

National Reverse Mortgage Lenders Association

Annual Meeting

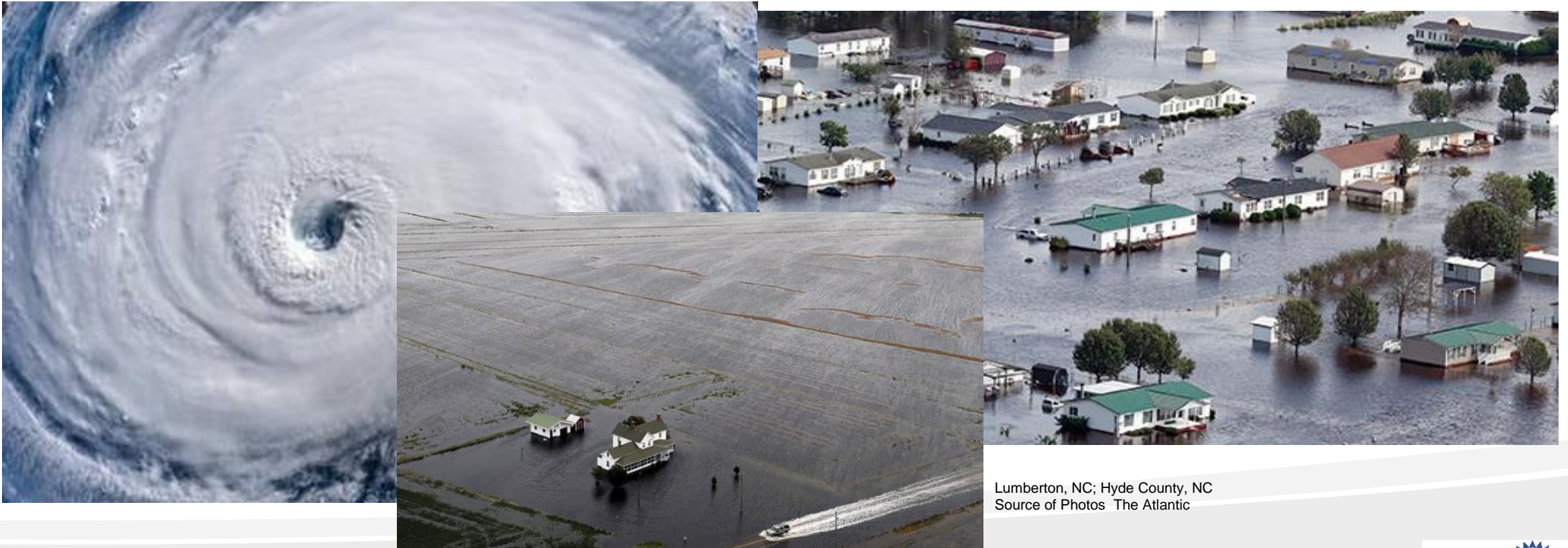
October 28-30, 2018 San Diego, CA





Property Insurance Claims

Hurricane Florence



Lumberton, NC; Hyde County, NC
Source of Photos The Atlantic

Hurricane Florence



New Bern, SC and Georgetown County, SC
Source of Photos Washington Post, local10.com, Patch

Hurricane Michael



Panama City, FL; Mexico Beach, FL
Source of Photos Tallahassee Democrat

Hurricane Michael



Greater Mexico Beach, FL are
Source of Photos ABC, Pensacola News Journal



Types of Insurance Claims

- Hazard
 - Typically fire, tree falling, water intrusion not related to rising water
- Windstorm/Hurricane
 - Typically tornado, hurricane (insurance rider may apply)
- Flood
 - Rising water and typically separate Flood Insurance Policy
- HO6
 - Condo or Townhome “walls in” coverage



Steps That Should be Taken

- Contact Insurance Provider
 - Report Damage
 - Determine Coverage
 - Arrange for an adjuster to visit the property
 - Flood Insurance may be a different provider



Steps That Should be Taken

- If a Disaster, Register for Disaster Assistance
 - www.disasterassistance.gov
 - 1-800-621-FEMA (3362)
 - Transitional shelter and food assistance
 - Operation Blue Roof
 - Emergency Bridge Loan Program



Steps That Should be Taken

- Contact your Mortgage Servicer
 - Let them know you have been affected
 - Update contact phone number and address
 - May provide additional assistance
 - Provide information in a Presidential Declared Disaster Area
 - Obtain their Property Claim/Loss Draft contact number



Damage is covered

- Insurance adjuster will determine amount of damage
- Claim Check typically issued to both the Customer and Mortgagee (Servicer)
 - Check will need to be endorsed by both
- Dollar amount of claim will base disbursement of funds
 - Typically \$10,000 and under release in full
 - Typically \$10,000+ released in 1/3's after inspections completed



Claim Documentation

- Copy of Insurance Company's Adjusters Report
- Mortgagor's Affidavit
- Contractor Signed Bid or Work Contract
- Contractor IRS W-9 Form
- Contractor License Affidavit
- Contractor Release of Lien (once work complete)
- Affidavit of Bills Paid (once work complete)



Contact Property Claim Department

- Stay in contact with the Property Claim department
- Provide update on work being completed
- Provide documents as per the claim requirement
- Inspections will be coordinated for work completed
- Provide support and help through the process



Continue contact with your Servicer

- Advise of any new changes in address or phone number
- May offer face to face meetings in your area
- May have information on State or Local assistance



Helpful Resources

- www.redcross.org
- www.unitedway.org
- www.211.org/services/disaster-assistance
- www.salvationarmy.org
- State Office of the Governor
- State Division of Emergency Management



HECM Final Rule

Overview of Servicing Changes



Effective for FHA Case Numbers assigned on or after
September 19, 2017

- Formally codifies policy previously issued through HUD Mortgagee Letters
- Implements *new* policies



Short Sales

Case # issued September 19, 2017+	Case # issued < September 19, 2017
<95% Commissioner discretion	95% of appraised value

Most common challenges:

- Heir must have legal authority to sell the property
- Unallowable settlement fees - must comply with HUD regulations
- Appraisal has to be ordered by Servicer and appraisal disputes



Cash for Keys

Case # issued September 19, 2017+	Case # issued < September 19, 2017
<ul style="list-style-type: none">✓ REO properties / bona fide tenant*✓ DIL within 6 months of D&P event✓ Up to \$3,000<ul style="list-style-type: none">✓ DIL within 6 months of D&P✓ Bona fide tenant prior to eviction	Not available
<p>*Bona Fide Tenant = NOT a mortgagor, borrower, or spouse/child of mortgagor/borrower or any member of mortgagor's/borrower's family</p>	

Deed-in-Lieu Deadline

Case # issued September 19, 2017+	Case # issued < September 19, 2017
Deed must be filed for recording w/in 9 months of Due Date *	Until foreclosure sale

*Due Date

Death Maturity = earlier of date Servicer reports borrower's death to HUD or 60 days after the actual date of death

Non-Death Maturity: Date HUD approves Due & Payable



Closing Cost Limitations

Case # issued September 19, 2017+	Case # issued < September 19, 2017
✓ Sale by borrower/estate, or by mortgagee after foreclosure or DIL ✓ Maximum 11% of sales price*	Reasonable & customary
*or other fixed dollar amount determined by the FHA Commissioner	



Helpful Servicing Resources

- <https://www.nrmlaonline.org/2016/11/11/need-know-hecm-closing>
- <https://www.nrmlaonline.org/2016/11/11/what-do-i-do-when-my-loan-is-due>
- https://www.hud.gov/program_offices/housing/sfh/hecm/hecmabou
- https://www.hud.gov/program_offices/housing/sfh/hecm
- https://www.hud.gov/program_offices/housing/sfh/hecm/hecmml
- https://www.hud.gov/program_offices/housing/sfh/FHA_info_messages



Non-Borrowing Spouse

Non-Borrowing Spouse (“NBS”) - The Background

- ▶ HECM loans become due and payable upon the death of the last borrower.
- ▶ Previously, the HECM program stipulated that only the borrower(s) on the note could be named on the title to the property of a reverse mortgage.

NBS – The Challenge

- ▶ The challenge for the NBS upon the death of the borrower:

Since the loan is immediately called due and payable, the NBS had limited choices if they wanted to remain in the property:

- ▶ Repay the entire loan balance at the lesser of 100% of loan balance or 95% of the appraised value of the property
- ▶ Refinance the loan into a new HECM or traditional mortgage (often ineligible)

NBS – The Solutions

- ▶ Loans endorsed after August 4, 2014
 - ▶ New HECM product which provides for the NBS after the borrower's death and makes the NBS eligible for a ***repayment deferral if they meet certain conditions***
- ▶ Loans endorsed prior August 4, 2014
 - ▶ HECM program to suspend the rule requiring the NBS to repay the loan upon the borrowing spouse's death and establishes the possibility for the NBS to be assessed for an ***assignment to HUD if they meet certain conditions***

Newer Loans

(effective for HECMs endorsed 8/4/14)

▶ NBS Eligibility Requirements

- ▶ HECM loan documents now contain a provision deferring D&P status until the death of the last surviving non-borrowing spouse (NBS) or until another listed default event occurs.
- ▶ NBS must be identified at the time of loan closing and named as non-borrowing spouse in the HECM documents.
- ▶ NBS must have remained married to the borrower for the duration of the borrower's lifetime.
- ▶ Certifications are signed by both at loan closing and annually thereafter.
- ▶ Loan will be considered in a "Deferral Period" for D&P and remains with the Investor/Servicer.



Newer Loans

(effective for HECMs endorsed after 8/4/14)

▶ NBS Eligibility Requirements

- ▶ NBS must have occupied, and continues to occupy, the property secured by the HECM loan as their principal residence
- ▶ **Able to obtain marketable title or legal right to the property within 90 days following the death of the last surviving borrower**
- ▶ The loan cannot be due and payable for any other reason than the death of the borrower
- ▶ Agrees to meet all the contractual obligations of the HECM borrower (remain current on taxes, insurance, HOA)
- ▶ If the NBS ceases to meet requirements, or dies, the loan is called due & payable as a result of the last surviving borrower's death (i.e., their spouse's previous death)

Newer Loans

(effective for HECMS endorsed after to 8/4/14)

- ▶ The NBS must provide the following information
 - ▶ Borrowers death certificate
 - ▶ Evidence of title or right to remain in the property
 - ▶ Written Certification wherein for promises made, NBS will be permitted to remain for life or until they default

Older Loans (“MOE”)

(effective for HECMs endorsed prior to 8/4/14)

- ▶ In response to a legal ruling from the U. S. District Court concerning HECM mortgages that did not contain language deferring the D&P status of the mortgages until the death of the borrower’s spouse (those issued prior to 8/4/14) , FHA approved two new paths for investors/servicers to consider for these mortgages:
 - ▶ Foreclose in accordance with the contract as endorsed; or
 - ▶ Utilize the Mortgagee Optional Election (“MOE”) Assignment.



Older Loans (“MOE”)

(effective for HECMs endorsed prior to 8/4/14)

▶ MOE NBS Eligibility Requirements

- ▶ Legally married to the borrower at the time the loan was closed or engaged in a committed relationship where marriage was prohibited at the time.



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- ▶ If the NBS ceases to meet requirements, or dies, the loan is called due & payable as a result of the last surviving borrower’s death (i.e., their spouse’s previous death)

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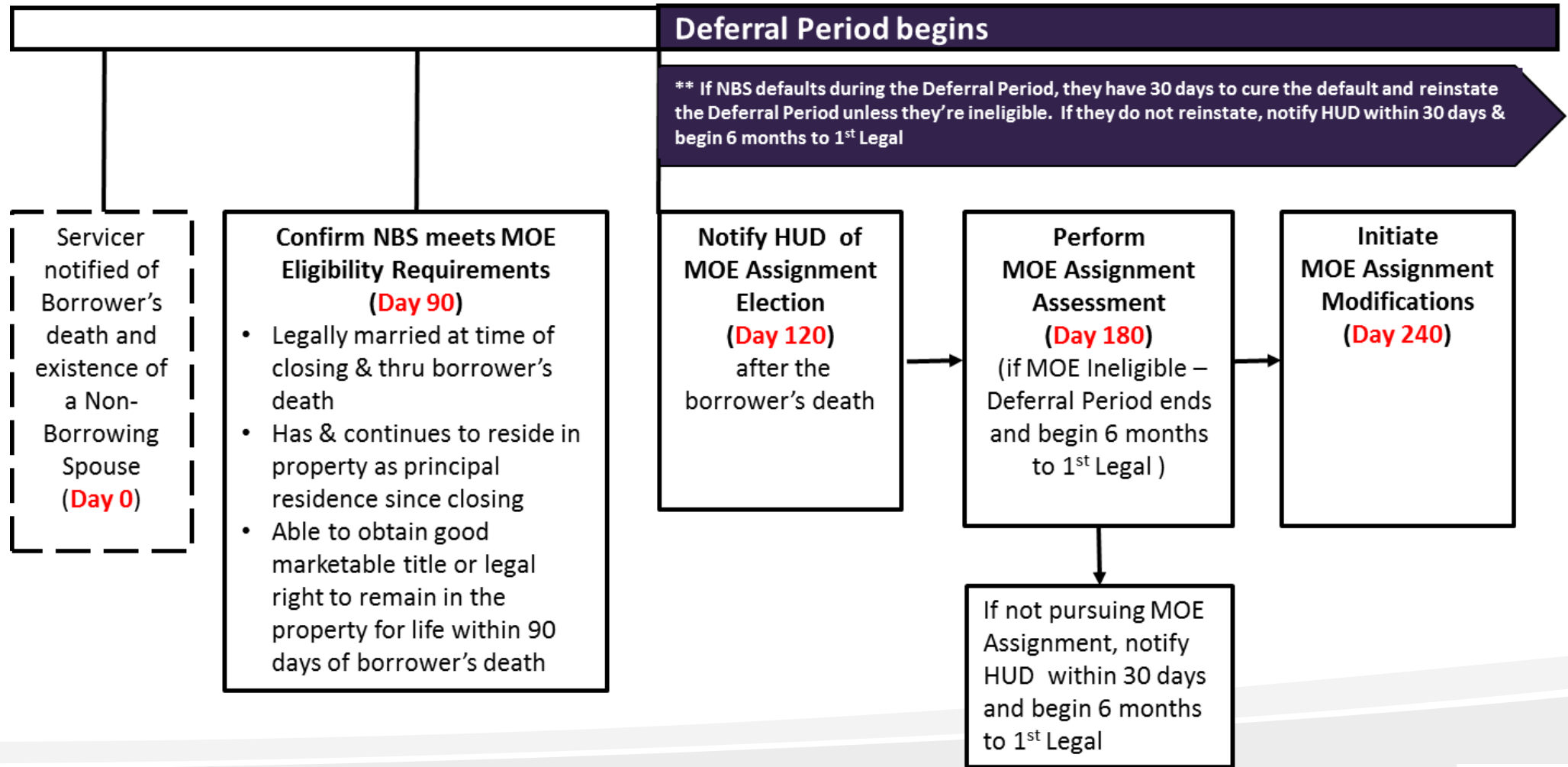
- ▶ The NBS must provide the following information
 - ▶ SSN
 - ▶ Marriage Certificate or equivalent
 - ▶ Borrowers death certificate
 - ▶ Evidence of title or right to remain in the property
 - ▶ Written Certification wherein for promises made, NBS will be permitted to remain for life or until they default
 - ▶ Tolling Agreement – Statute of Limitations waiver

Older Loans (“MOE”)

(effective for HECMs endorsed after 8/4/14)

- ▶ Investor/Servicer assesses all NBS to ensure all requirements are met utilizing the documents provided by the NBS
- ▶ Investor/Servicer signs a Certification that the requirements are met and there is a valid and enforceable first lien with no impediments to securing good marketable title
- ▶ **The “package” is submitted to HUD for their review and acceptance**
- ▶ Loan is assigned to HUD for future servicing

Timeline





Older Loans (“MOE”)

- ▶ Certain states’ probate procedures may impede a NBS’s ability to obtain title or establish legal right to remain in the property before the MOE assessment completion deadline.
- ▶ In Mortgagee Letter 2016-05, HUD provided for a 60 day extension for the servicer to receive the NBS evidence of legal title or right to remain has been secured but it does not extend the Older Loans timeline (i.e., 240 days).