



OFFICE OF HOUSING  
**ASSET SALES OFFICE**  
OFFICE OF FINANCE AND BUDGET



## Report to the Commissioner on Post Sale Reporting February 2020 Report

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HUD-HELD VACANT LOAN SALES FOR  
HOME EQUITY CONVERSION MORTGAGES

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U.S. Department of Housing and Urban Development  
Federal Housing Administration

## BACKGROUND

HUD-held Vacant Loan Sales (HVLS) for home equity conversion mortgages (HECMs) were introduced in 2016. These sales maximize recoveries to the Mutual Mortgage Insurance (MMI) Fund on behalf of taxpayers through competitive auctions. HVLS transactions are comprised of a portfolio of defaulted, formerly FHA-insured, single-family reverse mortgage loans owned by HUD. The loans are first liens secured by 1 to 4 unit, residential properties with the following attributes:

- ❖ The last surviving borrower is deceased;
- ❖ No borrower is survived by a non-borrowing spouse;
- ❖ The property securing the mortgage loan is vacant; and
- ❖ The heirs of the estate have not paid off the debt.

The HVLS loans were assigned to HUD from prior servicers, who are able to assign the loans to HUD when the loan balance reaches 98% of Maximum Claim Amount (MCA). MCA is equal to the lesser of the loan’s appraised value or the maximum FHA lending limit at origination. HUD takes over servicing when the loans are assigned.

HUD can foreclose on these vacant properties but that is usually lengthy and costly to the U.S. taxpayers. Selling these defaulted mortgages through a competitive auction generates savings for FHA by avoiding holding, Foreclosure, and sales expenses that would be incurred with a disposition through the REO conveyance program.

The HVLS portfolio is summarized below. This report includes post-sale reporting data due 10/1/2019 and received through 10/29/2019 on four of the five HVLS transactions, HVLS 2017-1 through HVLS 2019-1. The first reporting for HVLS 2019-2 is expected to be received by April 1, 2020. Per sale requirements, Purchasers must ensure that the loans are serviced in accordance with all applicable state and federal laws and regulations.

### EXHIBIT 1: THE HVLS PORTFOLIO

Sale Name	Sale Date	Settled Loan Count	Updated Loan Balance (MM)	Repurchased Loans	Count without Repurchases	Number of Pools
HVLS 2017-1	11/30/2016	1,645	\$333.6	77	1,568	5
HVLS 2017-2	6/21/2017	865	\$171.8	59	806	5
HVLS 2018-1	4/11/2018	567	\$120.5	51	516	4
HVLS 2019-1	12/12/2018	964	\$201.4	22	942	8
HVLS 2019-2	7/24/2019	1,473	\$329.5	0	1,473	10
<b>HVLS Total</b>		<b>5,514</b>	<b>\$1,156.8</b>	<b>209</b>	<b>5,305</b>	<b>32</b>

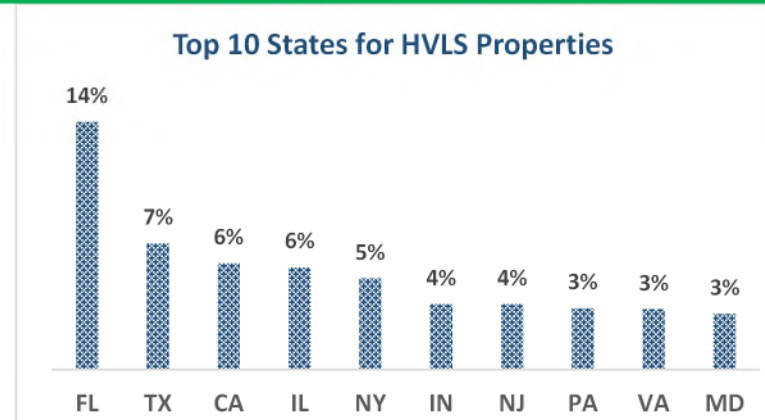
The table above includes settled loans only, including 209 loans that were reported as Repurchased by the Purchasers. The first post-sale reporting for HVLS 2019-2, which settled September 3 - 12, 2019, is due by April 1, 2020 so repurchase data is not yet reported for that sale.

## NON-PROFIT HIGHLIGHTS

- ❖ HUD held a seminar on May 9, 2019 highlighting opportunities for participation in loan sales by non-profit organizations. This conference can be viewed at <https://youtu.be/71I2KspUo0I>.
- ❖ HVLS 2019-1 and HVLS 2019-2 featured carve-out pools which allowed non-profits to self-select a limited number of loans from larger pools offered for sale to all qualified bidders.
- ❖ HUD also created set-aside pools offered only to non-profit/local government bidders. These set-aside pools are a pre-defined set of loans within a larger pool offered for sale to all qualified investors.

These pooling strategies helped increase the loans sold to non-profits. For HVLS 2019-1 and 2019-2, a total of 19% of the loans were sold to non-profits. These two sales increased the non-profit purchases from 4% to 10% of the total HVLS loans sold.

## GEOGRAPHIC DISTRIBUTION



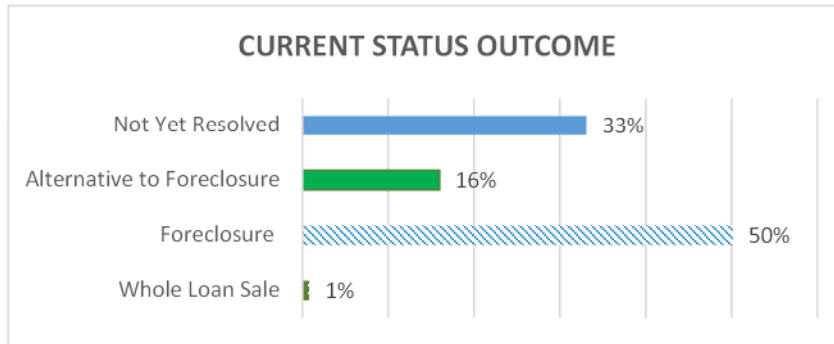
The HVLS loans sold were secured by properties in all 50 states, the District of Columbia and Puerto Rico. Approximately 54% of the loans sold were from the top 10 states.

## EXHIBIT 2: THE HVLS PURCHASERS

Purchaser	Settled Loan Count	% of Loan Count	Updated Loan Balance (MM)	Repurchased Loans	Count without Repurchases
Rushmore Loan Management Services LLC/Roosevelt/Elkhorn	2,615	47%	\$559.0	132	2,483
Kondaaur Capital Corporation/ Matawin	591	11%	\$110.5	14	577
Upland Mortgage Acquisition II, LLC	503	9%	\$102.6	7	496
The Corona Group	444	8%	\$98.0	41	403
VWH Capital Management, LP/ VRMTG ACQ, LLC	439	8%	\$71.7	15	424
Hogar Hispano, Inc.	391	7%	\$80.2	0	391
Seattle Bank, LLC	192	3%	\$49.7	0	192
Home Preservation Partnership, LLC	177	3%	\$60.1	0	177
Bayview Asset Management	162	3%	\$25.1	0	162
<b>HVLS Total</b>	<b>5,514</b>	<b>100%</b>	<b>\$ 1,156.8</b>	<b>209</b>	<b>5,305</b>

Notes: The first post-sale reporting for HVLS 2019-2, which settled September 3 - 12, 2019, is due by April 1, 2020 so repurchase data is not yet reported for that sale. Two Purchasers, Hogar Hispano, Inc. and Home Preservation Partnership, LLC, are non-profits. They purchased a total of 10.3% of the HVLS loans sold to date, and in HVLS 2019-2 they purchased 19.5% of the loans sold.

## LOAN STATUS OUTCOMES SUMMARY



For loans where post-sale reporting has been received, 50% of the loans were resolved through Foreclosure sales and 33% of the loans have not yet been resolved. Since the borrowers are deceased, the primary resolution method for Purchasers is generally Foreclosure; however, 16% of the assets were resolved through Foreclosure alternatives.

According to the feedback from the Purchasers, these Foreclosure alternatives have been accomplished through the Purchaser, as a final step, seeking out and working with the estate of deceased borrowers.

### EXHIBIT 3: LOAN STATUS OUTCOMES BY SALE

Category	Count				% of Loans Sold			
	2017-1	2017-2	2018-1	2019-1	2017-1	2017-2	2018-1	2019-1
<b>RESOLVED</b>								
<b>Alternative to Foreclosure</b>								
Paid in Full	55	23	3	0	3.5%	2.9%	0.6%	0.0%
Short Payoff	0	1	1	5	0.0%	0.1%	0.2%	0.5%
Short Sale	336	92	9	6	21.4%	11.4%	1.7%	0.6%
Deed-in-Lieu	30	19	22	9	1.9%	2.4%	4.3%	1.0%
Charge-Off*	1	0	0	0	0.1%	0.0%	0.0%	0.0%
<b>Total Alternative to Foreclosure</b>	<b>422</b>	<b>135</b>	<b>35</b>	<b>20</b>	<b>26.9%</b>	<b>16.7%</b>	<b>6.8%</b>	<b>2.1%</b>
Foreclosure	952	578	338	54	60.7%	71.7%	65.5%	5.7%
Whole Loan Sale	0	0	30	0	0.0%	0.0%	5.8%	0.0%
<b>Total Resolved Outcomes</b>	<b>1,374</b>	<b>713</b>	<b>403</b>	<b>74</b>	<b>87.6%</b>	<b>88.5%</b>	<b>78.1%</b>	<b>7.9%</b>
<b>NOT YET RESOLVED</b>								
Not Yet Resolved	194	93	113	868	12.4%	11.5%	21.9%	92.1%
<b>Total Loans Sold</b>	<b>1,568</b>	<b>806</b>	<b>516</b>	<b>942</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Notes: The table above includes settled loans only, and excludes 209 loans that were reported as Repurchased by the Purchasers in their post-sale reporting. The first post-sale reporting for HVLS 2019-2, which settled September 3 - 12, 2019, is due by April 1, 2020.

\*Property was sold at a tax sale.

#### EXHIBIT 4: GLOSSARY OF TERMS

Term	Definition
<b>Charge-Off</b>	The Purchaser has written off the mortgage as uncollectible or bad debt.
<b>Deed-in-Lieu</b>	The property is willingly conveyed to the new servicer in lieu of undergoing Foreclosure proceedings.
<b>Foreclosure</b>	The servicer undergoes legal proceedings to take control of the property which serves as security for the mortgage. This includes instances where the property is sold at the Foreclosure sale.
<b>Alternative to Foreclosure</b>	The Alternative to Foreclosure loans are comprised of loans in the following status outcome categories: Paid in Full; Short Payoff; Short Sale and Deed-in-Lieu.
<b>Not Yet Resolved</b>	Loans that the Purchaser continues to actively service.
<b>Paid in Full</b>	The full amount of the debt is paid to the Purchaser. This includes a pay off at Foreclosure sale when a third party bids more for the property than the amount of the outstanding debt, or when the estate elects to pay off the debt to preserve the property.
<b>Purchaser</b>	An entity who purchased mortgage loans through HUD's HVLS Program.
<b>Repurchase</b>	The Purchaser has put the loan back to FHA due to a breach of the representations and warranties included in the sale agreement.
<b>Resolved Loans</b>	All loans not reported as Not Yet Resolved.
<b>Short Payoff</b>	A portion of the remaining principal balance is paid off, the remainder of which is written off by the Purchaser.
<b>Short Sale</b>	The underlying property is sold to a third party, allowing Foreclosure proceedings to be avoided.
<b>Whole Loan Sale</b>	The Purchaser sells the mortgage to another entity, and the current underlying reporting status category is unknown.

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## HVLS LIBRARY APPENDICES

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The HVLS Library Appendices, dated February 2020, has been prepared as a separate series of data tables that accompany this Report. The HVLS Library Appendices contain sale and pool level data on each HVLS transaction where available. It includes data on status outcomes, Purchasers and geographic information on the loans sold in each transaction. The HVLS Library Appendices are attached as a separate document.