



National Reverse Mortgage Lenders Association

2022 Eastern Regional Meeting

July 11-12, Baltimore, MD



HECM Draft Handbook

A quick review of NRMLA's process

On Sept 29th HUD issued FHA Info 21-81 announcing the Draft HECM Handbook for review. The initial date for comments was November 15th subsequently moved to the final due date of January 31, 2022. The handbook covered the following;

- Origination through Post-Closing and Endorsement;
- Appraiser and Property Requirements;
- Servicing and Loss Mitigation; and,
- Glossary and Acronyms.



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The final version of our feedback document had 183 comments.

To give some color on some of the comments, there were 14 comments related to counseling, 6 disbursement related concerns, 21 closing related comments, 6 LESA related items, 9 NBS related items, 5 items related to Financial Assessment, 14 appraisal/appraiser comments, and servicing related items has the most comments at 45.



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Several key topics were identified throughout the process that would be highlighted in the NRMLA letter to the Deputy Assistant Secretary.

These items included:

- Due and Payable Notices due to Borrower Death
- Model HECM Loan Documents
- Principal Limit Lock Process
- Certain HELOCs as Mandatory Obligations
- Carryover Fully Funded LESAs on HECM-to-HECM Refinances
- Appraiser Certification and Licensing Requirements
- Continued and Added Allowance of Certain Third Party Origination Related Fees



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NRMLA's guiding principals for making recommendations to FHA

- The recommendations will have at worst a neutral impact to the MMIF (i.e. they do not place any more strain on the MMIF)
- The recommendations need to be relatively easy for FHA to implement (i.e. they do not require legislation nor rule-making)



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Due and Payable Notices due to Borrower Death

“The timing of the due and payable notice as proposed in the Draft Handbook is inconsistent with the timing of the due and payable notice under the 2017 Final HECM Rule, and such language and requirement is operationally unrealistic and results in unreasonable industry-crippling curtailments.”

NRMLA requested that FHA revise this portion of the Draft Handbook and apply the operative provisions of the 2017 HECM Final Rule concerning the due and payable notice to all HECMs, regardless of case number assignment date.



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Model HECM Loan Documents

NRMLA recommended working together with HUD to assist with updating the HECM Model Loan Documents in a manner that better assures that lenders are using documents that are in FHA's view appropriate, and in a manner that will provide the greatest degree of consistency across various lenders in the industry. Including, changing references to the Secretary to the Commissioner, non-borrowing spouse protection, and the method for servicers should use for applying borrower prepayments.



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Principal Limit Lock Process

Current policy guidance:

The expected interest rate and principal limit are locked when the mortgagee takes the initial application. and the “lock-in” period starts on the day that the FHA case number is assigned. In addition, the Draft Handbook should continue to permit the “float down” option, whereby the principal limit may be recalculated at closing if the expected interest rate has declined and is now lower than the expected interest rate at the time of the initial application.



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Certain HELOCs as Mandatory Obligations

NRMLA requested that FHA revise the Draft Handbook to incorporate the provisions of the 2017 HECM Final Rule allowing a seasoned HELOC to be treated as a Mandatory Obligation while requiring an unseasoned HELOC to be paid from the cash portion available to the borrower in addition to borrower funds.

Specifically, the Final Rule states: The borrower may pay off, at closing, a Home Equity Line of Credit (HELOC) that does not meet seasoning requirements from borrower funds, the HECM funds, or a combination of HECM funds and borrower funds, as long as the draw from HECM funds does not exceed the percentage approved by the Commissioner under the authority of § 206.25(a). 24 C.F.R. § 206.36(c).



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Carryover Fully Funded LESAs on HECM-to-HECM Refinances

The Draft Handbook provides that the Mortgagee must require a Fully Funded LESA for the new HECM when the existing HECM previously required a Fully Funded LESA based on the Borrower's unsatisfactory property charge payment history.



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Appraiser Certification and Licensing Requirements

The Draft Handbook provides that the Mortgagee must order an appraisal from an Appraiser who is listed on the FHA Appraiser Roster and is qualified and knowledgeable in the specific market area in which the Property is located. The Mortgagee must evaluate the Appraiser's education, training, and actual field experience to determine whether the Appraiser has sufficient qualifications to perform the appraisal before assignment.



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Continued and Added Allowance of Certain Third Party Origination Related Fees

- Attorney Fee/Trust review fee
- Solar Panel Leases/UCC Financing Statements
- Manufactured Homes (ITBS) label verification
- Homeowners Association CC & R reviews