



National Reverse Mortgage Lenders Association

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VIA ELECTRONIC MAIL [luis.c.fernandez@afv.pr.gov]

Luis C. Fernández-Trinchet, Esq., CFA
Secretary
Puerto Rico Department of Housing
P.O. Box 21365
San Juan, Puerto Rico 00928-1365

**RE: CDBG-DR FUNDS FOR PAYMENT OF ARREARAGES ON TAXES AND INSURANCE
FOR HOME EQUITY CONVERSION MORTGAGES**

Dear Mr. Fernández-Trinchet:

The National Reverse Mortgage Lenders Association (“NRMLA”) and its individual industry members holding Federal Housing Administration (“FHA”)-insured Home Equity Conversion Mortgages (“HECMs”) in Puerto Rico formally request that the Puerto Rico Department of Housing (“PRDOH”) act upon the U.S. Department of Housing and Urban Development’s (“HUD’s”) grant of authority to it for the use of up to Five Million Dollars (\$5,000,000.00) to assist certain elderly homeowners in Puerto Rico.

NRMLA is the national voice of the reverse mortgage industry. With over 300 member companies and over 2,000 member delegates, NRMLA serves as an educational resource, policy advocate and public affairs center for lenders and related professionals. NRMLA was established in 1997 to enhance the professionalism of the reverse mortgage industry. Our mission includes educating industry participants on best practices, regulatory requirements and market dynamics; providing helpful information to consumers about reverse mortgages; enforcing our Code of Ethics and Professional Responsibility; and offering insight to policymakers working on reverse mortgage matters and related issues. NRMLA members make over 90% of the reverse mortgages originated today.

Herein, we make reference to that certain Puerto Rico Disaster Recovery Action Plan for the Use of CDBG-DR Funds in Response to 2017 Hurricanes Irma and María (as the same may have been amended or may hereafter be amended from time to time, the “Action Plan”), pursuant to which the Government of Puerto Rico, through the PRDOH, set forth the proposed uses and programs to be established with the Community Development Block Grant – Disaster Recovery (“CDBG-DR”) awarded by the Congress of the United States of America to the Government of Puerto Rico as a result of Hurricanes Irma and María (collectively, the “Hurricanes”). Reference is also made to that certain notice published by HUD in the *Federal Register* on February 19, 2019 (the “Notice”),¹ pursuant to which HUD granted and/or established certain waivers, alternative requirements and extensions for CDBG-DR grantees.

¹ 84 Fed. Reg. 4836 (Feb. 19, 2019).

In the initial Action Plan, the Government of Puerto Rico proposed the use of a significant portion of the CDBG-DR funds to assist homeowners to remain in their homes and prevent avoidable foreclosures by providing an allocation of funds to individual recipients adversely affected by the Hurricanes for the payment and/or “catch-up” by those recipients of past due principal, interest, tax and insurance payments (hereinafter, the “Mortgage Catch Up Program”). The Mortgage Catch Up Program, as originally proposed, was not approved by HUD² which resulted in the PRDOH announcing that, pursuant to the Notice, it was required to zero out the funds proposed for the Mortgage Catch Up Program and to re-program those funds for a subsequent amendment to the Action Plan.

Although HUD rejected the Mortgage Catch Up Program, in the Notice, however, it authorized alternatives uses of such funds to provide relief and assistance to homeowners with mortgages during the recovery period, specifically directed to elderly homeowners who, in particular, have experienced difficulties in meeting mortgage obligations due to the Hurricanes and face potential foreclosure proceedings, possibly resulting in the loss of their homes at the most vulnerable stage in their lives. Consequently, pursuant to the Notice, HUD expanded the definition of public service at 42 U.S.C. § 5305(a)(8) to allow the Government of Puerto Rico “**to use up to \$5,000,000 of CDBG-DR funds for the purpose of paying arrearages on taxes and insurance for Home Equity Conversion Mortgages (“HECM”) insured by the Federal Housing Administration**”; provided, that certain eligibility criteria is met.³ As you may be aware, HECM is the formal name granted by FHA to what is commonly referred to in the banking and real estate industries as *reverse mortgages*, and which are granted exclusively to elderly individuals. In fact, one of the main requirements to qualify for a HECM is that the individual must be age 62 or older.

In other words, HUD authorized the Government of Puerto Rico to establish under the PRDOH, as an eligible activity under CDBG-DR in substitution of the Mortgage Catch Up Program originally proposed, a program to assist elderly citizens in the payment of their past due taxes and insurance so as to help these elderly individuals avoid facing foreclosure of their homes. HUD’s rationale for suggesting the adoption of the alternative program and allowing such allocation under the CDBG-DR, was that elderly homeowners have been particularly affected by the Hurricanes and have been experiencing new difficulties in meeting their mortgage obligations. By way of background, the failure by borrowers to pay the property taxes and insurance for their homes constitutes events of default under HECM loans, a borrower’s failure of which to adequately address and cure, requires lenders to obtain HUD’s permission and foreclose the underlying mortgage.

Moreover, in the Notice, HUD detailed the structure of the potential program by setting forth that: (i) the arrearages to be paid from the program’s funds must have been incurred by the homeowner following and not before the qualified disaster; (ii) such payments serve only to make the homeowner current in his/her required tax and insurance payments for the HECM; and (iii) the payments be made by the PRDOH to (A) the HECM servicer where the HECM servicer advanced taxes and insurance payments on behalf of the borrower, or (B) the local taxing authority and/or property insurer on behalf of the borrower.

With the foregoing context and HUD’s pre-approval on hand, NRMLA and its individual industry members holding HECMs in Puerto Rico formally request that the PRDOH act upon HUD’s grant of authority to use up to Five Million Dollars (\$5,000,000.00) to assist elderly homeowners in Puerto Rico, who have

² See <https://www.cdbg-dr.pr.gov/en/download/mortgage-catch-up-program/> (last visited July 1, 2020).

³ See 84 Fed. Reg. 4836, 4845 (Feb. 19, 2019).

outstanding HECMs and meet the criteria established pursuant to the Notice, to retain their homes and avoid legal or foreclosure action due to the lack of payment of property taxes and insurance on their residences. Although the amount of the allocation may seem small within the broader spectrum of the CDBG-DR program, such an allocation will benefit thousands of elderly individuals who have limited or no income, and who may be facing a dire situation due to their inability to cover basic tax and insurance payments and may consequently end losing their homes.

Additionally, NRMLA is available to assist PRDOH, without any additional cost to PRDOH, in the outreach and intake of the individuals who may benefit from the proposed program, as well as to coordinate with the PRDOH in how to set up and manage the program. NRMLA is also prepared to provide statistics and non-sensitive information about the population of homeowners who would benefit from this proposed program, and who would eventually retain their homes.

We would like to schedule a call or a meeting to discuss this proposal, and the possible concerns, information, documents or any other assistance that NRMLA can provide to make this program a reality, and get much needed relief in the hands of elderly Puerto Ricans. We truly look forward to working alongside the PRDOH in positively impacting as many families and individuals as possible.

Should you have any questions or comments, please do not hesitate to contact me.

Sincerely,



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