
Reverse Mortgages: Observations from Legal Services Attorneys



Sarah B. Mancini
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National Consumer Law Center

- Founded in 1969 as a support center for legal services attorneys doing consumer law work
- Work includes policy analysis and advocacy, publications, litigation, expert witness services, and training for consumer lawyers
- www.nclc.org

Legal Services Attorneys

- Free civil legal services
- Low and moderate-income households
- Most serve seniors over age 60, regardless of income
- Benefits of outreach to these attorneys

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Reverse Mortgages Help Older Homeowners Age in Place

- Reverse mortgages play an important role in helping lower income older adults remain in their homes
- Concern among some legal services attorneys about “push marketing” and feelings that these loans are predatory or abusive
- LESA and financial assessment: barrier to access for some homeowners who need it most and could benefit?

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Origination Issues

- Seeking out the best pre-loan counseling
- Trusted friend or family member involved
- Limited English Proficient borrowers?
- Preparing the borrower for servicing transfers; recommending that they establish a relationship with servicer
- Preparing the borrower for estate planning

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COVID-19 HECM Extension Period

- Both borrowers and their heirs can request a COVID extension
- No documentation of their COVID-related hardship is required
- Under-utilized by reverse mortgage borrowers
- See ML 2020-06 and ML 2021-24

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Reverse Mortgages

As of October 31, 2021:

| Category | Total Count | Total Count With Borrower Requested COVID Extension |
|--------------------------------------|-------------|---|
| Property Charge Called Due & Payable | 4,057 | 734 |
| Property Charge Foreclosure | 11,893 | 2,243 |
| Property Charge Pre-Due & Payable | 12,819 | 565 |
| Totals | 28,769 | 3,542 |

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Homeowner Assistance Funds (HAF)

U.S. DEPARTMENT OF THE TREASURY

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POLICY ISSUES

Homeowner Assistance Fund

The American Rescue Plan Act provides up to \$9.961 billion for states, the District of Columbia, U.S. territories, Tribes or Tribal entities, and the Department of Hawaiian Home Lands to provide relief for our country's most vulnerable homeowners.

UPDATE - Deadline for Notice of Funds Request: The Deadline for a Tribe, Tribally Designated Housing Entity (TDHE), or the Department of Hawaiian Home Lands to submit a notice of funds request has been extended to December 15, 2021.

UPDATE - HAF PLANS: Treasury has published updated guidance and related materials for HAF participants to use in the development of their HAF Plans. The HAF Plan submission portal is now online and available. **Consistent with the 14-day timeframe previously announced, HAF participants representing states and territories should submit their completed plans or notify Treasury of the date the participant will submit a completed plan, by August 20. This deadline does not apply to Tribes and Tribally Designated Entities (TDHEs). ALL HAF PLANS MUST BE SUBMITTED THROUGH THE ONLINE PORTAL.**

The purpose of the Homeowner Assistance Fund (HAF) is to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/homeowner-assistance-fund>

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Using HAF to Cure RM Property Charge Defaults

- Reverse mortgage borrowers should be eligible for HAF Mortgage Reinstatement programs
- Treasury included RMs in its model Reinstatement Program plan template
- NCLC Issue Brief:
- <https://www.nclc.org/resources/faq-homeowner-assistance-funds-and-reverse-mortgages/>

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Property Charge Loss Mitigation

- Reinstatement
- Refinance
- Repayment plan (up to 60 months)
- At-Risk Extension
- Optional Delay of Due & Payable
- Mortgagee-Funded cure

Property Charge Loss Mitigation

- Roughly 22% of reverse mortgage borrowers in default on property charges were given a repayment plan
- Roughly 2% got At-Risk Extension
 - GAO Study, Sept. 2019

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Need for HECM Default Counseling

- Helping borrowers apply for repayment plans
- Budgeting for future taxes and insurance
- Reminders
- Preparing for the exhaustion of a set-aside
- Planning for heirs (in advance)
- Heirs attempting to satisfy the HECM

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Lessons from the Field


- Servicing communications with HECM borrowers generally
- Communicating about loss mitigation options
- Budgeting for repayment plan – need housing counselors
- Need for broader options from HUD; flexibility on property charge loss mitigation

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Thank you!

smancini@nclc.org

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© The program on activities of all states and localities.

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