



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

March 30, 2016

Mortgage Letter 2016-07

To	All FHA Reverse Mortgage Loan Servicers
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Subject	Expanded Permissive Loss Mitigation for Home Equity Conversion Mortgages (HECMs) and Mortgagee's Optional Extension to Submitting a Due and Payable Request
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Purpose	This Mortgage Letter provides mortgagees with an optional extension to submitting a Due and Payable request where borrowers are behind on the payment of their property taxes and/or hazard insurance premium. This Mortgage Letter also provides that mortgagees may review, for permissive loss mitigation, HECM borrowers that were in foreclosure prior to the issuance of Mortgage Letter 2015-11.
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Affected Policy	This Mortgage Letter amends and, where it conflicts, supersedes Mortgage Letter 2015-11, Mortgage Letter 2015-10 and Handbook 4330.1, REV-5, Chapter 13.
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Effective Date	The guidance in this Mortgage Letter is effective immediately.
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Expanded Options for HECMs in Default Due to Outstanding Property Charges	<p>For HECM loans that were in foreclosure proceedings prior to the issuance of Mortgage Letter 2015-11, mortgagees may assess those borrowers for a Repayment Plan in accordance with Mortgage Letter 2015-11.</p> <p>For HECM loans that exceed 98% of the Maximum Claim Amount (MCA) or would exceed 98% of the MCA if they were provided a Repayment Plan, mortgagees may elect to assess and provide such borrowers a Repayment Plan in accordance with Mortgage Letter 2015-11.</p> <p><i>Mortgagees will not be reimbursed for any amount greater than the MCA, even if the HECM loan balance exceeds 100% of the MCA due to the mortgagee providing a Repayment Plan. In addition, a HECM loan with an active Repayment Plan is not eligible for assignment to HUD.</i></p>
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Nothing in this Mortgagee Letter confers any right to a Mortgagor or a Non-Borrowing Spouse to any action on the part of HUD or the mortgagee.

FHA reminds mortgagees that all their actions taken in regard to borrowers must be consistent with their obligations under federal civil rights laws, including but not limited to the Fair Housing Act, 42 U.S.C §§ 3601-19, and the Equal Credit Opportunity Act, 15 U.S.C. § 1691 et seq.

Documentation Requirements for a Repayment Plan Extension to Foreclosure Timeframes

In accordance with Mortgagee Letter 2015-11, when an extension to the foreclosure timeframes is taken due to the use of a Repayment Plan, mortgagees must upload into the Home Equity Reverse Mortgage Information Technology (HERMIT) system a fully executed Repayment Plan agreement which provides the following information:

- Date of Agreement
 - Total Outstanding Arrearage
 - Monthly Surplus Income Amount
 - Repayment Plan Term
 - Monthly Repayment Plan Amount
 - Due Date of Next Monthly Repayment Plan Amount
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Optional Delay to Submit a Due and Payable Request for Low Balance Arrearages

Mortgagees may delay submitting a Due and Payable request to HUD for loans with a total arrearage amount associated with property taxes and hazard insurance that is less than \$2,000, by uploading documentation into HERMIT that established that either:

1. The mortgagee is unable to contact the borrower, the borrower is current on his or her Certification of Occupancy, and the mortgagee has no indication that the borrower has vacated the property; or
2. The mortgagee has contacted the borrower, the borrower has expressed a willingness to repay, and the borrower is currently attempting to make payments.

Mortgagees will not be reimbursed for any amount greater than the HECM loan's MCA, even if the mortgage balance exceeds 100% of the MCA due to a mortgagee's previous delay in submitting a Due and Payable request for the two reasons cited above.

Mortgagees must submit a Due and Payable request to HUD immediately upon the occurrence of any of the following events, whichever occurs first:

1. The borrower fails to timely complete the annual Certification of Occupancy;
2. The borrower no longer occupies the property, securing the HECM, as

- his or her principal residence;
3. Twelve (12) months from the first missed property tax and/or hazard insurance payment has elapsed, and the mortgagee is still unable to contact the borrower;
 4. The borrower has expressed an unwillingness to repay; or
 5. The total arrearage amount exceeds \$2,000.
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Election to Avoid Due and Payable Request or Rescission of Due and Payable for a Mortgagee-Funded Cure

A mortgagee may elect not to submit a Due and Payable request or may elect to seek from HUD the rescission of a previously approved Due and Payable request where the mortgagee has used its funds to cure a borrower's outstanding property tax and/or hazard insurance payment(s) if:

1. No amount provided by the mortgagee is added to the outstanding HECM loan balance;
 2. No amount provided by the mortgagee is added to any future claim for FHA insurance benefits; and
 3. The mortgagee agrees not to seek assignment for 3 years after a mortgagee-funded cure.
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Assignment after a Mortgagee-Funded Cure

A HECM will not be eligible for assignment during the 3 year period after a mortgagee-funded cure. The mortgagee may not seek assignment for such a HECM until 3 consecutive years have passed where the borrower has paid all taxes and insurance on time and the mortgagee has not advanced any funds on the borrower's behalf.

The 3 year period will begin on the day the mortgagee advances the funds for a mortgagee-funded cure and will be tracked in HERMIT in the "Alerts" tab. Make the following selections to set the Alert:

New – select "Insurance Default" or "Tax Default"

Alert Date – enter the date of the mortgagee-funded cure

Expiration Date – enter the Alert Date + 3 years

Alert Amount – enter the amount funded by the mortgagee

Status – enter "Active"

Alert Note – enter "Mortgagee-Funded Cure"

An alert must be entered separately for each type (i.e., taxes and/or insurance) of mortgagee-funded cure. Only one cure for taxes and one cure for insurance will be allowed and the 3 year period will commence on the later of the Alert Date(s).

Mortgagees will not be reimbursed for any amount greater than the HECM loan's MCA, even if the mortgage balance exceeds 100% of the MCA due to a delay in submitting an assignment request after a mortgagee-funded cure.

Reporting Requirement

When a HECM loan becomes eligible to be called due and payable as a result of the borrower's failure to pay property taxes and/or hazard insurance, a mortgagee must report the Default Event using the HERMIT system. When the default is subsequently cured, the mortgagee must upload supporting documentation into HERMIT, reflecting the resolution of the default.

Information Collection Requirements

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Number 2502-0611. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

Questions

Any questions regarding this Mortgagee Letter may be directed to HUD's National Servicing Center at (877) 622-8525. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at (800) 877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Edward L. Golding
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