

National Reverse Mortgage Lenders Association

Annual Meeting & Expo

November 18-20, 2019

Nashville, TN





Servicing Panel Discussion

What Loan Officers Need to Know

Common Servicing Topics

First Things First – Privacy Protection

Before Death of Borrower	Permissions
Alternate Contact on Loan Application	Used only to locate Borrower; cannot discuss account
Authorized Third-Party	Can discuss account
Attorney-in-Fact, Guardian or Conservator	Can discuss account and can act on behalf of the borrower

Note: Loan Officers must provide written Borrower Authorization

First Things First – Privacy Protection

After Death of Borrower	Permissions
Authorized Third-Party	No longer authorized to discuss account
Attorney-in-Fact, Guardian or Conservator	No longer authorized to discuss account or act on behalf of borrower
Executor Personal Representative of the Estate (with supporting documentation)	Can discuss account-specific information and can act on behalf of borrower (i.e., Short Sales/DIL)

Note: Loan Officers must provide written Borrower Authorization



Line of Credit Draws

- Must request funds in writing
- POA should sign "*Name, Attorney-in-Fact for <Borrower Name>*"
- Funds released within 5 business days from receipt of a completed draw request
- Direct Deposit or Check
- Encourage Direct Deposit
- Subject to First Year Restriction (IDL)



Initial Disbursement Limit

A borrower is limited to what they can borrow in the first year of the loan based on the Initial Disbursement Limit (IDL).

- Most borrowers use up IDL with their initial starting UPB (as they are paying off their 1st mortgage, financing closing costs, etc.).
- If any IDL left over, borrower can access that up to first year restriction.

Example: IDL = \$100,000 and starting UPB of \$100,000: No draw in first year.

- If \$10K prepayment is made, and loan is open-ended, they can re-borrow that \$10K in the first year.
- Overall, they are not exceeding the \$100K IDL in the prepayment/reborrow scenario.

A borrower cannot ever access more than their IDL in the first year – even if it's a hardship or emergency situation.



Prepayments


- Borrower can make prepayments in at any time
 - Payment Application:**
 - First to MIP
 - Second to Servicing Fees
 - Third to Interest
 - Fourth to the remaining portion of the Principal Balance
- LOC: Must maintain a nominal balance in Line of Credit to keep loan open
- A borrower with a LOC can re-borrow 100% of any prepayments made, subject to any first year restriction.



Payoff Quotes

- Must be requested by an authorized party or be accompanied by a signed Borrower's Authorization
- Borrower Authorization E-Signatures are acceptable if from Title/Escrow Companies
- Only incurred fees can be included in the payoff quote
- Turn time longer for loans in default or foreclosure (must get current incurred fees from attorneys/vendors)
- If loan is in Foreclosure, quote will take longer to prepare (gather fees incurred from vendors) and have a shorter good-through date

Note: Some borrowers repeatedly request payoff quotes to make prepayments. It's important that they indicate their intent as they must maintain a nominal balance in Line of Credit to keep it open.



Default/Maturity

Events of Default:

- 1) **Occupancy** - move out of all borrowers
- 2) **Property Charges** - failure to pay
- 3) **Property Condition** - Failure to maintain condition
- 4) **Title Transfer** - no borrower remains on title
- 5) **Death** - of last remaining borrower or non-borrowing spouse



Occupancy

- Borrowers should notify their Servicer if they will be out of home for >2 months
- Borrowers can be out of their home for up to 12 months for health reasons
 - Process:
 - 1st cert mailed annually within 30 days of closing date anniversary
 - 2nd cert mailed 30 days later
 - Phone calls begin 30 days later
 - Property Inspection ordered
 - Send to HUD for approval call due & payable

Verbal verification not acceptable. HUD requires the signed Occupancy Cert form that includes required HUD-prescribed certification language.



Taxes & Insurance

- Servicers send letter cycles pre and post due date
- Case #s prior to 9/19/17: Servicer must call due within 30 days of advancing funds
- Case #s after 9/19/17: Servicer required to send PCDL after an advance, then wait 30 days, then submit to HUD for D&P approval within 30 days of PCDL expiration.
- **Property Charge Delinquency Letter (PCDL):**
 - States an obligation of borrower to pay property charges has not been met;
 - States failure of borrower to pay property charges will result in loan becoming D&P;
 - Includes the amount advanced by the Servicer;
 - Provides notice of availability of Housing Counseling;
 - Provides notice of any available loss mitigation options the mortgagee may offer.
- *Points to be aware of:*
 - *Mortgagee must be a named payee on insurance policy*
 - *HO-6 coverage required on condominiums*



Taxes & Insurance - LESAs

Purpose: Set Aside for Tax & Insurance Payments


- **Fully-Funded LESA:** required when borrower *has not* demonstrated a satisfactory credit history and/or property charge payment history, even if residual income is sufficient. **Property charges will be paid by the servicer out of the LESA Set-Aside.**
- **Partially-Funded LESA:** required when borrower *has* demonstrated a satisfactory credit & property charge payment history, but residual income is not sufficient. The borrower will receive semi-annual payments designed to bring residual income up to the standard. **The Borrower is responsible for the payment of all property charges.**



Taxes & Insurance - LESAs

Restrictions:

- A LESA cannot be cancelled or changed during the life of the loan.
- The funds are set aside for the specific intent of payment of property charges and a borrower may not access them for any other reason.
- If the borrower passes away, any NBS would **NOT** have access to the LESA.



Taxes & Insurance – Default Remedies

1. **Repayment Plan** – ref. ML 2015-11
 - Term length depends upon income
 - May be required to repay before MCA reaches 98%
 - Payment cannot >25% of the borrower's monthly surplus income
2. **At Risk Extension of Foreclosure**
 - Youngest living mortgagor is at least 80 *and* has critical circumstances
 - Must be supported with documentation and renewed annually
3. **Refinance**
4. **Local Assistance Programs**



Repair Rider

1. Completion Date specified in Repair Rider to Loan Agreement
2. Maximum of 12 months (including any extensions)
3. Failure to complete Repairs by deadline = Default (LOC frozen)
4. Contact Servicer regularly to report progress
5. Repair inspection required prior to disbursement of funds
6. Lien Waiver required from contractors to close out repairs
7. Upon completion and inspection, any remaining funds in Repair Set
Aside can be accessed by Borrower



Loss Drafts

1. Borrower should contact their Insurance Carrier(s)
2. Document repairs due to the incident
3. Insurance Adjuster will inspect the damage to determine claim
4. Contact Servicer regularly to report progress
5. Repair inspection required prior to disbursement of funds
6. Lien Waiver required from contractors to close out repairs
7. Upon completion and inspection of 100%, any remaining funds will be sent to borrower

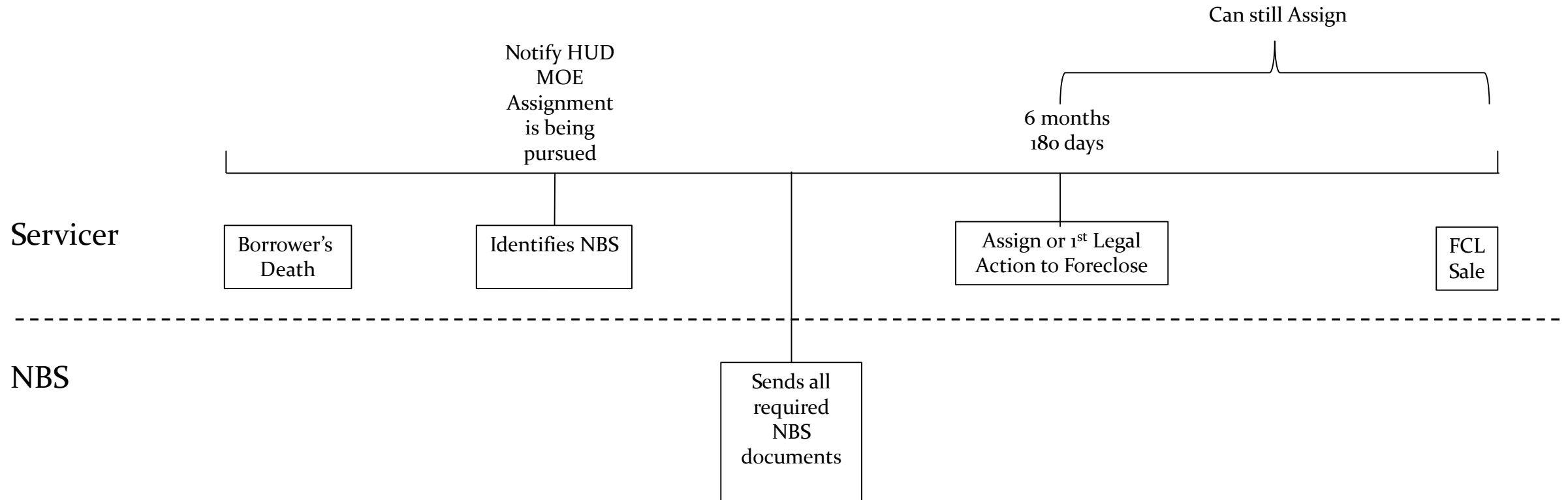


Non-Borrowing Spouse – New Guidance

Mortgagee Letter 2019-15

1. Eliminated all the servicer/NBS assessment deadlines to make it easier to qualify and eliminated the requirement to demonstrate the legal right to reside in the property for life
2. Eligibility requirements:
 - Legally married/committed relationship
 - Continuous residency
 - Pay all past due T&I, HOA, etc. before Assignment
3. Documents required from NBS:
 - NBS Certification (agree to provide SS#, continue to reside in property, pay all T&I, HOA, etc., agree to annually certify)
 - Copy of Death Certificate
 - Marriage Certificate/evidence of committed relationship
4. Implemented a requirement for mortgagees to request information from borrowers to attempt to identify all unknown Non-Borrowing Spouses (Annual Occupancy Certification)

MOE Non-Borrowing Spouse - New Guidance





Maturity / Death

Encourage Borrowers to Prepare for Maturity & Inform Heirs:

- Name and Phone Number of Servicer
- Recent Account Statement
- POA or A3P letter
- Copy of Will



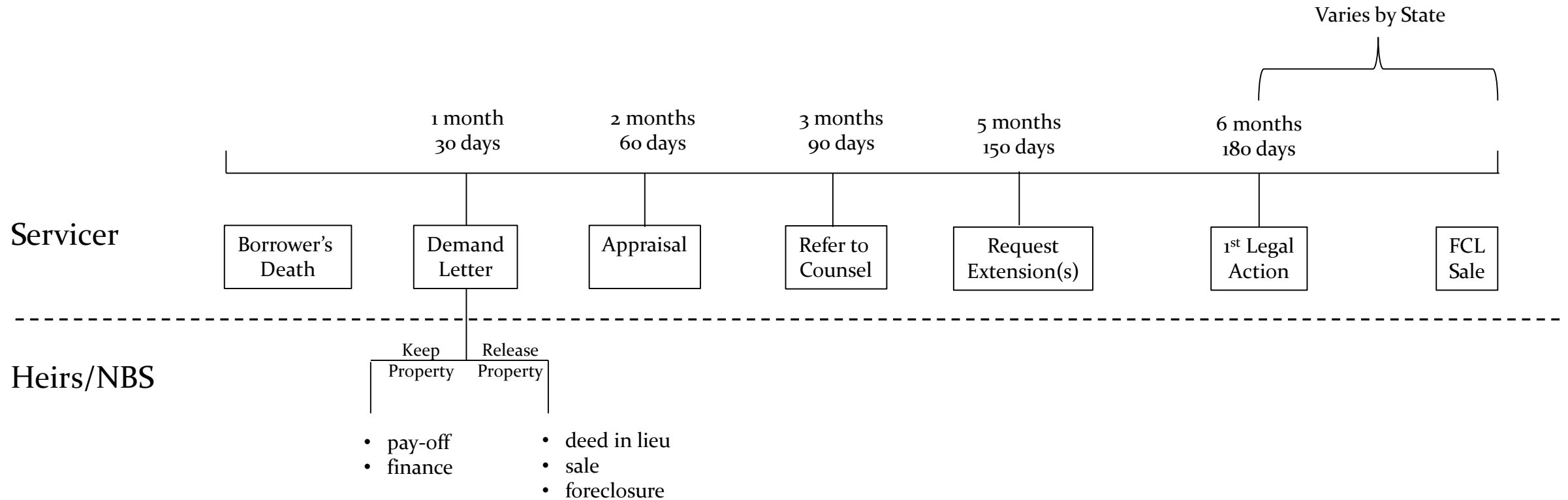
Maturity / Death

Process:

- Upon notification: Demand Letter Sent
HUD prescribed language; 30 days to satisfy debt or provide letter stating intentions with property/loan
- 90 days later – Servicer initiates first legal action of Foreclosure
Required 6 months after death/default; FC timeframes vary by jurisdiction
- Estate can request up to 2 90-day extensions of FC
With proof property is being marketed – listing agreement, sales contract
- Probate completed if required in jurisdiction



Maturity / Death





Default Remedies

1. Occupancy – move back into property
2. Property Charges – repayment plan
3. Property Condition – repair property
4. Title Transfer – put a borrower back on title
5. Short Sale – if loan in default, can sell for 95% of market value; if not in default, 100%
6. Deed-in-Lieu – title must be clear, property broom swept and authorized representative appointed to convey title



Misc. FAQs

Divorce:

- Does not remove a borrower from the obligations on a HECM loan
- Only option is to refi to remove a borrower

HECM for Purchase:

- Borrower can make a prepayment after closing to create an LOC balance (if loan is open-ended), up to the principal limit.
- Borrower is limited to what they can borrow in the first year of the loan based on the Initial Disbursement Limit.
 - **Example:** IDL of \$100,000, starting UPB of \$100,000
 - Borrower makes \$10K prepayment (loan is open-ended)
 - They can re-borrow that \$10K in the first year



Resources

Consumer Guides @ NRMLA.org – <https://www.nrmlaonline.org/>

- What You Need to Know About Your HECM After Closing
- What Do I Do When My Loan is Due?

HUD Websites:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome

http://portal.hud.gov/hudportal/HUD?src=/topics/information_for_senior_citizens

Counseling - 800-569-4287

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmclist