



FHA's Office of Single Family Housing

National Reverse Mortgage Lenders Association (NRMLA)
2017 Western Regional Meeting

How's HECM Doing?

Tuesday, May 16, 2017

Huntington Beach, California

Presented by:

Karin Hill, Senior Policy Advisor, Office of the Deputy Assistant Secretary for Single Family Housing

Cheryl Walker, Director, Home Valuation and Policy Division

Phil Caulfield, Housing Program Policy Specialist, Home Mortgage Insurance Division

Kymerly Torres, Housing Program Specialist, Office of Housing Counseling





Ensuring Mutual Mortgage Insurance (MMI) Fund Viability and Home Equity Conversion Mortgage (HECM) Program Sustainability



2017 Priorities for HECM in Transition:

- Continue to monitor performance and impact of policy changes
 - Product structure (Draw Patterns, Fixed/ARM)
 - Tax and Insurance defaults
 - MMI Fund Health
 - Financial Assessment
 - Claims and Servicing processes
- Publication and Implementation of
 - Final Rule
 - HECM Section of the *Single Family Housing Policy Handbook* 4000.1
- Data availability and performance analysis



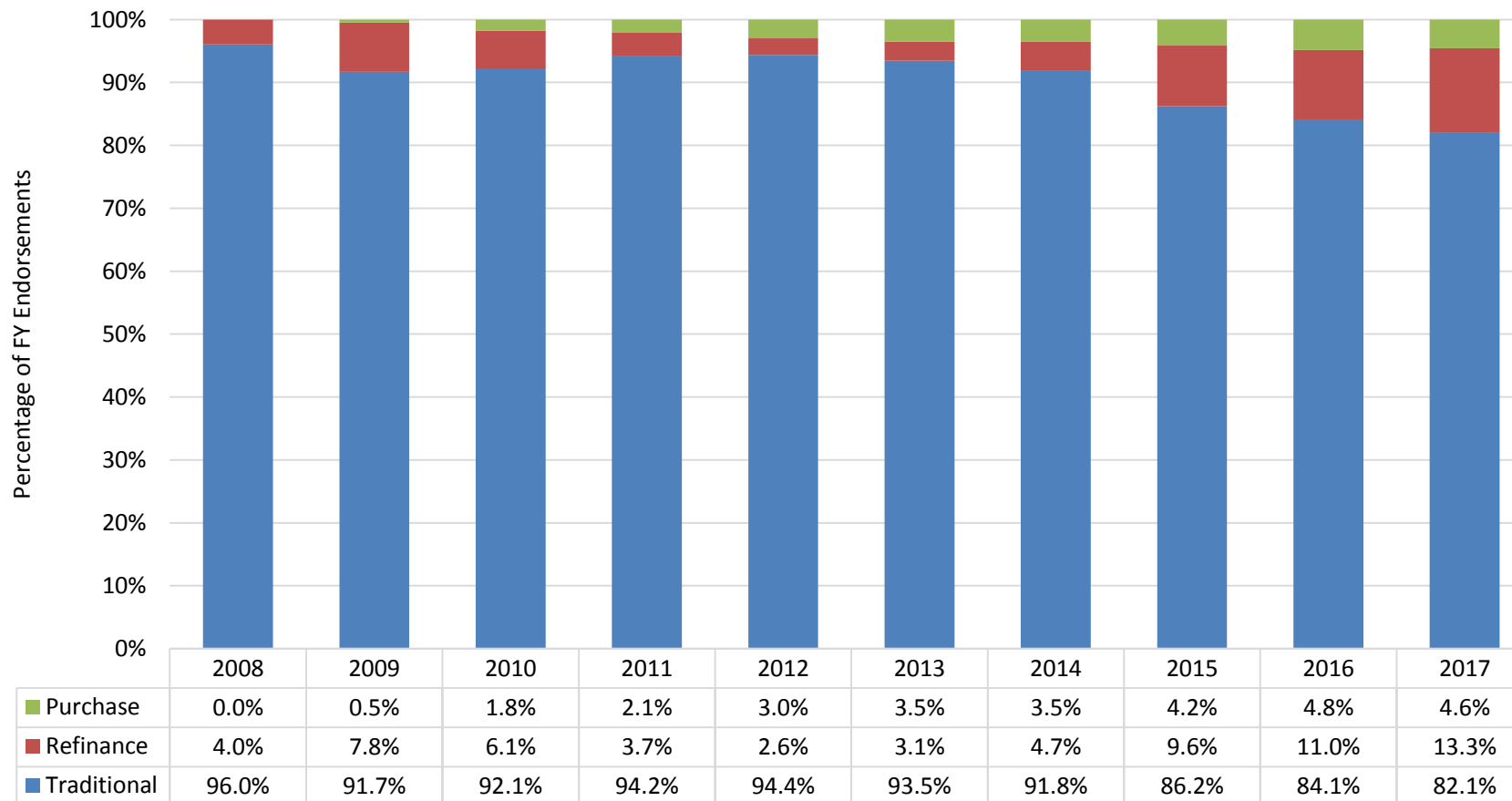
2017 Priorities for HECM in Transition (cont.):

- Implementing new LRS, HECM File Review Protocol and Algorithm for review selection
- Providing Training for U.S. Department of Housing and Urban Development (HUD) Staff, Industry Participants, and Counselors
- Issuing Loss Mitigation and Due and Payable Servicing Guidance and supporting the HAC and HUD Asset Management Office commitment to enhancing HERMIT and improving HECM Servicing and Claims policies and processes



HECM Endorsement Portfolio Snapshot:

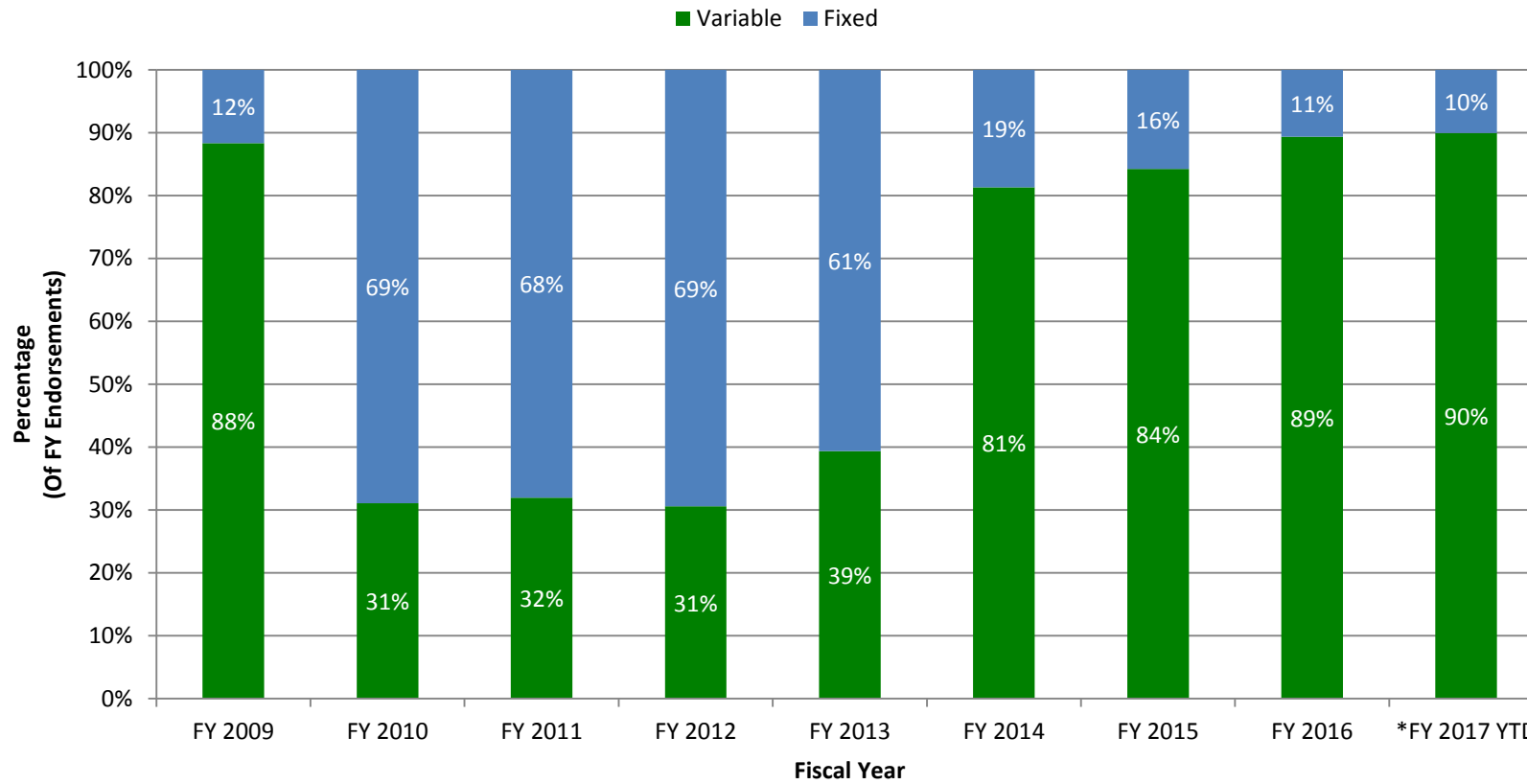
HECM Endorsements by Loan Purpose



• Data as of April 30, 2017



HECM Endorsement Portfolio Snapshot: FY 2009 – FY 2017 YTD HECM Interest Rate Type



• Data as of April 30, 2017

HECM Endorsement Portfolio Snapshot:

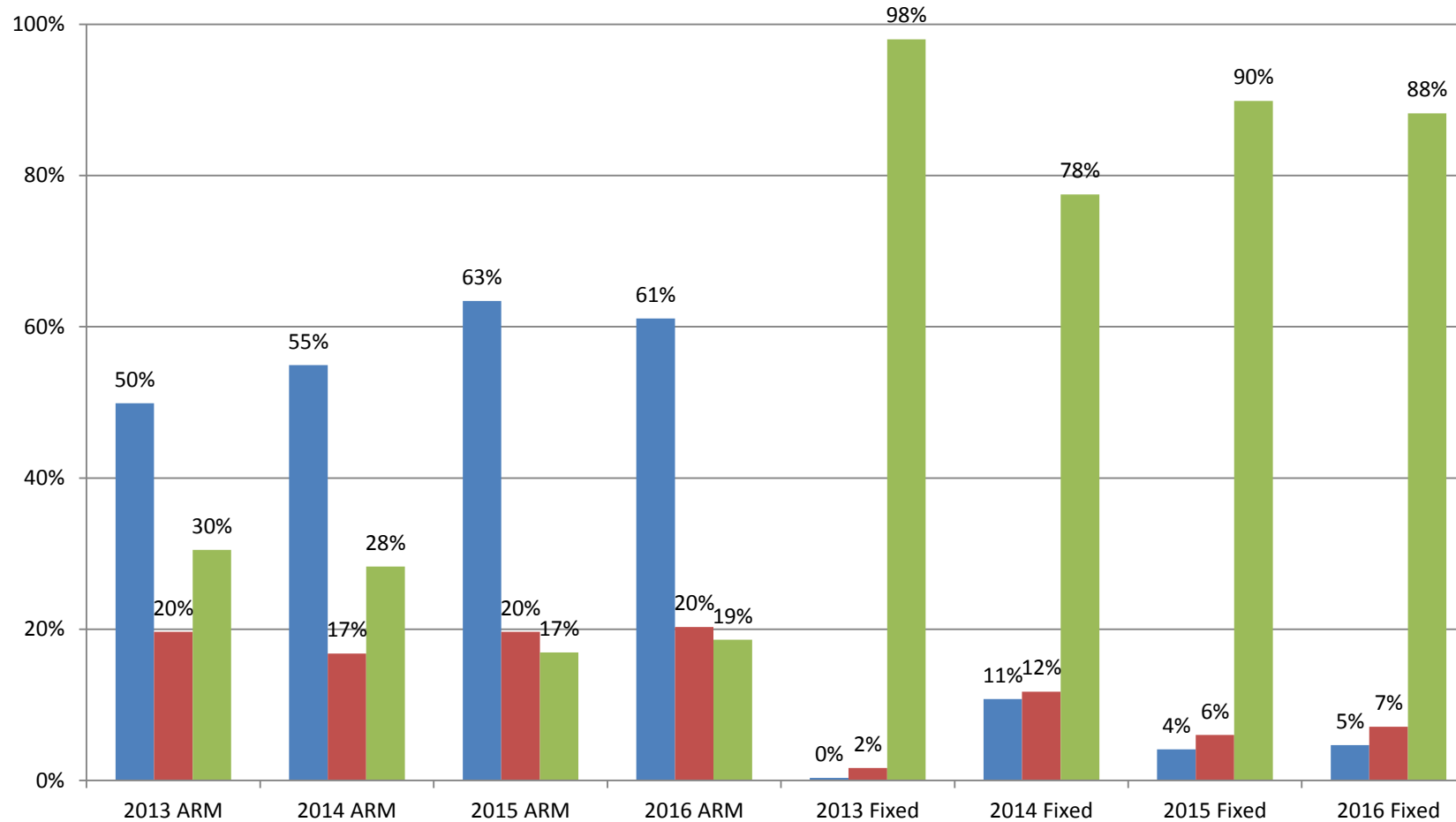


• Data as of April 30, 2017



HECM Endorsement Portfolio Snapshot:

Average Initial Cash Draws



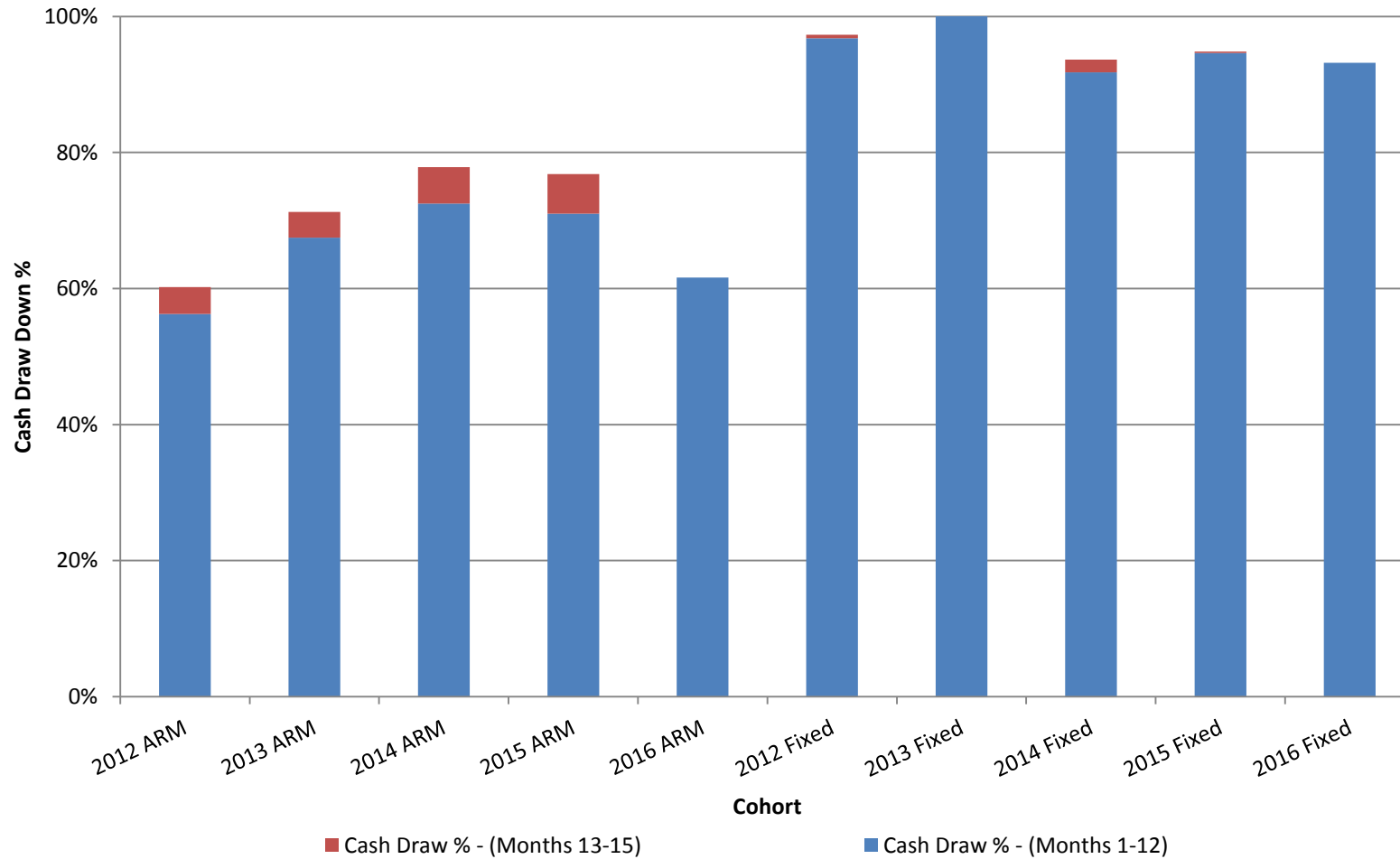
Data as of September 30, 2016

■ 60% or less ■ 60-90% ■ >= 90%





HECM Endorsement Portfolio Snapshot (cont.): Cash Draw Down Percentage Before and After Policy Month 12



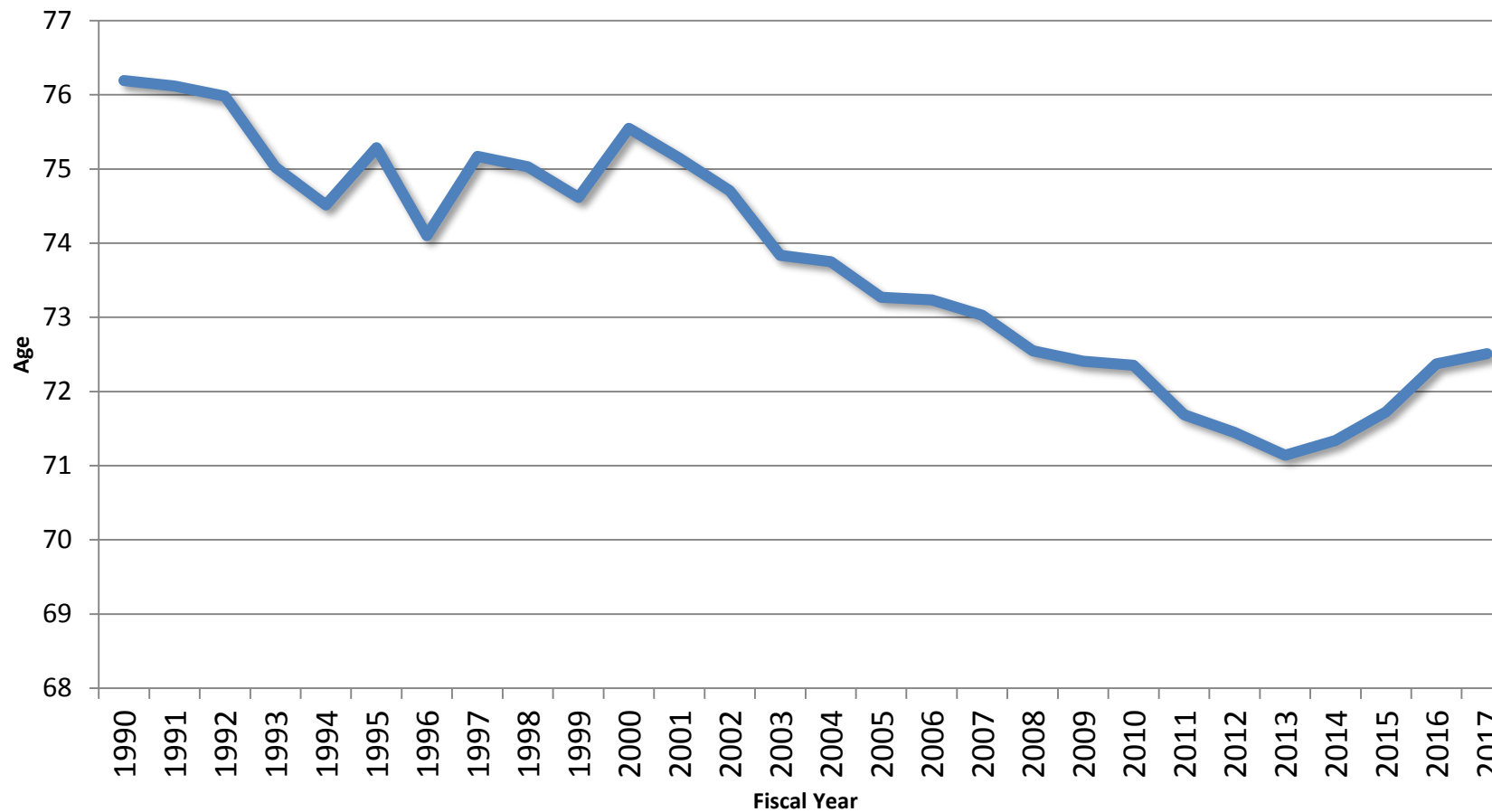
•Data as of September 30, 2016

•Cash Draw % for cohort 2016 months 13, 14 & 15 is 0%; no experience 13 months past endorsement





HECM Portfolio Snapshot: Average Borrower Age



• Data as of April 30, 2017





HECM Endorsements with Non-Borrowing Spouse

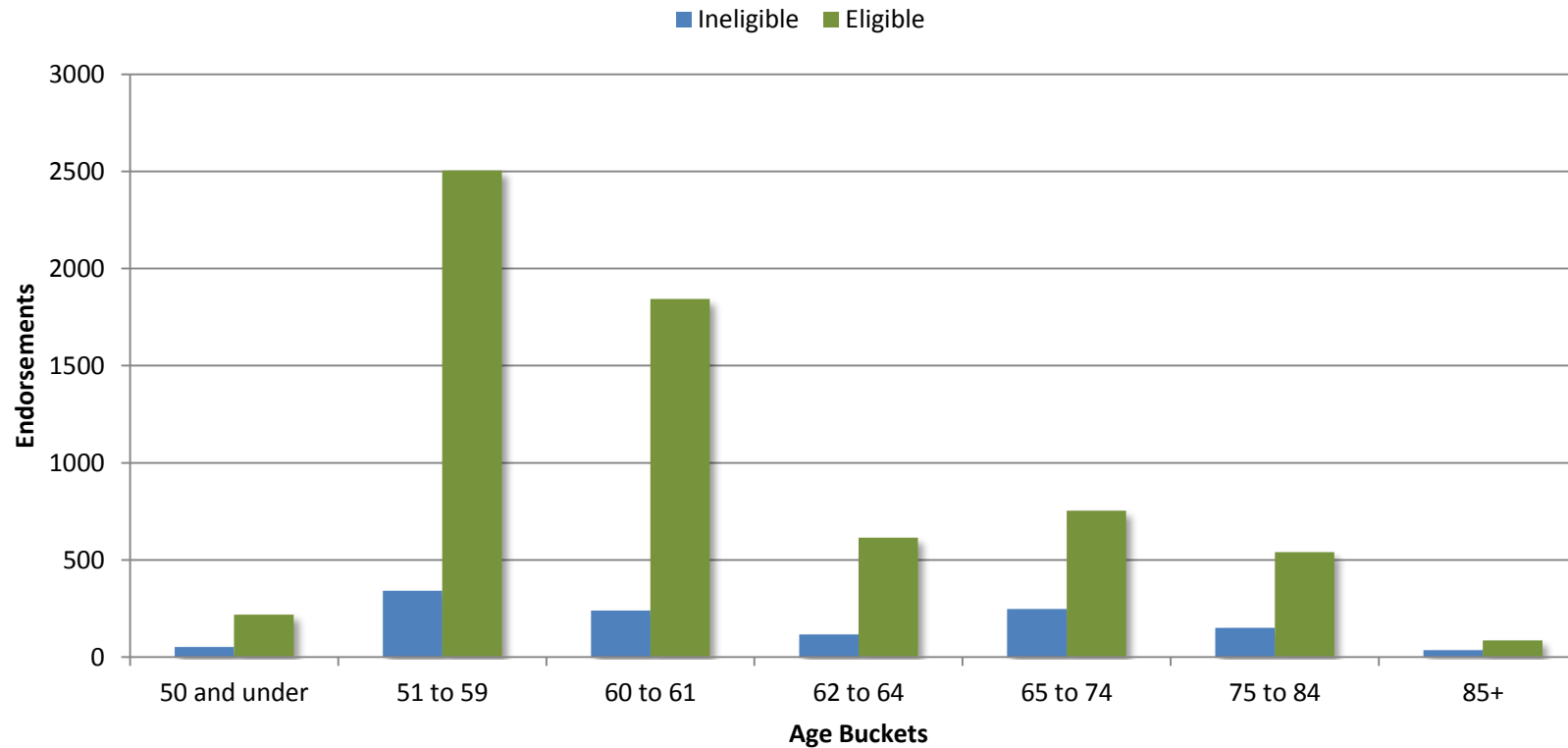
	Age Group of Non-Borrowing Spouse							TOTAL
	50 and under	51 to 59	60 to 61	62 to 64	65 to 74	75 to 84	85+	
Ineligible	4%	29%	20%	10%	21%	13%	3%	1,181
Eligible	3%	38%	28%	9%	11%	8%	1%	6,560

• Data as of April 30, 2017



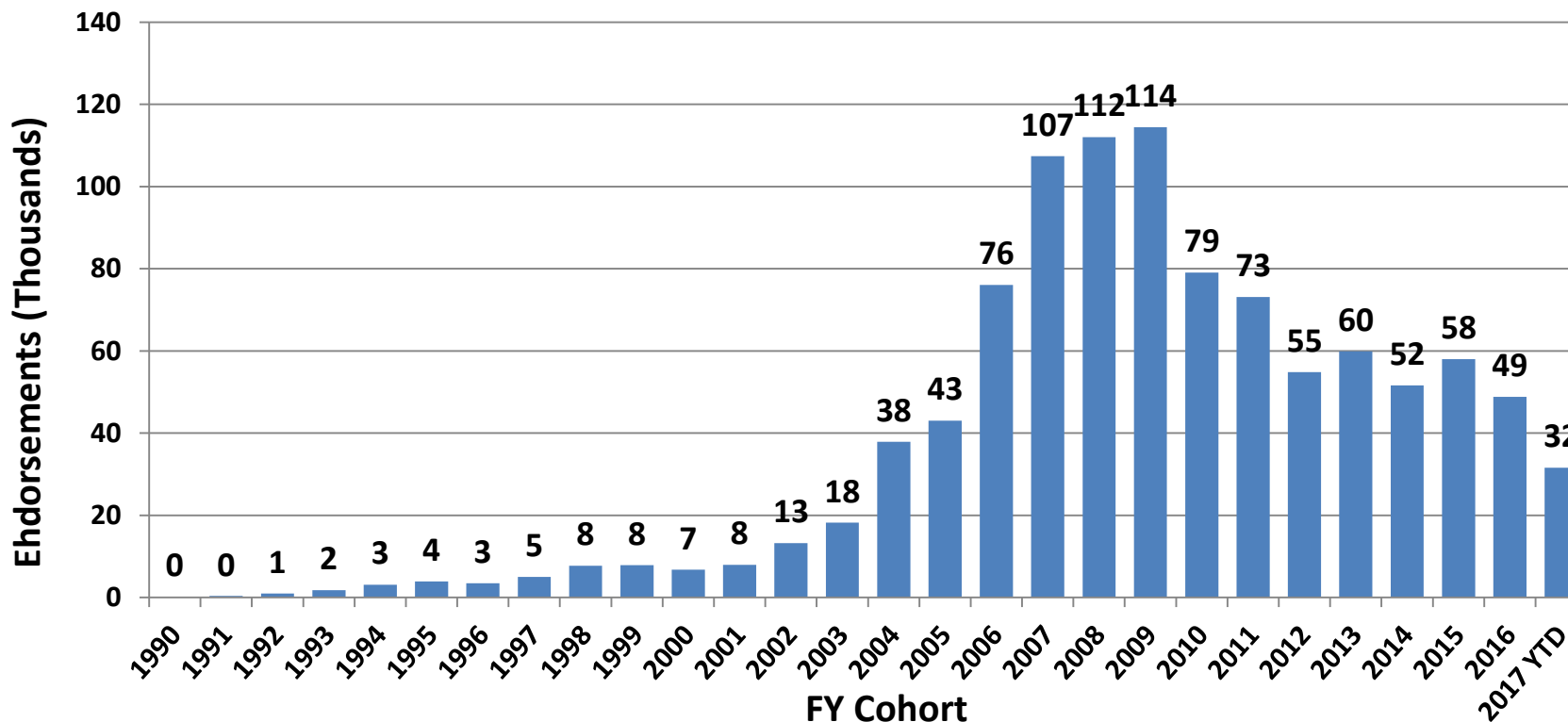
HECM Cases with Non-Borrowing Spouse (cont.)

HECM Endorsements with Non-Borrowing Spouses Age Distribution of Non-Borrowing Spouse



• Data as of April 30, 2017

HECM Endorsement Portfolio Snapshot: Volume



Maximum Claim Amount (in billions)												
FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 YTD
\$ 8.9	\$ 17.9	\$ 24.6	\$ 24.2	\$ 30.1	\$ 21.1	\$ 18.2	\$ 13.2	\$ 14.7	\$ 13.5	\$ 16.1	\$ 14.7	\$ 10.0

• Data as of April 30, 2017



HECM Endorsement Portfolio Snapshot: Volume and Composition

- Volume:
 - 1,029,330 HECM insurance endorsements to date (Oct 1, 1989 through April 30, 2017)
 - \$244.9 Billion
- Current composition of portfolio:
 - 393,296 loans have terminated
 - \$86.2 Billion
 - 576,145 loans are actively insured
 - \$144.7 Billion
 - 60,047 loans are assigned to HUD as active notes in inventory
 - \$14.0 Billion





HECM Policy Support

Cheryl Walker, Director, Home Valuation and Policy Division



Policy Implementation Approach

- Final Rule
 - Self-Implementing policies: effective September 19, 2017
 - Federal Register Notice
- HECM Section in *Single Family Housing Policy Handbook* 4000.1 (SF Handbook)
 - Origination through Closing/Post Endorsement
 - Drafting Table for Industry Comment: June 2017
 - Publication Date: Fall 2017
- Mortgagee Letter
 - New and Revised Servicing policies
 - Publication by ML in June 2017
 - Followed by publication in HECM Servicing Section in SF Handbook 4000.1



Self-Implementing Policies

- Pay-off of existing, unseasoned Home Equity Line of Credit (HELOC) at closing
- Time of interest rate lock-in
- Initial Disbursement Limit or Borrower's Advance
- Seller Purchase of Home Warranty policy
- Seller required payments per state or local law
- Repair Set-aside
- MIP late charge and interest



Federal Register Notice

- Pay-off of Certain Unsecured Debt at Closing
- Other Interested Party Contributions



Origination Policies in SF Handbook — HECM Section

- Disclosure of available product options
- Limitation on number of mortgages
- HECM for Purchase:
 - Certificate of Occupancy Timeframe
 - Fees Customarily Paid by the Seller in the Locality of the Subject Property



Servicing Policies

- Initial Implementation via Mortgagee Letter
 - Maximum closing costs for sale by the borrower, estate or mortgagee
 - Appraisal Requirements
 - Cash for Keys
 - Claim Filing Period
 - Claim Payments
- SF Handbook — HECM Servicing Section
 - Drafting table for industry comment: Fall 2017



HECM Financial Assessment

Phil Caulfield, Housing Program Policy Specialist
Home Mortgage Insurance Division



Financial Assessment

- Financial Assessment requirements became effective for HECMs with case numbers issued on or after April 27, 2015.
 - In FY 2016 we endorsed 48,868 HECMs.
- Only 2,485 (5.1 percent) had case numbers issued prior to April 27, 2015 and were not subject to the financial assessment requirements.
- In FY 2017 through April 30, we endorsed 31,839 HECMs. Only 9 had case numbers issued prior to April 27, 2015. Of the remaining 31,829 HECMs, 16,632 had case numbers assigned prior to October 3, 2016, and 15,198 on or after October 3, 2016.



Financial Assessment

FY		APR	MAY	JUN	JUL	AUG	SEP
2012	CASE#S	6,517	6,992	7,028	7,372	8,018	6,875
	AS % OF CASE #S	67.1%	65.7%	65.2%	64.6%	67.0%	66.0%
2013	CASE#S	5,182	6,526	6,495	7,397	8,167	16,066
	AS % OF CASE #S	61.4%	63.5%	66.2%	66.1%	66.8%	61.3%
2014	CASE#S	6,406	5,857	6,145	5,823	11,415	7,788
	AS % OF CASE #S	62.2%	58.8%	50.6%	34.0%	71.9%	69.1%
2015	CASE#S	13,488	4,186	6,183	6,364	6,089	6,754
	AS % OF CASE #S	63.4%	58.0%	57.8%	58.8%	61.2%	60.2%
2016	CASE#S	6,613	6,670	6,987	6,403	7,259	7,710
	AS % OF CASE #S	63.6%	64.8%	63.9%	62.4%	61.9%	58.50%





Financial Assessment

Highlights of a review of data entered into FHAC for HECMs endorsed in January, 2017.

- 4,578 HECMs were endorsed in January, 2017
- Only four had case numbers assigned prior to April 27, 2015. 882 had case numbers issued on or after October 3, 2016
- LESAs were required for about 13.5 percent of HECMs
- In 52 percent of HECMs where a LESA was required the residual income standard was exceeded
 - In 12 percent of HECMs where a Fully Funded LESA was required the Partially Funded LESA was less than 75% of Life Expectancy Property Charges
- Voluntary Fully Funded LESAs elected in 1 percent of HECMs
- Only two Partially Funded LESAs



Financial Assessment (cont.)

Highlights of a review of data entered into FHAC for HECMs endorsed in January, 2017.

- 1,140 HECMs, almost 25 percent, had a residual income shortfall.
 - LESA only for 153 HECMs or 13 percent
 - Compensating Factors only for 660 HECMs or 58 percent
 - LESA and Compensating Factors for 161 HECMs or 14 percent
- We are seeing the effect of the revision to some Compensating Factors that took effect for case numbers issued on or after October 3, 2016.
 - *HECM Sufficient to Pay Off Debts* was a frequently used Compensating Factor, either alone or in conjunction with *Imputed Income from HECM*.
 - The requirement that residual income be at least 80 percent of the standard appears to have resulted in reduced usage of this Compensating Factor.
 - Cited in 27 percent of loans with case numbers prior to 10/3/16
 - Cited in only 8 percent of loans with case numbers on or after 10/3/16
 - For case numbers issued on or after October 3, 2017, *Imputed Income from HECM*, was the only Compensating Factor cited in 84 percent of HECMs



Financial Assessment (cont.)

- Two issues regarding FHAC have come to light that we will be addressing with changes to FHAC.
- The first is that HECM Financial Assessment Update screen does not currently allow for a negative number in the Monthly Income field. It had been brought to our attention that where there are carry-over losses from a previous year, the income reported to IRS can be negative.
- Effective May 15, this screen will be revised to allow a negative number to be entered for monthly income.
- Where you are using tax returns to document income, and there is a negative number, that is the borrower's income.



Financial Assessment (cont.)

- The second issue is in regard to the use of the Non-Borrowing Spouse Income Compensating factor.
- We had intended to put an edit in FHAC to ensure that the family size was at least two persons when this Compensating factor was cited.
- However, this edit was inadvertently put on the Property Charge payment History Compensating Factor.
- This has been corrected and will be effective May 15, 2017.



HECM Counseling

Kym Torres, Housing Program Specialist,
Office of Housing Counseling



HECM Certificates Data

- FY 16 Certificates 92,139
- FY 16 Endorsements 48,867
- FY 16 Conversion Rate Certificates to Endorsements 53 percent

- FY17 to Date (4/30/17) - Certificates 51,877
- FY17 to Date (4/30/17) - Endorsement 31,622
- FY17 to Date (4/30/17) - Conversion Rate 61 percent



HECM Counseling Network

- 270 agencies provide HECM counseling. This includes the eight National Intermediaries and their affiliates/sub-grantees.
- An average of 60 percent of the counseling is carried out by ten agencies.
- An average of 54 percent of the counseling is done by four agencies.

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General Counseling Reminders

- Prohibition against lender steering client to specific counseling agencies
- Encourage clients to seek out thorough and robust counseling
- Refer clients to HUD-approved counseling agencies for Budget and Debt counseling to overcome underwriting barriers
- NRMLA HECM courses utilized for meeting HECM counselor Continuing Education requirements with advance approval by HUD



HECM Default Counseling

- Servicers may make direct referrals and communicate with HUD Participating HECM Default Counseling agencies
- Encourage Servicers to utilize Loss Mitigation Options
- Communicate repayment plan option calculations with default counselors
- Share surplus income data and calculations
- Make sure client and counselor are aware that HOA fees have a 30 day deadline and cannot be included as part of a repayment plan



HECM Default Counseling (cont.)

Current HECM Counseling Default Counseling Agencies

- GreenPath (888) 860-4167
- Money Management International (866) 765-3328
- National Foundation for Credit Counseling (866) 363-2227
- NeighborWorks America (888) 990-4326
- Housing Option Provided for the Elderly (773) 262-7801



Resources

Find us at:

www.hudexchange.info/counseling

Email us at: Housing.counseling@hud.gov

Subscribe to the Bridge & LISTSERV: www.hudexchange.info/counseling



HECM Servicing

Karin Hill, Senior Policy Advisor SF Housing



Mortgagee Letter 2017-05 – Assignment Requests

- Consolidates existing assignment guidance
- Updates assignment guidance to reflect use of the HERMIT system
- Provides a stacking order for required documents to improve processing time



Comparison of Servicing Requests Received

Servicing Request	FY 2016	FY 2017 through 4/30/2017
Assignments	19,293	16,074
Releases	56,133	25,343
Due & Payable Requests	42,910	13,280



Comparison of Servicing Requests Received

Servicing Request	FY 2016	FY 2017 through 4/30/2017
Protection & Preservation Over-Allowables	79,958	47,899
Delay Foreclosure Extension Requests	8,735	4,820
Property Charge Loss Mitigation Extensions (includes At Risk)	16,304	4,724



HECMs with Non-Borrowing Spouses

- Endorsed: 8,211 as of April 30, 2017
- Assigned: 489
 - Deferred (Primarily MOE) – 270
 - Not Deferred (Post 8/4/16) – 175



HECM-Related Resources



For More Information

- Topics discussed today, as well as other HECM-related resources, are available on the HECM web pages at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm
- Resources include:
 - Handbooks, Mortgagee Letters, and other policy guidance;
 - Principle Limit Factor tables;
 - Model documents, including the revised model worksheet;
 - Archived training presentations; and
 - Information on installing or upgrading the HECM calculation software on FHA Connection and HERMIT.
- Link to HECM Final Rule — 24 CFR Part 206 (Redline Copy)
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm



For More Information (cont.)

- Setting up a Business-to-Government Connection for FHA Connection:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/f17c
- Assessing the HECM Financial Assessment and Property Charge Requirements for Underwriters and Processors:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/events/sfh_webinars
- Review user role information and LRS documents on the LRS Information Page:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/leader/loan_review_system
- View recorded LRS webinars from the Single Family Housing Archived Webinars page:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/events/sfh_webinars



FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	Website	www.hud.gov/answers	24/7/365	Website includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F (including all non-Federal holidays)	Voicemail is available after hours or during extended wait periods. FHA FAQs are available after hours.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe





**Thank you
for joining us today!**



Questions?