

Welcome to NRMLA's Webinar on Reverse Mortgage Servicing



Today's Presenters



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Today's Agenda

- Applying partial prepayments
- Due and payable timelines (ML 2020-06)
- Draw requests
- Occupancy (ML 2020-04)
- Q&A

Prepayment Application Waterfall

HECM Model ARM Note*

All prepayments of the Principal Balance shall be applied by Lender as follows:

First, to that portion of the Principal Balance representing aggregate payments for mortgage insurance premiums;

Second, to that portion of the Principal Balance representing aggregate payments for servicing fees;

Third, to that portion of the Principal Balance representing accrued interest due under the Note; and

Fourth, to the remaining portion of the Principal Balance.

A Borrower may specify whether a prepayment is to be credited to that portion of the Principal Balance representing monthly payments or the line of credit. If Borrower does not designate which portion of the Principal Balance is to be prepaid, Lender shall apply any partial prepayments to an existing line of credit or create a new line of credit.

Provided the loan is not closed-ended, a partial pre-payment will cause the Net Principal Limit to increase by the same amount and will increase the Line of Credit, if applicable.

*https://www.hud.gov/sites/documents/HECM_MODEL_ARM_NOTE.PDF

For Proprietary Loans, refer to terms of the Note.

Prepayment Application Waterfall

HECM Model Fixed Rate Note*

5. BORROWER'S RIGHT TO PREPAY

A Borrower has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty. Any amount of debt prepaid will be applied to reduce the Principal Balance of this Note.

All prepayments of the Principal Balance shall be applied by Lender as follows:

First, to that portion of the Principal Balance representing aggregate payments for mortgage insurance premiums;

Second, to that portion of the Principal Balance representing aggregate payments for servicing fees;

Third, to that portion of the Principal Balance representing accrued interest due under the Note; and

Fourth, to the remaining portion of the Principal Balance.

[*https://www.hud.gov/sites/documents/HECM_MODEL_FIXED_NOTE.PDF](https://www.hud.gov/sites/documents/HECM_MODEL_FIXED_NOTE.PDF)

For Proprietary Loans, refer to the terms of the Note.

Fixed Rate HECM Loans

Single Disbursement Lump Sum Payment Plan*

EXHIBIT 1
HOME EQUITY CONVERSION FIXED RATE MORTGAGE
PAYMENT PLAN

17. Net Principal Limit (Not available to the Borrower)

Line 17. The result of subtracting Line 16 from Line 1 (Line 1 – Line 16) is entered on this line.
This amount is not available to the borrower after closing under any circumstances.

Pre-payments on a
Fixed Rate HECM
may not be re-drawn
by the borrower.

*HECM Fixed Rate Payment Plan:

https://www.hud.gov/sites/documents/HECM_MODEL_FIXED_PAY_PLAN.PDF

HOW THE HECM PROGRAM WORKS

https://www.hud.gov/program_offices/housing/sfh/hecm/hecmabou

For fixed interest rate mortgages, you will receive the Single Disbursement Lump Sum payment plan.

ML 2020- 06 Covid-19 Extensions

- Borrowers who are not yet due and payable for taxes, insurance or occupancy can request an automatic **6-month extension** to NOT call their loan due and payable
 - This is likely to occur when borrowers call in advance and let their servicer know that they will not be able to pay
- For all loans that are due and payable for any reason who are facing 1st Legal, foreclosure or eviction
 - Borrowers or heirs can request an automatic **6-month extension**
 - Servicers and Investors can take an automatic **6-month extension** (can grant without the borrower requesting)
- HUD will consider accepting an additional **6-month extension** after the expiration of the first automatic 6-month extension
- Servicers and Investors can take a **6-month extension** to the marketing period for REO
- Requesting or granting an extension expires on October 30, 2020

Line of Credit Draw Requests

- Exceptions for verbal draw requests may be considered.
 - Each situation is unique and must be evaluated, including dollar amount requested, Direct Deposit / ACH setup, draw patterns, etc...
- Borrowers should contact their Servicer if they are unable to submit a request for funds in writing.

Originators should encourage Direct Deposit/ACH setup at Closing.

Occupancy Certification

- 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 may begin 30 days later and/or additional cert mailed
 - Property Inspection ordered as no contact per ML 2020-04
 - Send to HUD for approval call due & payable
- Under Mortgagee Letter 2020-12, HUD is allowing, as part of the assignment of the mortgage on or before October 30, 2020; in lieu of the annual occupancy certification signed by the Borrower, an emailed or verbal occupancy certification is acceptable.