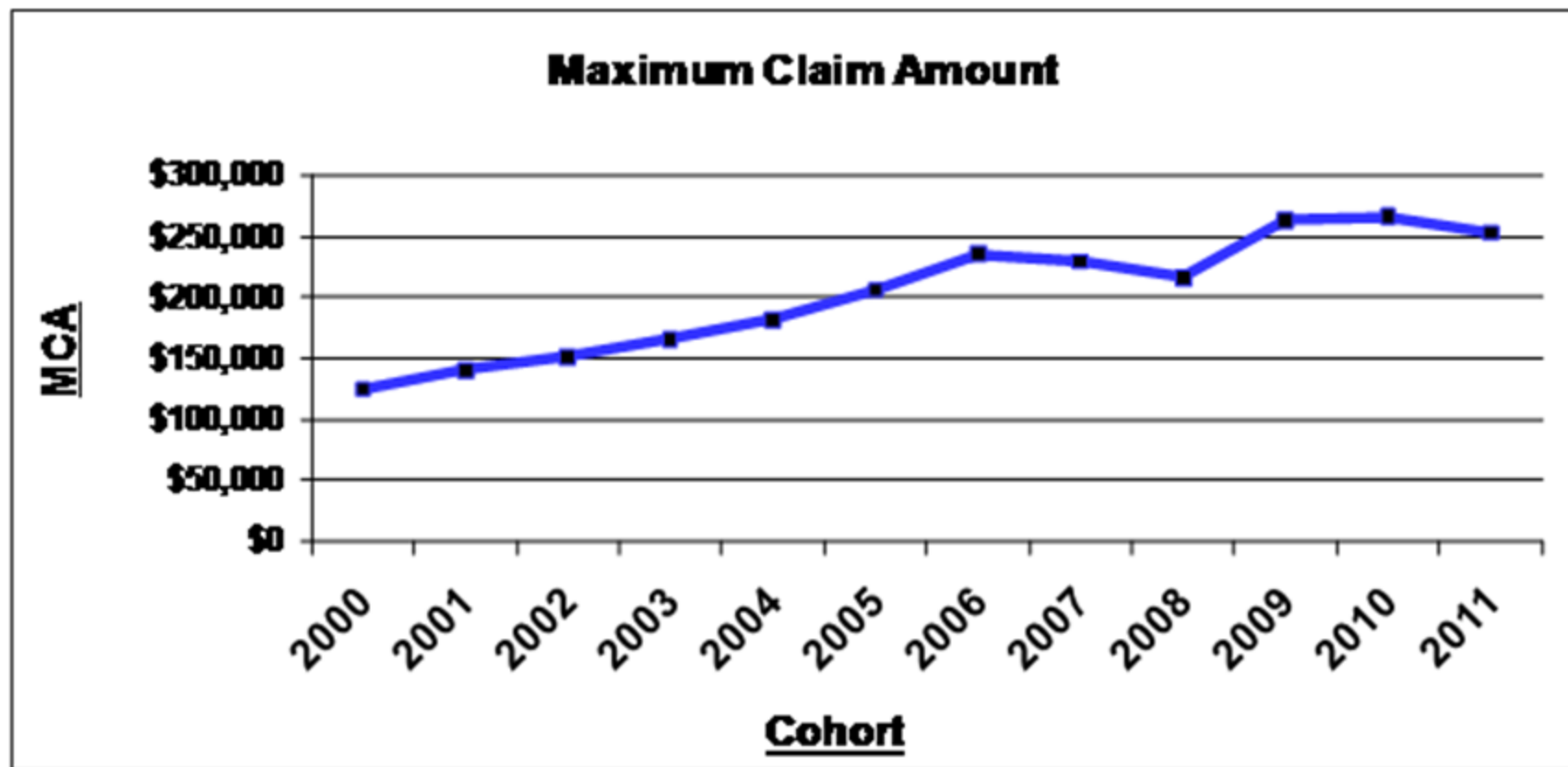


Program Profile

Average MCA of Endorsements

(Fiscal Year 2000-2011)

- The average maximum claim amount post-HERA legislation, which increased loan limits, still remains constant at \$250,000.





Program Profile

Average MCA of Endorsements

(Saver & Standard 2011)

- The average maximum claim amounts for the new Standard and Saver products

Month	Average MCA		Loan Count	
	Standard	Saver	Standard	Saver
Nov 2010	\$ 175,049	\$339,637	82	19
Dec 2010	\$ 217,114	\$368,520	1,000	76
Jan 2011	\$ 239,533	\$367,893	3,138	165
Feb 2011	\$ 241,280	\$357,506	4,812	296
Mar 2011	\$ 243,680	\$363,302	5,969	409

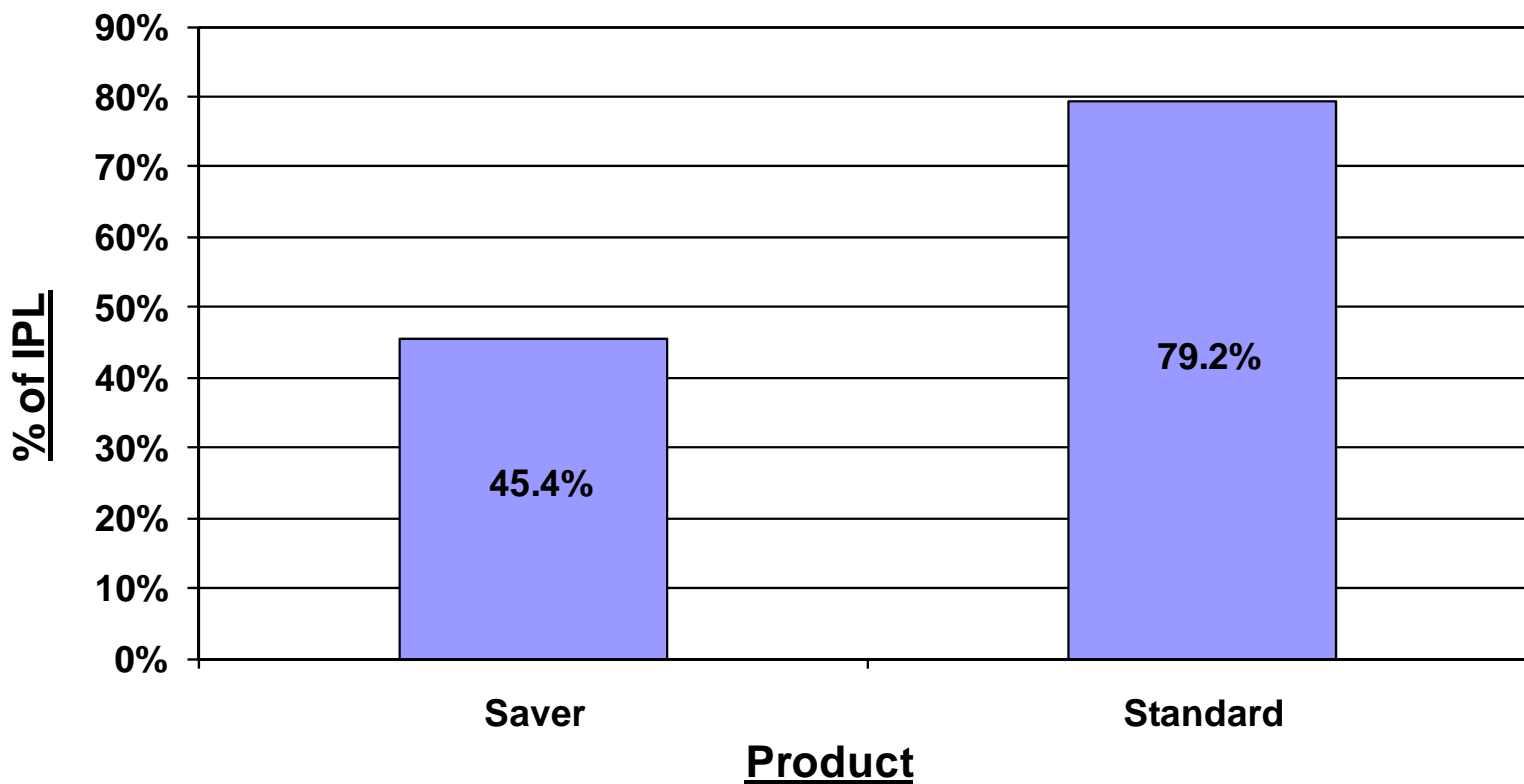


Program Profile

HECM Cash Draws

(Saver & Standard 2011)

2011 First Month Cash Draw as % of IPL by Product



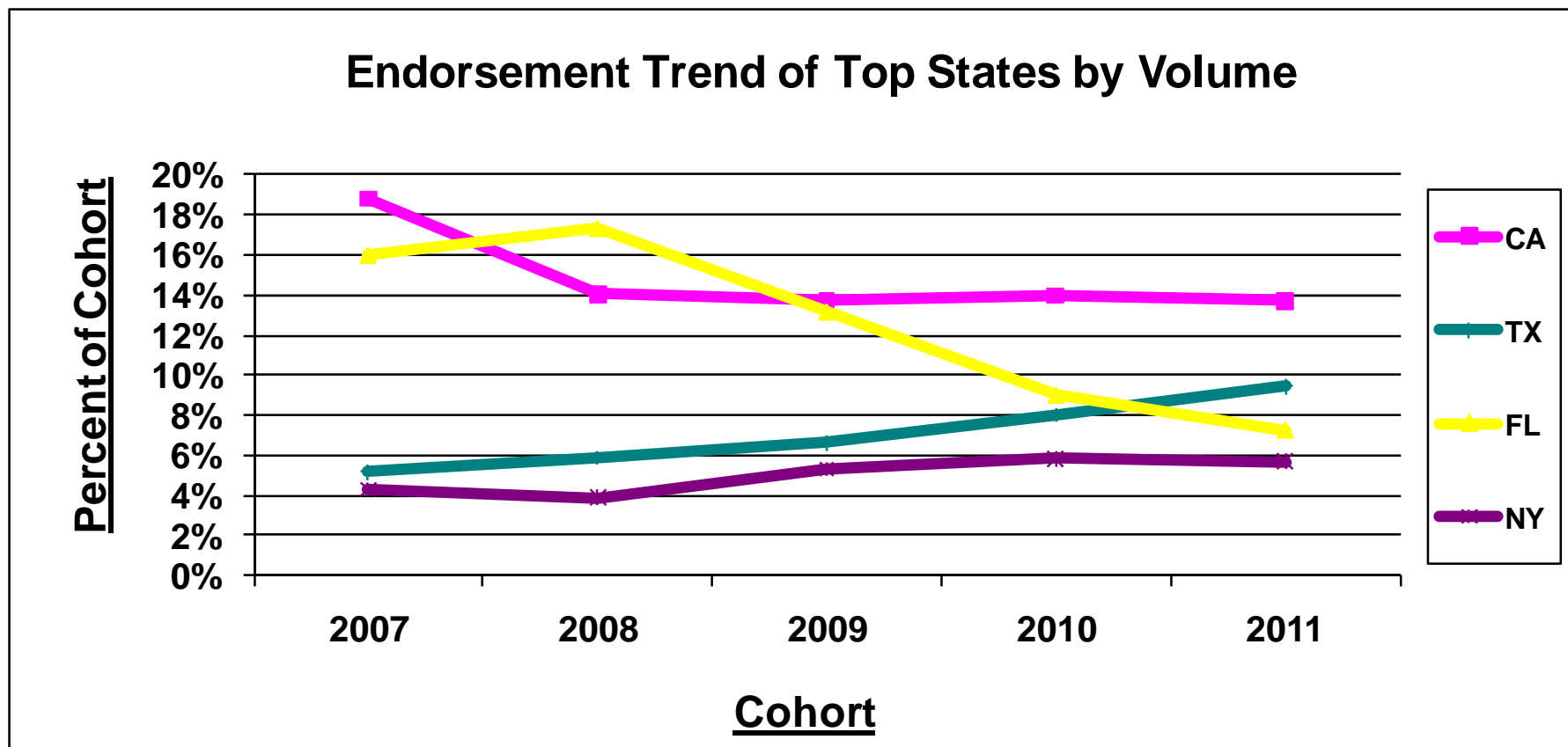


Program Profile

Geographic Endorsements

(Ranking of Top States by Volume)

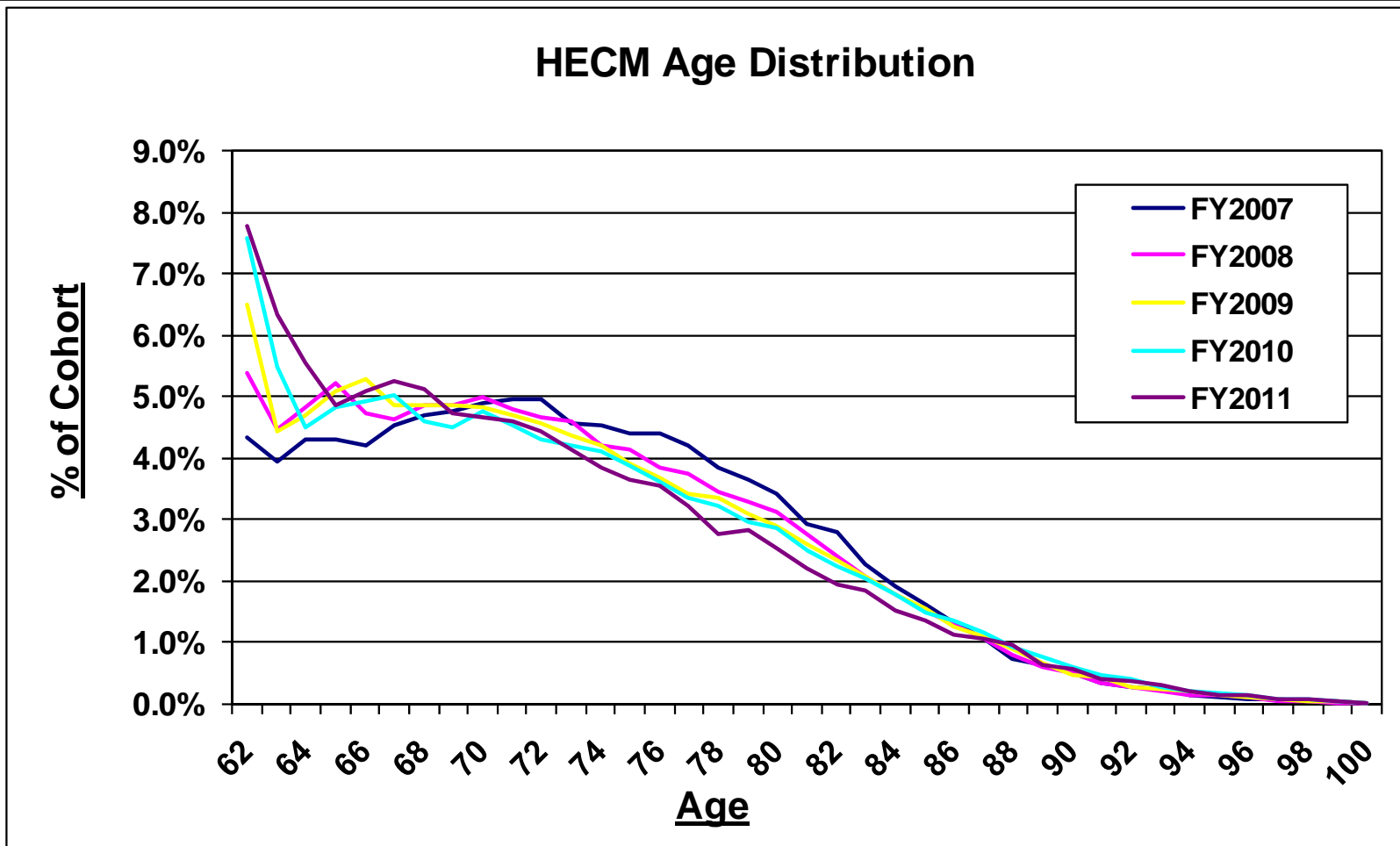
- Endorsement trend of top volume states





Program Profile

HECM Age Distribution





Program Profile

Servicing Reminders

- **Regulations require HUD notification:**
 - When a condition making the HECM loan due and payable occurs
 - Notice of borrower's death to be sent to C & L Service Corporation and date of death to be entered into IACS.
 - Due and payable requests submitted to C & L Service Corporation
 - Within 30 days of initiating foreclosure
 - Notice to be sent to C & L Service Corporation
- ❖ Notices may be provided to C&L Service Corporation by email at HECMServicing@clstulsa.org, fax at (918) 236-3230 or by US Postal Service.



Program Profile

Servicing Reminders

Mortgage and Loan Agreements give mortgagees right and responsibility for protecting both the lien status and property condition. Legal notices of proceedings affecting either require immediate attention to rectify, and protect the value of the property and mortgagee's rights in the property.



Program Profile

HUD Servicing

- Assignments to HUD increasing due to age of portfolio
 - Currently 10,993 assigned
 - 68% have remaining line of credit funds available
 - 5% receive monthly payments
 - 27% have no funds remaining
 - Average 265 new assigned per month
 - Average 118 assigned terminate per month
 - Net increase of 147 assigned per month



Policy Update



Policy Update: ML 2011-16 Rescission of ML 2008-38

- ML 2011-16 Rescission of ML 2008-38
 - ML issued April 5, 2011
 - Follow guidance found in HUD Regulations 24 CFR Part 206 and HUD HECM Handbook 4235.1
- Focus of rescission was to remove the restriction on sale of property to related parties
- New policy guidance will be forthcoming



Property Charge Loss Mitigation: HECM Delinquent Loan Data Reporting

- ML 2011-01 HECM Property Charge Loss Mitigation issued on January 3, 2011
- All initial delinquency reports received by HUD deadline (2/7/11)
 - Data testing by HUD and resubmission by lenders (February – April 2011)
 - A number of errors existed in initial reporting; multiple updates have been received
 - Servicers were provided with an Error Rejection Report on April 22, 2011
 - **Corrected files due to HUD on May 16, 2011**
- Property Charge FAQs available for download from NSC Loss Mitigation Services webpage:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/ho_using/sfh/nsc/lossmit



Property Charge Loss Mitigation: Financial Assessment Proposed Rule

- Amend regulations to:
 - Require originating lenders to evaluate the prospective borrowers ability to pay recurring living expenses, property charges and property maintenance upkeep using income and HECM loan proceeds.
- Policy Development:
 - Seeking information from:
 - T&I Counseling Intermediaries
 - NRMLA
 - Industry Partners
 - Data gathered through delinquency reporting files



Housing Counseling



HECM Taxes & Insurance Initiative

- Purpose
 - Assist HECM borrowers delinquent on taxes, insurance or other property charges
- Counselors responsible for
 - Analyzing client's financial situation, ability to support repayment and future property charges
 - Assisting clients with identifying options to resolve delinquency, obtaining additional financial assistance and/or support for transition out of home
 - Communicating and coordinating with client's servicer
 - Providing action plan to client and follow up



HECM Taxes & Insurance Initiative

Counseling Resources

- 125 HECM Counselors
 - Neighborworks, MMI, NCOA, CredAbility, NFCC
- Working group established-HUD, Counseling Intermediaries and NRMLA
- Standard counseling protocol created
- Counselors provided training opportunities



HECM Taxes & Insurance Initiative

Results to date

- 1,113 sessions completed as of April 30, 2011
- Approximately 96 signed repayment agreements
- At least 32 clients referred to local AAAs for additional assistance

Lessons learned

- Each case is unique
- Many clients will need some type of public benefit to improve financial situation
- Range of capacity at local social service agencies



HECM Counseling Mystery Shopping Initiative

- Purpose
 - Assess HECM Counselor's compliance with Counseling Protocol
- NeighborWorks America contracted with Bare International
- August 2010 - January 2011
 - 175 counseling sessions-telephone and face to face



HECM Counseling Mystery Shopping Initiative

- Key Findings
 - Majority of counselors are completing mandatory activities
 - Counselors are discussing client's goals, HECM costs and alternatives
 - 55 % of sessions lasted more than 1 hour
 - Telephone counseling is readily available
 - Face to face counseling more difficult to find



HECM Counseling Policy Update

- Current guidance on HECM Counseling Referral List in ML 2010-37
- New guidance effective May 1 and posted on FHA Connection Message Board
- Lender must include *all* intermediaries receiving HECM funding and 5 local/state agencies – one within reasonable driving distance.
- New ML in Departmental Clearance



HECM Counseling Policy Update

- Mortgagee Letter 2011-09 provides guidance regarding
 - When a HECM counseling fee should be waived
 - Activities performed by a counselor that should be included in time recorded on HECM Certificate
 - Standard procedure for determining client's ability to pay



HECM Counseling Policy Update

- If lender provides information packet to client, lender should provide counselor with copy of loan comparison
- Lender can submit them to counselor by fax, email or web-based system
- There can be lender contact with counselor prior to counseling for this purpose



Impact of FY2011 Budget Cuts

- Agencies have used HUD grants to provide free counseling to low income clients and pay for sessions for clients who do not take out a HECM
- No new HUD funding available for housing counseling including HECM counseling in FY 2012
- Clients may find it difficult to find counseling available unless they pay an upfront fee
- Cuts will also impact training and other support for HECM counseling industry



Possible Options to Support HECM Counseling Program

- Current HUD grant agreements can be extended by HUD approved counseling agencies
- HUD data may assist agencies in recapturing fees from clients that close on HECM loans
- HUD reviewing policy related to charging fees to low income clients- ML 2011-09
- Lenders can continue to fund loss mitigation counseling
- HUD exploring other options to support HECM Counseling Program



Technology (HERMIT) Project



Home Equity Reverse Mortgage Information Technology (HERMIT) Project

How HERMIT Benefits Lenders

- One common platform
- B2G capabilities for posting transactions and transferring cases
 - flexible enough to allow manual entry as needed
- Interact with NSC through new, controlled workflow process
- Automated claims processing
- Faster funds processing from Pay.Gov



Home Equity Reverse Mortgage Information Technology (HERMIT) Project – *Cont'd*

How HERMIT Helps HUD

- Integrated end-to end solution
- Supports current and future HECM volume and programmatic changes
- Automates claim process
- Immediate access to data for financial, budgetary and other reporting needs



Home Equity Reverse Mortgage Information Technology (HERMIT) Project – *Cont'd*

Preliminary Project Target Dates

- Servicer Training: Late June
- Parallel Operations: July - August
- Go Live: Fall 2011

****** Questions or Comments should be submitted to: Hermituam@HUD.gov ******