



Demystifying Servicing: What Every Loan Officer Should Know

© 2025 PHH Mortgage Corporation. All rights reserved.



Agenda

- Loan Boarding
- Active Servicing
- Due and Payable
- Loss Mitigation
- HUD Assignments
- Common Customer Feedback

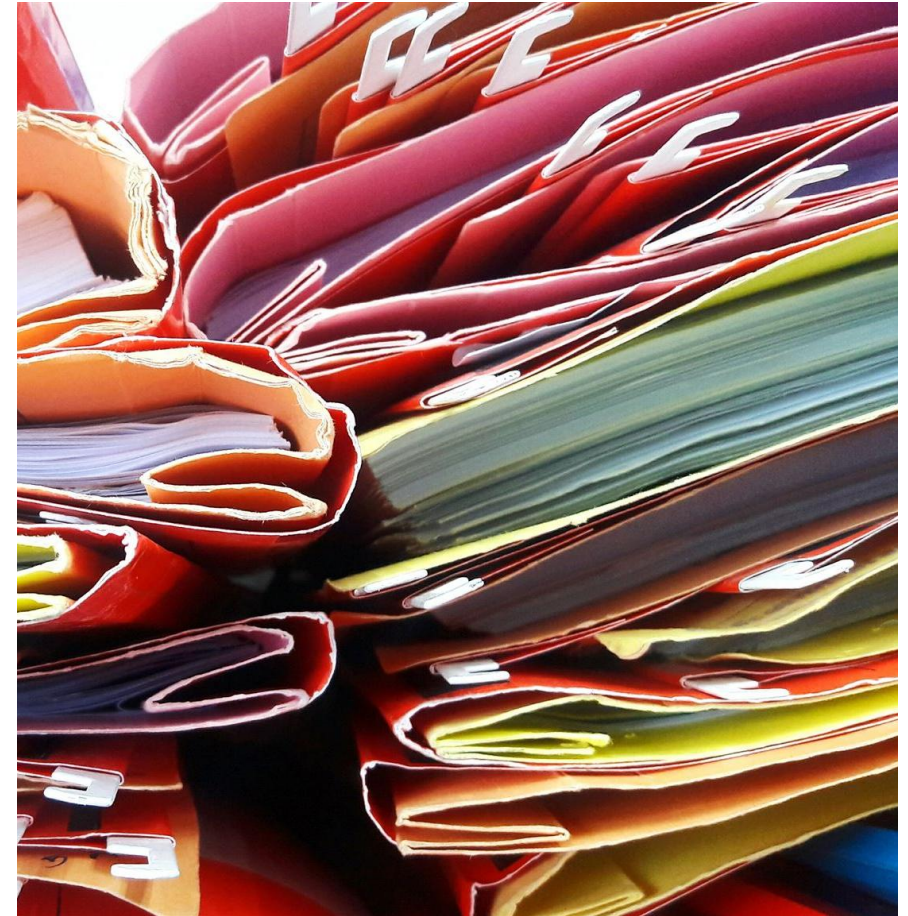


Loan Boarding



Loan Boarding

- After loan funds the file is submitted to Servicer for boarding
- Borrowers will receive Welcome Packet from servicer which includes important information they will need during their loan.
- May take a few days for loan to be active on the Servicer's system
- Servicing reps have scripting to put customers' minds at ease if they call in during this time



Active Servicing



Active Servicing

There are several primary functions that happen during the active servicing of a loan. These include (but not limited to):

1. Annual Occupancy Certification
2. Importance of Alternate Contacts
3. Power of Attorneys
4. Disbursements
5. Fraud Prevention
6. Repair Set-Asides
7. Account updates/Converting to a trust



Active Servicing

Occupancy Certification

- Reverse mortgage borrowers must live in the subject property as their principal residence.
- Borrowers must sign an occupancy certification letter (“OCL”) each year to confirm they are still living in the property.
 - HUD also approved the use of a verbal occupancy to be taken on phone calls
- The OCL is sent to the borrower approximately 30 days prior to the loan’s anniversary date. If the borrower does not return the form by 30 days after the anniversary date, a 2nd letter is mailed and the third letter is mailed 75 days after the anniversary date.
- Upon receipt of a valid occupancy certification an occupancy confirmation letter will be sent to borrowers.
- Borrowers are allowed, with proper notification to Servicer, to live away from their home for a period of 6 months without being in non-compliance with their Occupancy status

Active Servicing

Alternative Contacts

An alternate contact is a simple but powerful tool to protect borrowers, prevent servicing issues, and ensure compliance:

- Alternate contacts often assist with paperwork, reminders, and communication.
- Safeguard against loss of communication and ensure the lender or servicer can reach someone if the borrower is unavailable due to illness, relocation, or other life events.
- Prevent unintentional defaults and help prevent missed notices about occupancy, taxes, or insurance, and resolve issues before they lead to foreclosure.
- When a borrower passes away, having alternate contact information becomes critically important for several reasons related to loan servicing, property disposition, and compliance.

Active Servicing

Power of Attorneys

- It is essential for servicers to receive all Power of Attorney documentation at the time the loan is funded to ensure that the POA setup on our systems for account management.
- If setup at the time of loan funding, servicers will have a clear picture on who is authorized on the borrower(s) behalf to make decisions on their reverse mortgage.
- In addition, with documentation and signatures on file, disbursements get processed faster and with very few delays.
- A durable POA is preferred; however, a general POA or limited POA may be accepted based on the specific circumstances and if the document grants the authority to manage financial matters

Active Servicing

Disbursements

An important aspect of servicing a reverse mortgage is the disbursement of available funds. Some of the important things to know as a loan officer are:

- **Timing:** It may take up to 5 business days from when the request is received to send out funds (depending on delivery method).
- **Delivery:** All disbursement requests needs validation – recommend electronic delivery – email or upload via Servicer portal. The request is compared to the signature card borrowers sign at closing, or periodic updates.
- **ACH:** Funds disbursed via ACH will be received faster. Have your borrowers provide ACH information at closing for faster receipt of funds.
- **Traditional Mail:** If a check needs to be mailed, overnight is NOT an option.



Active Servicing

Fraud Prevention

Protecting your customers equity is a vital piece of every servicer. There are several things you can tell your customer about how their information will be protected:

- Signature Card: A signature card will be part of their closing documents and any subsequent request will be compared to the card to reduce the possibility of fraud.
- Obtain an email address at closing.
- Changes to the email address through the life of the loan are monitored to avoid fraud
- Obtain primary phone numbers used by the borrowers at closing. To prevent fraud, we ensure the borrower is calling from a known number
- Educate borrowers on being consistent in signing documents to avoid a decline or delay in disbursements or ACH setup



Active Servicing

Repair Set-Asides



If the appraisal notes repairs that can be completed after closing a repair set-aside may be created and the process is managed by the Servicer.

If your borrower is going to have a repair set-aside, you should know:

- Stress the importance of getting repairs completed timely (12 months). Payments will be suspended when the rider expires, and work is not completed
- Importance of reviewing the repairs with the borrower. In some instances, borrowers later challenge the repairs in the rider and do not understand why they were included
- Invoices from the repairs need to be submitted and payment will be remitted to the contractor

Active Servicing

Converting to a Trust



Some borrowers choose to create trusts and place their home in their trust after they have a reverse mortgage.

If a customer chooses to put their home in a trust, here is what you should know:

- The trust must be a living trust that is valid and enforceable
- The borrower(s) must be the primary beneficiaries with access to income and principal of the trust throughout their lifetime
- Contingent beneficiaries are acceptable if they do not receive benefits from the trust or have any control over the trust assets until all primary beneficiaries are deceased
- Borrower must notify us of any subsequent changes to occupancy status or change of title

Due and Payable



Due and Payable Status



There are several considerations that must be made when a loan becomes due and payable (default/foreclosure)

Those items include (but not limited to):

- Heirs Experience
- Tax/Insurance/HOA defaults
- Occupancy Monitoring
- Extensions

Heirs Experience

Once notified of the death of the last borrower, the heirs will be contacted (accurate alternative contact is important)

- A letter required by HUD will be sent to the heirs explaining the loan is due
- Another communication will be sent outlining the process and timing the heirs have to refinance/sell the home
- If selling, heirs can request two 90-day extensions as long as they are making a good-faith effort to sell the home



Default / Foreclosure

Tax / Ins / HOA Default



Disbursements will be made on behalf of the borrower if we are notified that a property tax payment, homeowners insurance payment or HOA payment is missed.

- If a disbursement is made, loan will move into default status
- Delinquency notice is sent to borrowers within 72 hours
- If default balance \$2,000 or greater, loan is submitted to HUD for approval to move to due and payable status and if granted
- Borrowers can get on repayment plan or request At-Risk extension
- If no extension or default not cured, loan referred to foreclosure 90-120 days prior to First Legal Due Date

Default / Foreclosure

Occupancy Monitoring



Servicers are required to validate occupancy on an annual basis. Occupancy is verified via written certification or verbal certification. There are several ways servicers complete this requirement:

- Written Correspondence to the borrower at their mailing address or if borrower has notified the servicer on a temporary alternative location
- Outbound Call Campaigns
- Property Inspections and Door Knocks

Note: Death monitoring is also part of this process

Default / Foreclosure

Extensions



Borrowers may request additional time to market/sell the property if evidence can be provided that the property is actively being marketed or pending probate completion.

- Two 90-day extensions are allowed
- Each extension must be requested, they are not automatic
- Property must be listed for sale via MLS (social media listings not acceptable)
- Listing agreement/purchase contract must not be more than 120% of appraised value
- If probate, probate documents/docket must be current

With HUD approval, at risk extensions are also available if the borrower meets the requirements.

- Must be at least 80 years old
- Borrower or other household member experiencing a critical medical circumstance
- Letter from doctor is required

Loss Mitigation



Loss Mitigation

There are certain times when the loss mitigation department gets involved with a loan. Below are the most common situations:

- Deed-In-Lieu of Foreclosure
- Short Sale
- Heir Payoff
- Legal authorization to convey title is required for all options
- There are possible customer incentives if they help complete an approved workout



HUD Assignments



HUD Assignments

- Borrowers should be aware that at a certain point their active loans in good standing may be assigned to HUD when their loan balance reaches 98% of the Max Claim Amount (MCA).
- Borrowers can help make this a smooth transition by communicating with their servicer when we reach out or for things such as:
 - Any damage to the property
 - Any issues (such as late payments for T&I)
 - If they have placed the home in a trust:
- If there are impediments/issues that need to be resolved a borrower might be asked to:
 - Re-execute documents
 - Re-record documents
 - Assist with the release of liens

Common Customer Feedback



Common Customer Feedback

There are a few complaints that we see come in as a servicer. Many of them can be avoided/mitigated with proper communication. Here are a few complaint types we get and how you can help:

- Receiving timely disbursements
- Draw request denied
- Incorrectly paid property charges
- Excessive calls



Thank you!

