



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
**FEDERAL HOUSING ADMINISTRATION**  
SINGLE FAMILY HOUSING



2019 National Reverse Mortgage Lending Association (NRMLA)  
Western Regional Meeting

## **HECM Update**

March 25, 2019

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**OFFICE OF SINGLE FAMILY HOUSING**



# Meeting the Future Housing Needs of Seniors

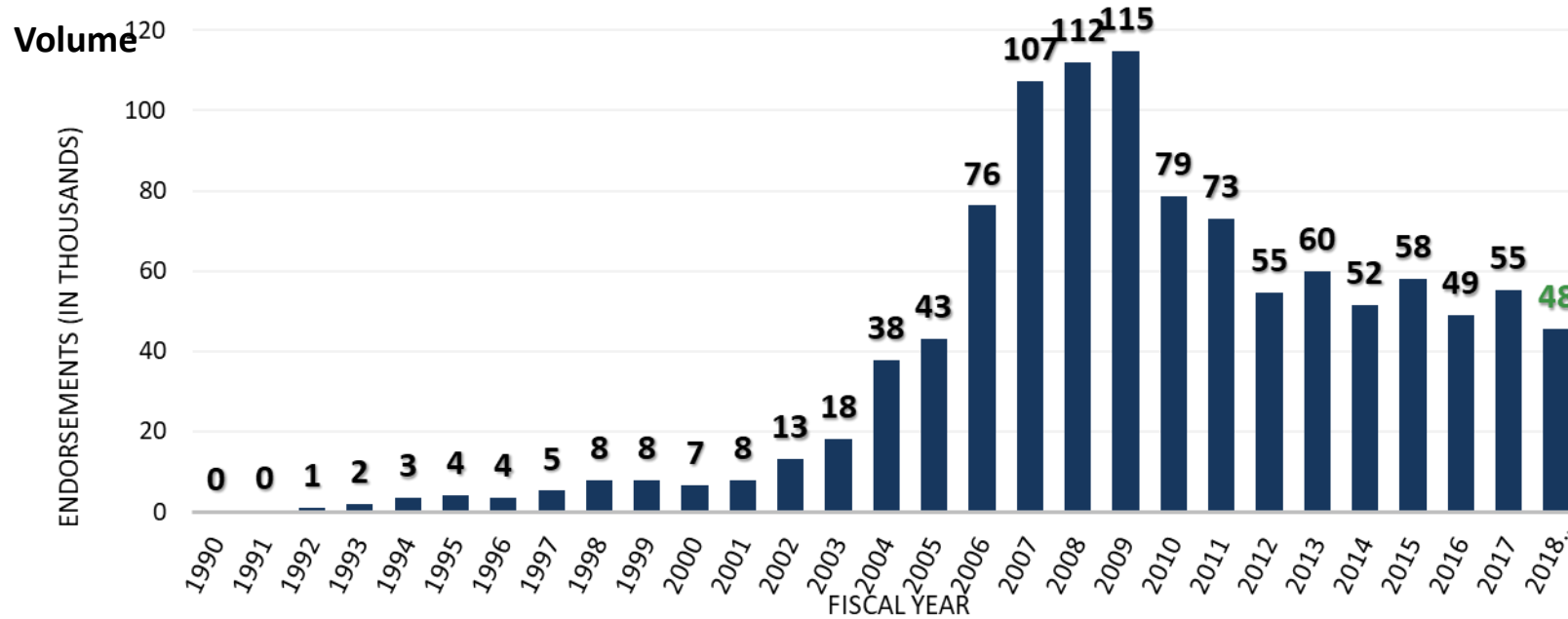
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- By 2050, the population of individuals who are 65 and older in the United States is projected to double, growing faster than any other age group.
- Indeed, “aging in place” is the preference of most people.
- Today, a third of adults aged 50 and over—including 37 percent of those aged 80 and over—pay more than 30 percent of income for housing that may or may not fit their needs.

**Source:** *Joint Center for Housing Studies of Harvard University – Housing Americas Older Adults*



# HECM Endorsement Portfolio Snapshot

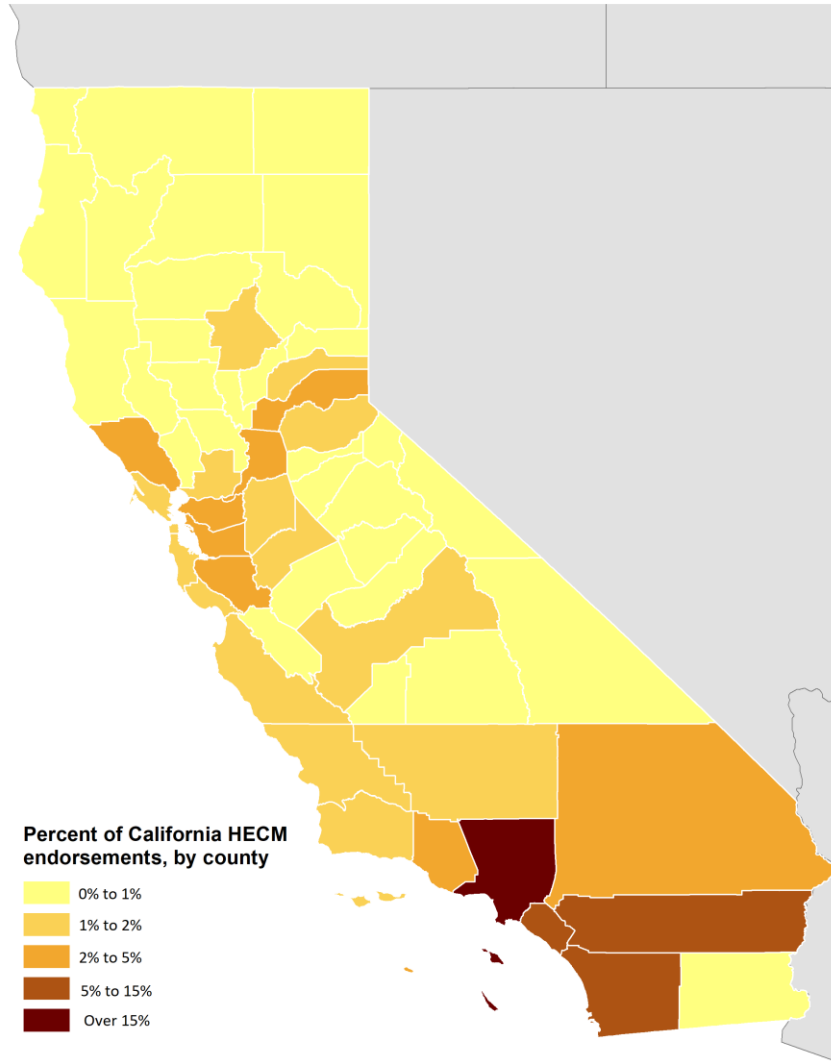


Maximum Claim Amount (in billions)												
FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
\$ 17.9	\$ 24.6	\$ 24.2	\$ 30.1	\$ 21.1	\$ 18.2	\$ 13.2	\$ 14.7	\$ 13.5	\$ 16.1	\$ 14.7	\$ 17.7	\$ 16.2

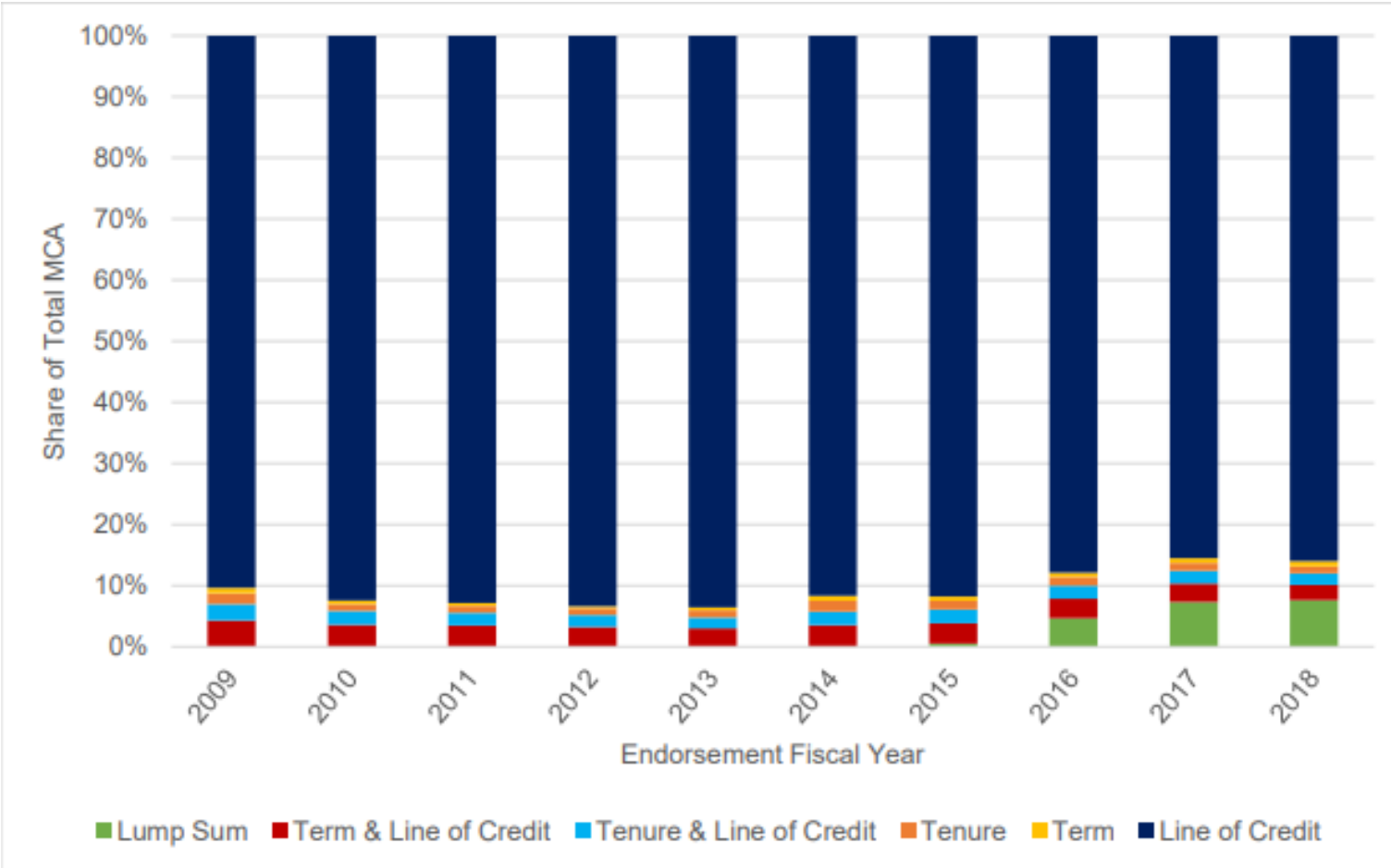




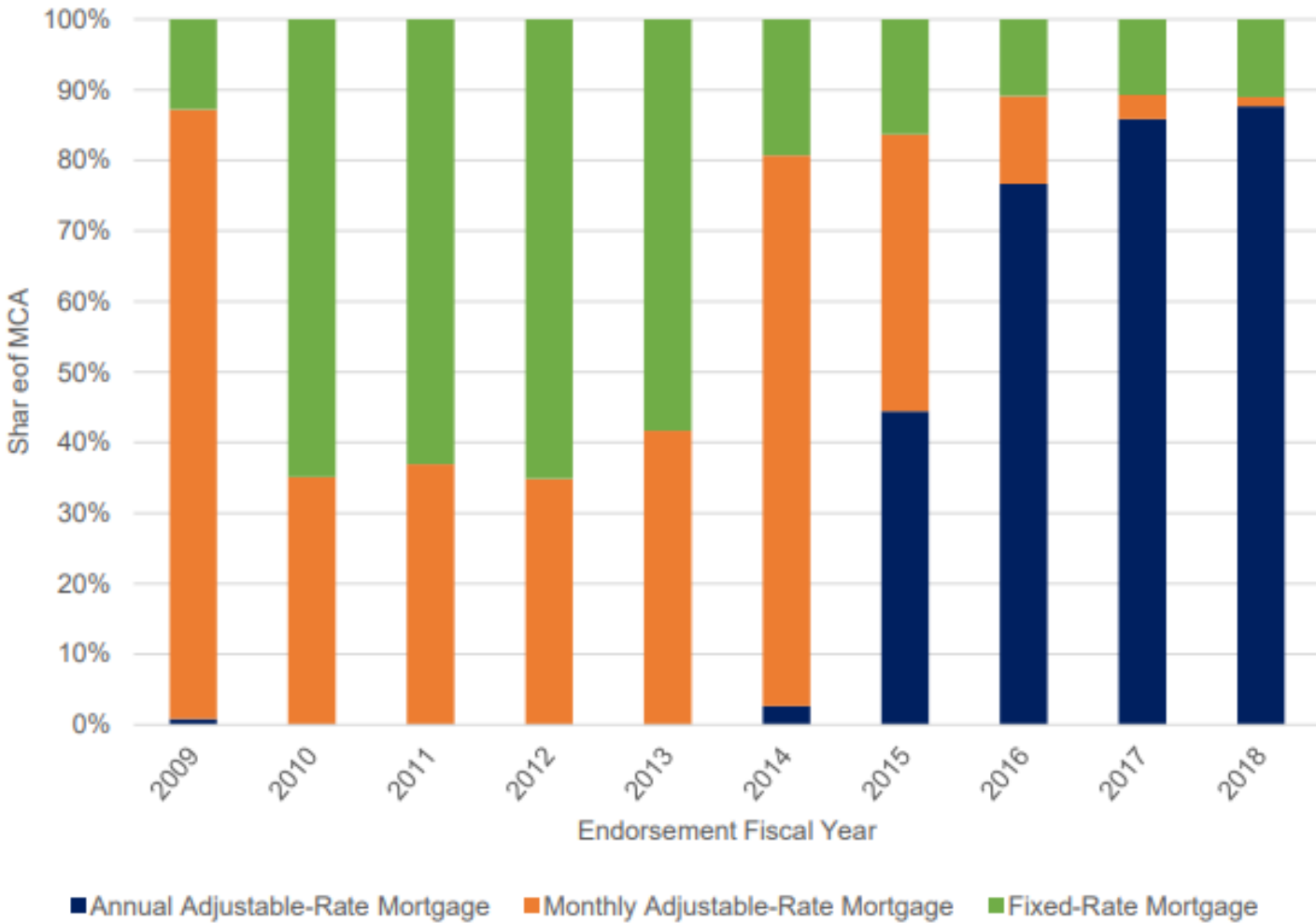
# FY18 HECMs by Endorsement — CA



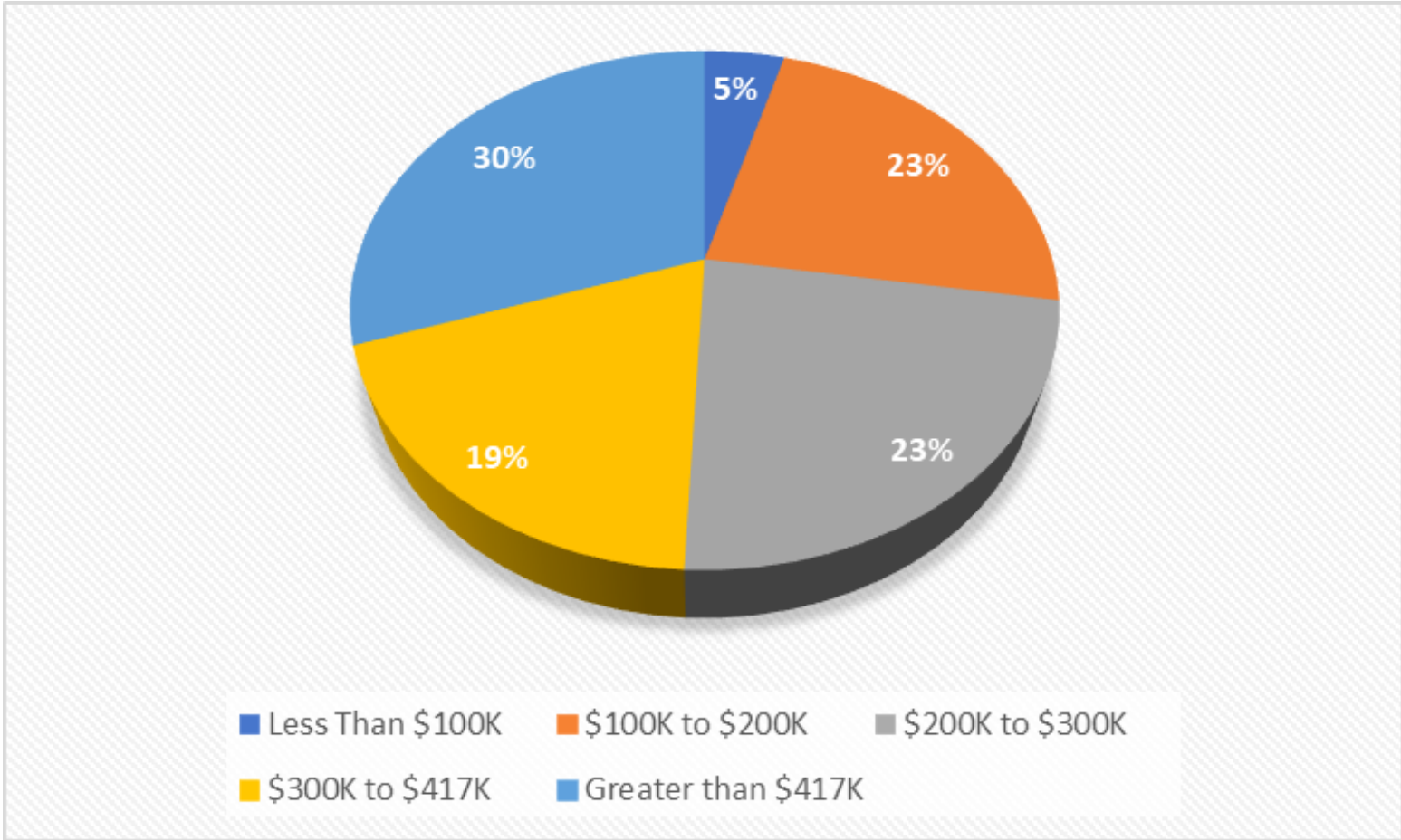
# Distribution of HECM Loans by Payment Type



# Distribution of HECM Loans by Interest Rate Type

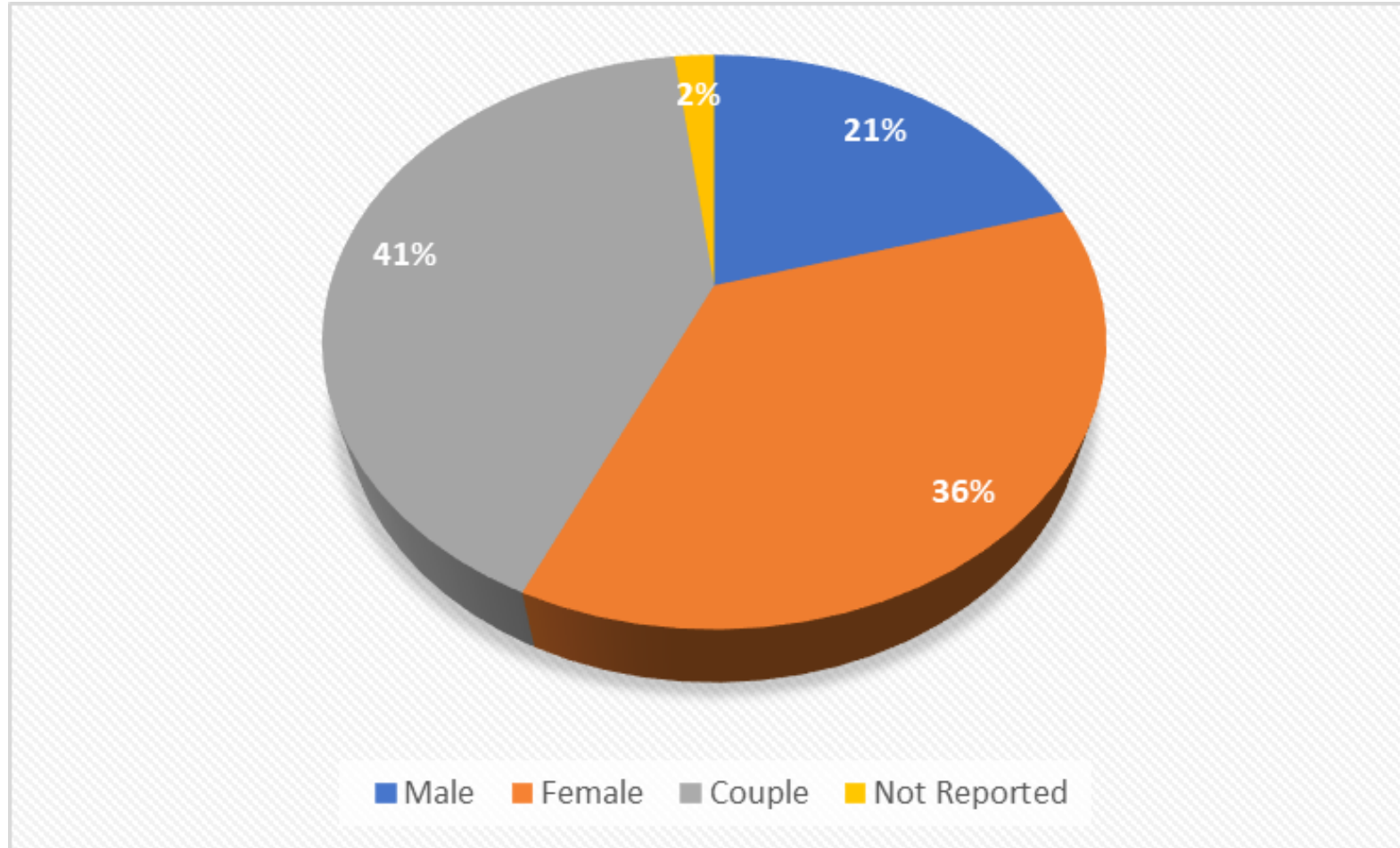


# FY18 — Distribution of HECM Loans by MCA





# FY18 - Distribution by Borrower(s)



# Key Highlights for FY18

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- FHA endorsed 48,327 HECMs in FY18 with a Maximum Claim Amount (MCA) of \$16.19 billion. Average MCA per HECM reached \$334,989 FY18.
- The HECM portfolio grew to \$72.41 billion of Insurance-in-Force (IIF), \$111.34 billion in total outstanding MCA, and \$87.13 billion in total current Principal Limit.
- Average borrower age for a newly endorsed HECM increased minimally, from 73.16 years of age in FY17 to 73.34 years of age in FY18.
- By far the largest state for HECM endorsements by MCA is California at 33.17 percent, followed by Florida at 6.79 percent, and Colorado at 6.67 percent.



# Changes in HUD Statutes FY17-FY18

1. Limitation on Number of Mortgages (§ 206.34)
2. Seasoning Requirements for Existing Non-HECM Liens (§ 206.36)
3. Use of HECM Proceeds at Closing (§ 206.25)
4. Designation of Alternate Individual (§ 206.40)
5. HECM for Purchase Interested Party Contributions (§ 206.44(c))
6. Maximum Closing Costs (§ 206.125(a)(2)(ii))
7. Appraisal Requirements (§ 206.125(b))
8. Cash for Keys (§ 206.125(g)(4))
9. Payment of Claim (§ 206.129(d)(3))
10. Borrower Elects to Have Mortgagee Pay Property Charges (§ 206.205(b)(ii) and (d))



# FHA's 2018 Annual Report to Congress

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The financial status of the MMIF, issued November 15, 2018, reported, the 2018 HECM portfolio has a negative capital ratio of 18.83 percent and a negative economic net worth of \$13.63 billion.



# Reverse Mortgage Stabilization Act of 2013

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Amends the National Housing Act, with respect to mortgage insurance for home equity conversion mortgages (reverse mortgages) of elderly homeowners, to authorize the Secretary of Housing and Urban Development (HUD) to establish, by notice or mortgagee letter, any additional or alternative requirements determined necessary to improve the fiscal safety and soundness of the reverse mortgage program.



# Reverse Mortgage Stabilization Act of 2013 (cont.)

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Since 2013, FHA has implemented various Home Equity Conversion Mortgage (HECM) program changes to mitigate financial stress to the Mutual Mortgage Insurance Fund (MMIF), while maintaining the integrity, transparency, and viability of the program.



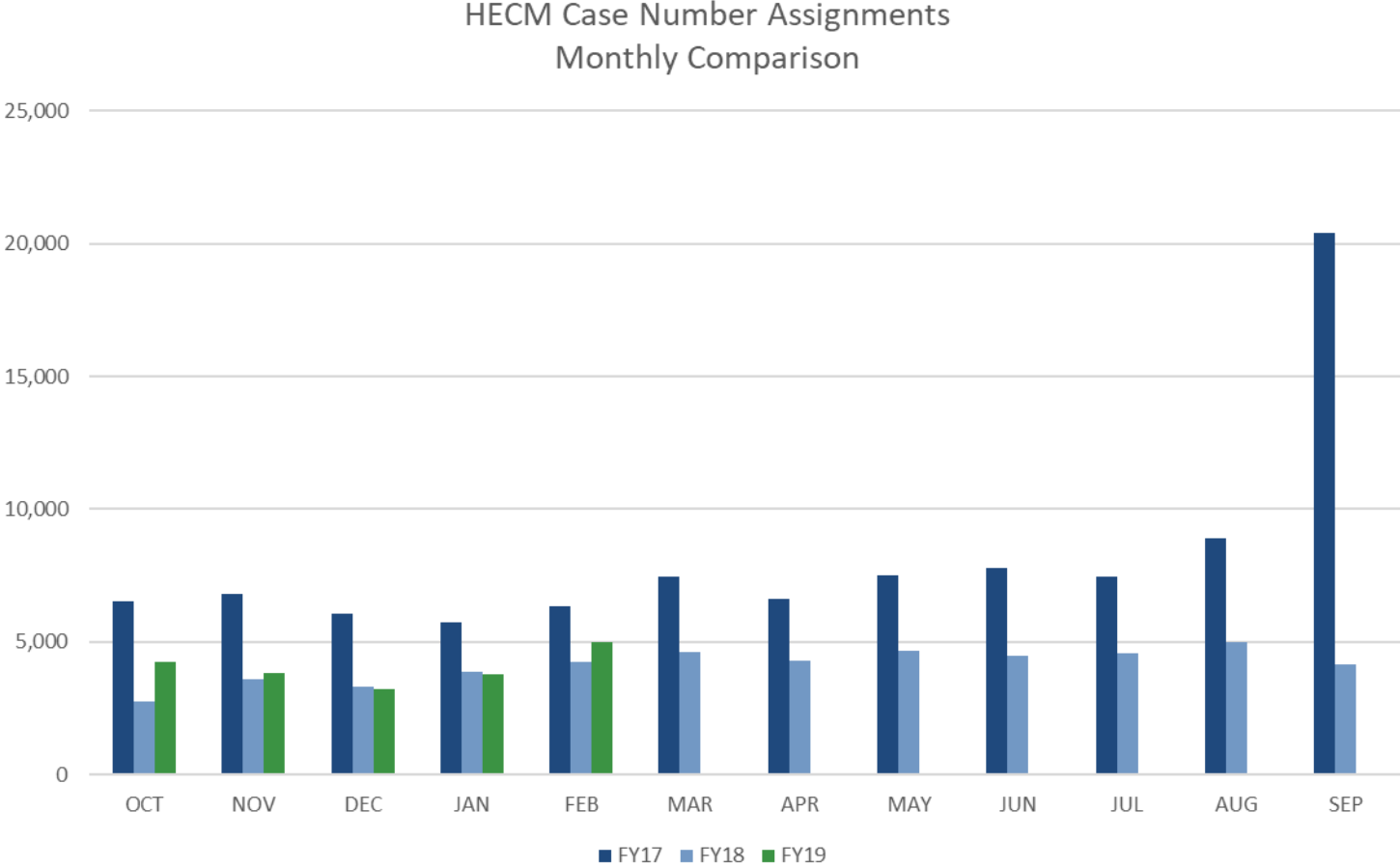
# Early FY19 Initiatives

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- To further mitigate risks for new HECM endorsements, FHA made revisions to collateral valuation (property appraisal) practices for HECM endorsements beginning in FY19. As of October 1, 2018, FHA performs a collateral (property appraisal) risk assessment on all HECMs submitted for insurance endorsement.
- Third Party Verification (TPV) provides an alternative means for verifying a borrower's employment, income, and assets, which would eliminate the requirement for a mortgagee to collect paystubs, W-2s, and bank statements. The inclusion of TPV guidance in the HECM Financial Assessment and Property Charge Guide aligns HUD policy with industry practice.



# HECM Case Number Assignments





# HECM Case Number Assignments (cont.)

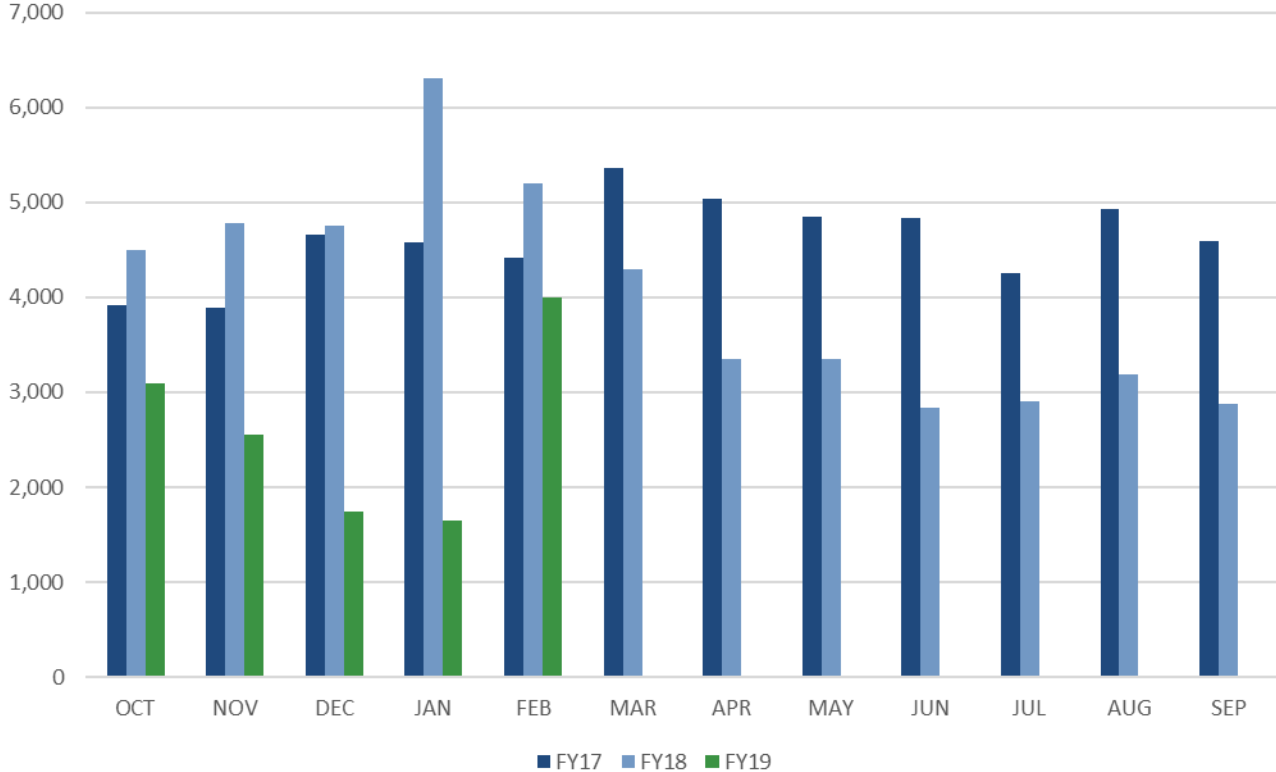
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- The number of case numbers assigned during February 2019 was nearly 5,000, which is above the roughly 4,200 during the same month last year.
- Case number assignments for this fiscal year continues to be above the pace set last fiscal year.



# HECM Endorsements

HECM Endorsements  
Monthly Comparison



## HECM Endorsements (cont.)

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- Endorsements increased from around 1,600 in January 2019 to about 4,000 in February 2019.
- The pace is below the same period last fiscal year.



## Implement, Monitor, and Measure the Impact of Policy Changes

- Financial Performance of the HECM Portfolio
- Economic Conditions
  - Home Prices
  - Interest Rates
- Collateral Risk Assessment

# Helpful Links

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- SF Handbook Information:

[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1)

- Upcoming Single Family Housing Events and Training :

[https://www.hud.gov/program\\_offices/housing/sfh/events](https://www.hud.gov/program_offices/housing/sfh/events)

- Subscribe to FHA INFO:

[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/FHA\\_INFO\\_subscribe](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe)



# FHA Resource Center

Option	Point of Contact	Hours Available	Comments
1 FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page 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	Voicemail is available after hours or during extended wait periods.

*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](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe)



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**Thank You**

