



FHA's Office of Single Family Housing

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

How's HECM Doing?

Monday, April 3, 2017

New York, NY

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

John Olmstead, Housing Program Specialist, Office of Housing Counseling

Kasey Watson, Management Analyst, FHA's National Servicing Center





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



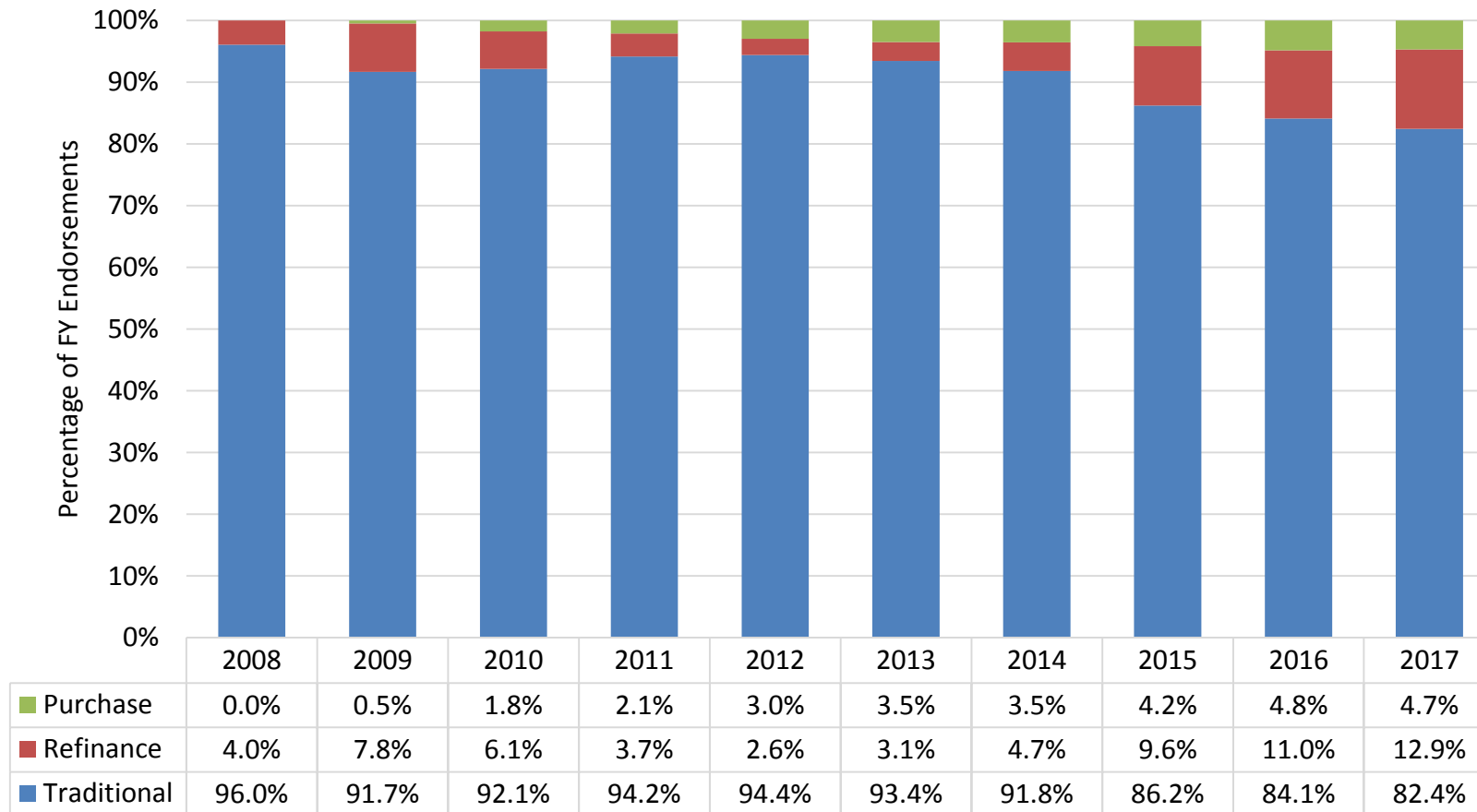
2017 Priorities for HECM in Transition (cont.):

- 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:

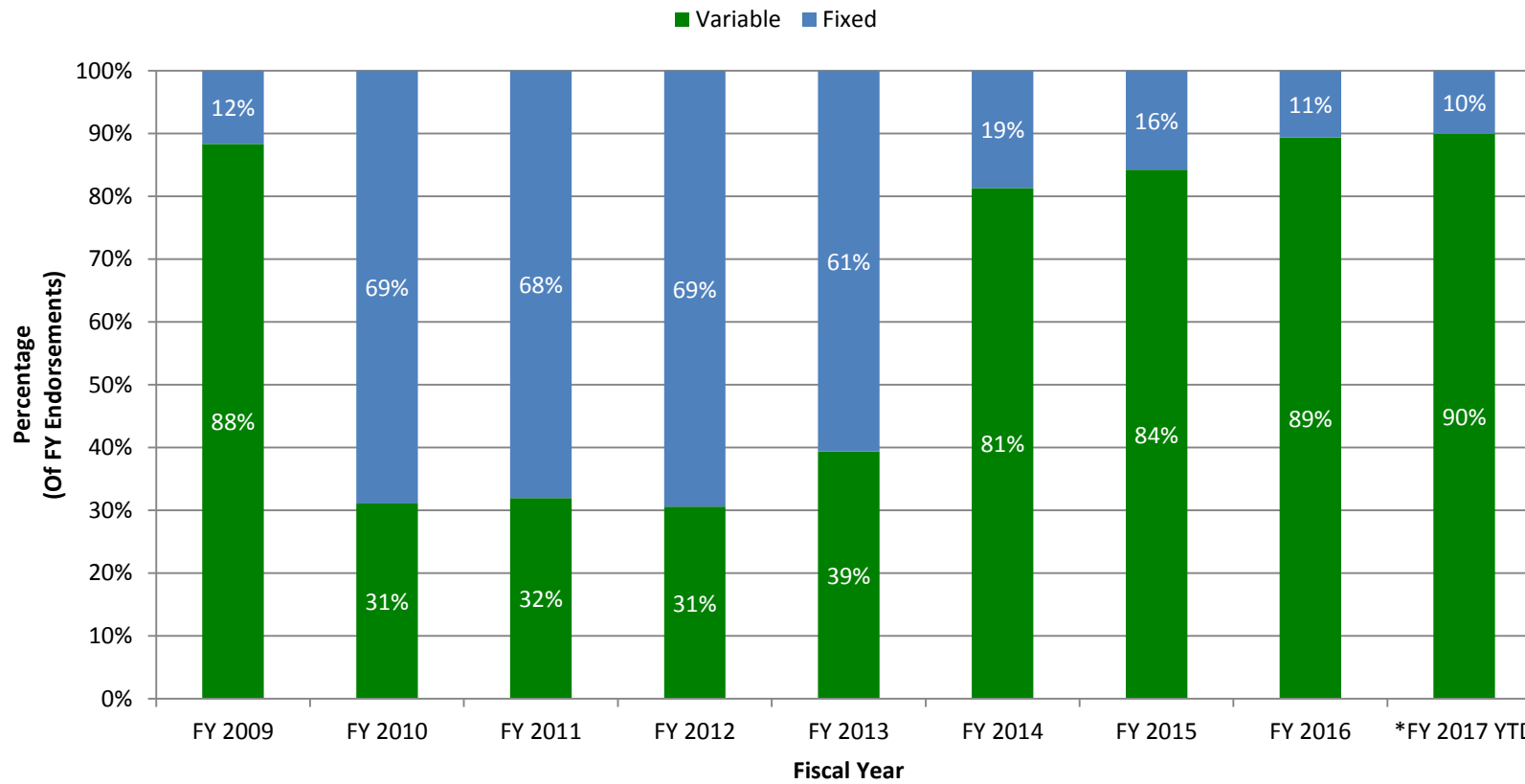
HECM Endorsements by Loan Purpose



• Data as of February 28, 2017



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



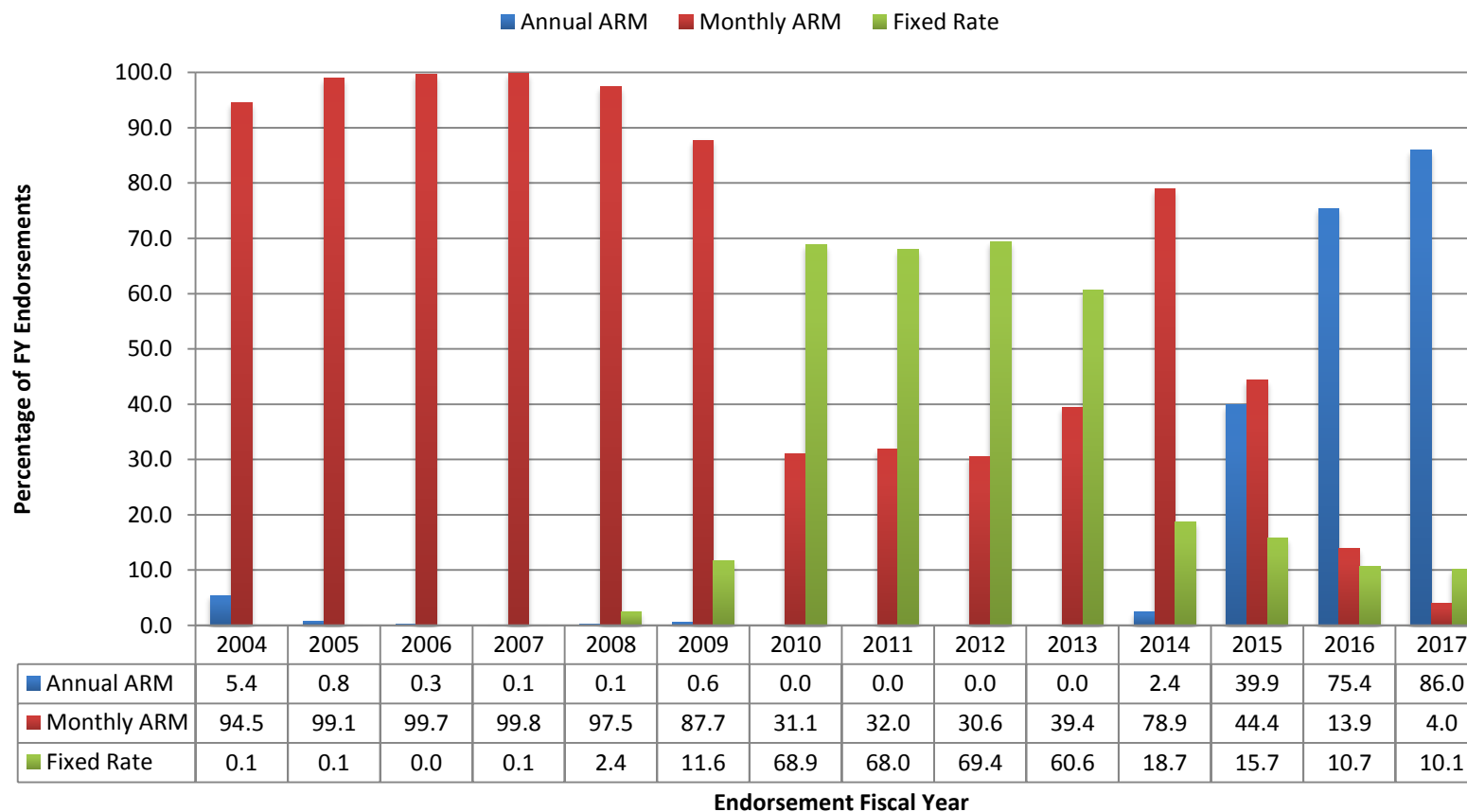
• Data as of February 28, 2017





HECM Endorsement Portfolio Snapshot:

HECM Endorsements by Interest Rate Type



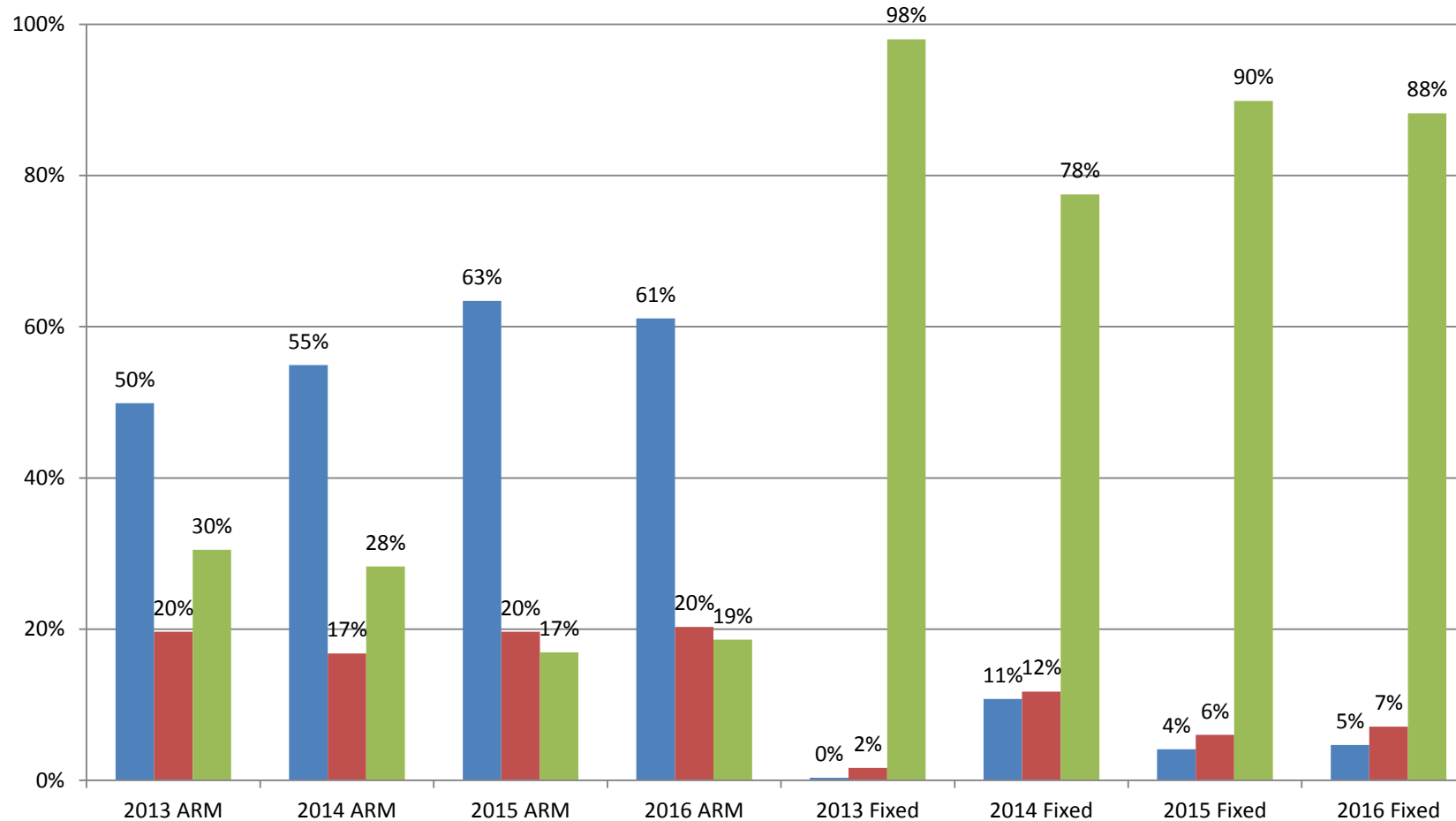
• Data as of February 28, 2017





HECM Endorsement Portfolio Snapshot:

Average Initial Cash Draws



Data as of September 30, 2016

■ 60% or less

■ 60-90%

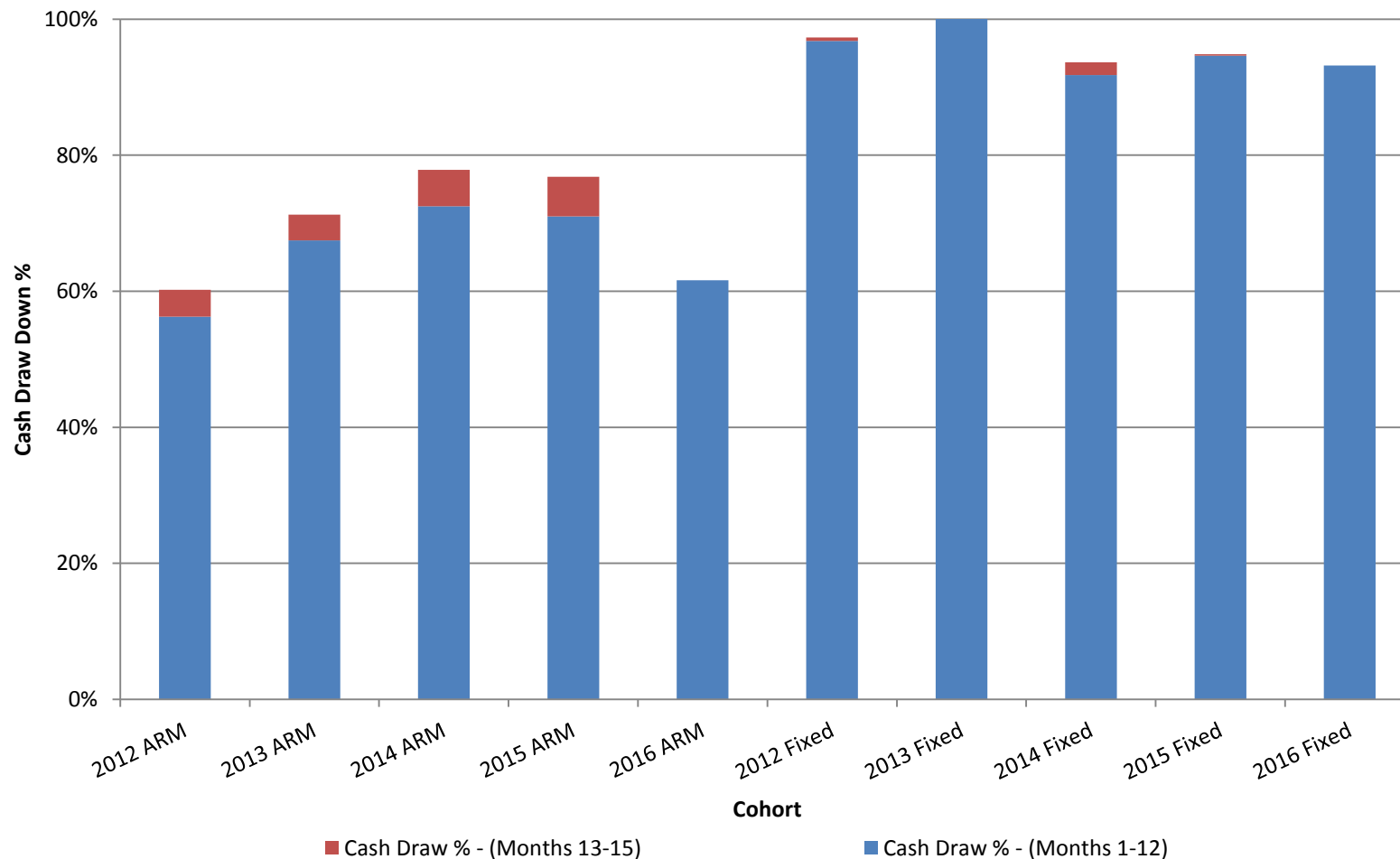
■ >= 90%





HECM Endorsement Portfolio Snapshot (cont.):

Cash Draw Down Percentage Before and After Policy Month 12



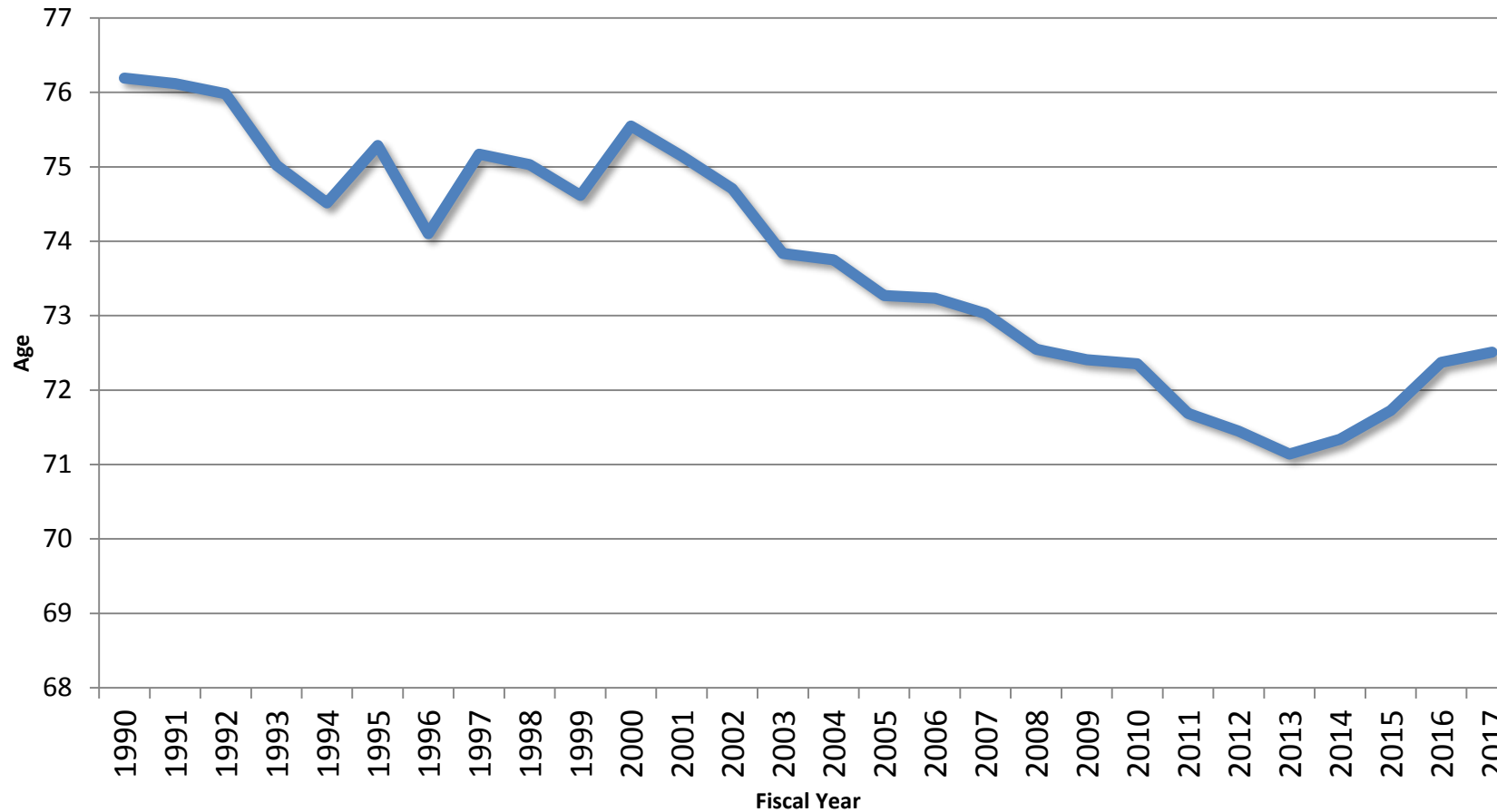
•Data as of September 30, 2016

•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 February 28, 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%	21%	10%	20%	13%	3%	1,114
Eligible	3%	38%	28%	9%	11%	8%	1%	6,162

• Data as of February 28, 2017

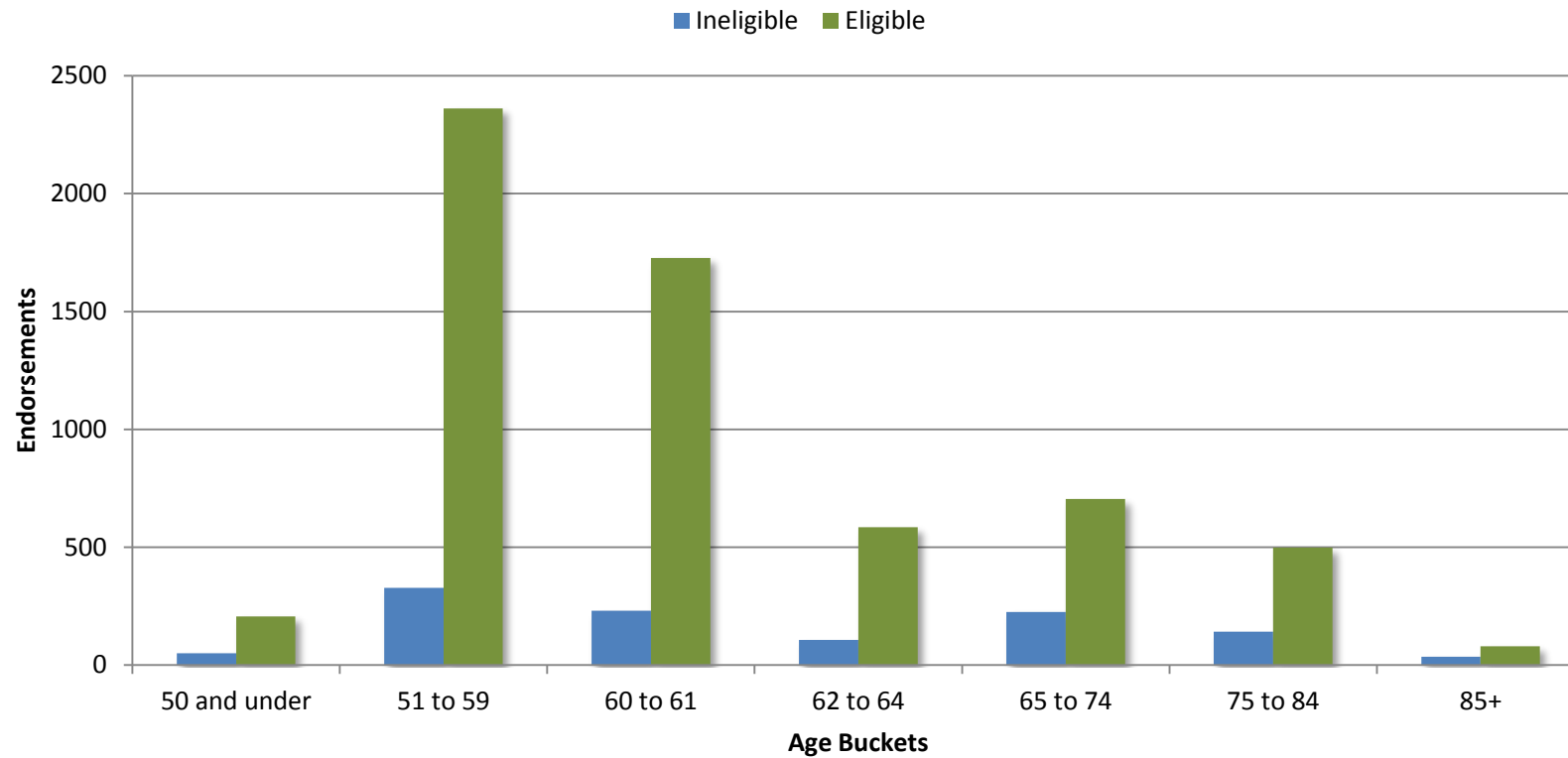




HECM Cases with Non-Borrowing Spouse (cont.)

HECM Endorsements with Non-Borrowing Spouses

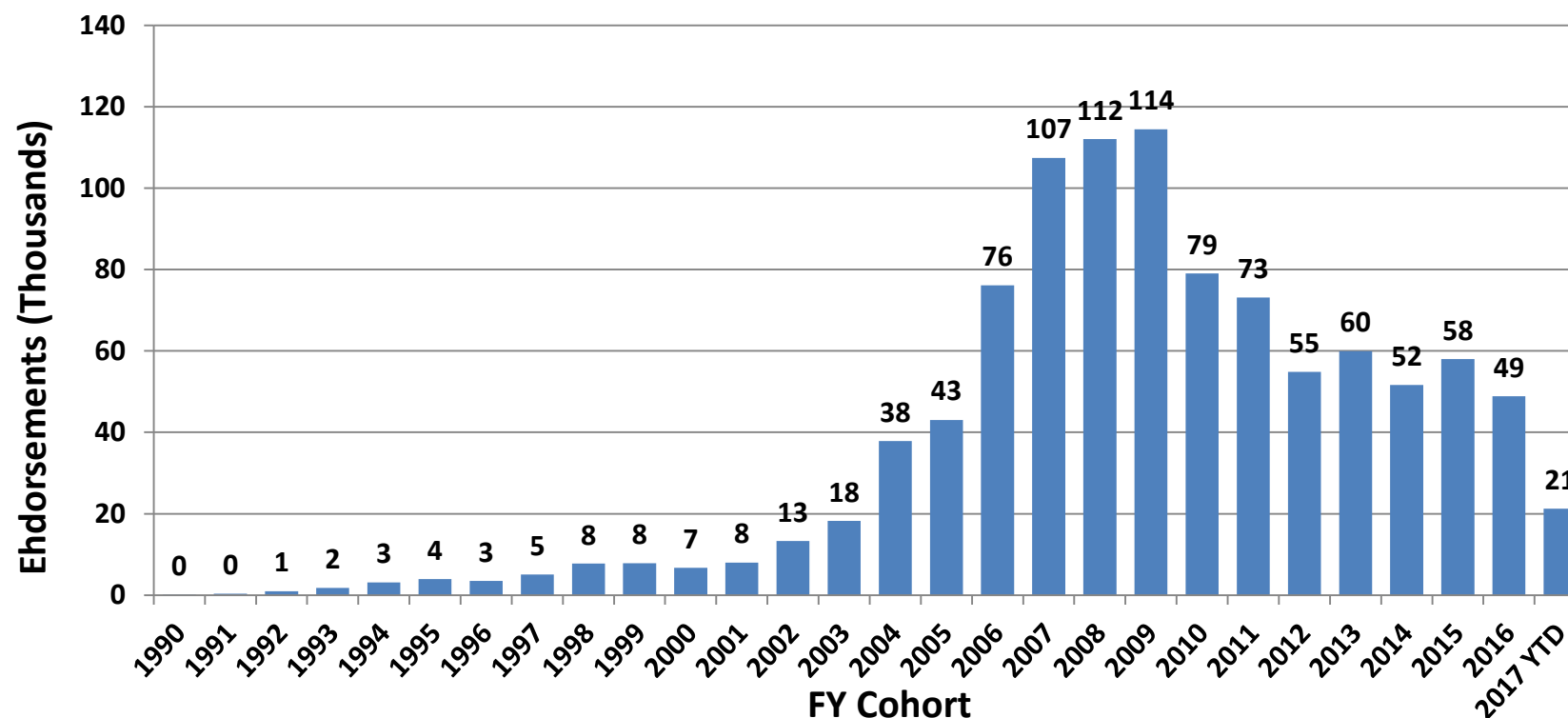
Age Distribution of Non-Borrowing Spouse



• Data as of February 28, 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	\$ 6.6

• Data as of February 28, 2017





HECM Endorsement Portfolio Snapshot: Volume and Composition

- Volume:
 - 1,018,998 HECM insurance endorsements to date (October 1, 1989 through February 28, 2017)
 - \$241.6 Billion
- Current composition of portfolio:
 - 382,492 loans have terminated
 - \$83.6 Billion
 - 580,238 loans are actively insured
 - \$144.8 Billion
 - 56,412 loans are assigned to HUD as active notes in inventory
 - \$13.2 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 February 28th, we endorsed 21,450 HECMs. Only 8 had case numbers issued prior to April 27, 2015. Of the remaining 21,442 HECMs, 15,435 had case numbers assigned prior to October 3, 2016, and 6,007 on or after October 3, 2016.



Financial Assessment

FY		FEB	MAR	APR	MAY	JUN	JUL
2012	CASE#S	6,799	7,068	6,517	6,992	7,028	7,372
	AS % OF CASE #S	67.6%	68.0%	67.1%	65.7%	65.2%	64.6%
2013	CASE#S	7,302	13,613	5,182	6,526	6,495	7,397
	AS % OF CASE #S	63.3%	59.6%	61.4%	63.5%	66.2%	66.1%
2014	CASE#S	5,700	6,329	6,406	5,857	6,145	5,823
	AS % OF CASE #S	62.8%	62.4%	62.2%	58.8%	50.6%	34.0%
2015	CASE#S	9,758	9,331	13,488	4,186	6,183	6,364
	AS % OF CASE #S	67.9%	66.9%	63.4%	58.0%	60.7%	58.8%
2016	CASE#S	6,256	7,083	6,613	6,670	6,987	6,403
	AS % OF CASE #S	62.5%	62.4%	63.5%	64.6%	63.4%	61.0%



Financial Assessment

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

- 4,578 HECMs 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 required for about 12 percent of HECMs
 - Almost 60 percent of HECMs where a LESA was required exceeded residual income standard
 - Voluntary Fully Funded LESAs in one percent of HECMs
 - Only one Partially Funded LESA



Financial Assessment (cont.)

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

- 23 percent of HECMs had a residual income shortfall.
- 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.
 - For case numbers issued on or after October 3, 2017, *Imputed Income from HECM*, is by far the most widely cited.



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.
- We will be revising this screen 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.
- We will correct this in the near future.



HECM Counseling

John Olmstead, Housing Program Specialist,
Office of Housing Counseling



HECM Certificates Data

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

- FY17 to Date Certificates 35,522
- FY17 to Date Endorsement 21,450
- FY17 to Date Conversation Rate 60 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 10 agencies.
- An average of 54 percent of the counseling is done by four agencies.

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HECM Default Counseling

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



HECM Default Counseling (cont.)

- 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



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 Servicing

Kasey Watson, Management Analyst,
FHA's National Servicing Center



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 2/28/2017
Assignments	19,293	9,828
Releases	56,133	16,797
D&P Requests	42,910	9,175
P&P Over-Allowables	79,958	30,309
Delay Foreclosure Extension Requests	8,735	3,444
Property Charge LM Extensions (includes At Risk)	16,304	3,402



HECMs with Non-Borrowing Spouses

- Endorsed: 7,860
- Assigned: 441
 - Deferred (Primarily MOE) – 156
 - Not Deferred (Post 8/4/16) – 70



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
- Temporary procedures for FHAC's Financial Update screen and HECM Calculator software:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm



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?