



NEWS AND UPDATES

TO: All HECM-Approved Mortgagees and Servicers

Update

HECM Reasonable Diligence Timeframe Extensions

Pursuant to a June 10, 2014 Court Order in *Plunkett, et al. v. Donovan*, FHA issued a determination in regards to the four named Plaintiffs in *Plunkett*, who are Non-Borrowing Spouses of now deceased Home Equity Conversion Mortgage (HECM) borrowers. The determination allows the Mortgagees holding the four HECMs at issue in that case and the two at issue in the prior *Bennett et al. v. Donovan* case, the option of electing to assign those specific HECMs to the Department provided that certain specific parameters are met. FHA, through its normal administrative processes, is reviewing its policies to determine the possible application of such an option with respect to similarly situated Non-Borrowing Spouses.

In order to allow FHA to complete this review and, if appropriate, to proceed with any appropriate policy announcement through its normal administrative processes, FHA is exercising its discretion to provide HECM Mortgagees with an indefinite extension of time in which to take first legal action to commence foreclosure and to comply with reasonable diligence timeframes. This indefinite extension will become available as of June 25, 2014 and will remain in place and available for Mortgagees electing to avail themselves of this extension until such time as FHA issues a Mortgagee Letter or other statement to formally address similarly situated Non-Borrowing Spouses. The Mortgagee may elect to take such an extension in any circumstance in which the Mortgagee believes the following criteria are or reasonably can be met:

- The Non-Borrowing Spouse would have had a Principal Limit Factor ("PLF") greater than or equal to the PLF of the HECM borrower spouse, or the Non-Borrowing Spouse's PLF would have resulted in a current principal limit that is greater than the current unpaid principal balance, provided that the Maximum Claim Amount is not exceeded;
- The Non-Borrowing Spouse was legally married to the HECM mortgagor at the time of origination and remained married throughout the HECM mortgagor's life;

- The Non-Borrowing Spouse has title to the property or a legal right to remain in the property;
- The HECM is not in default for any other reason;
- There are no allegations or claims that would invalidate the HECM or any such allegations or claims have been judicially resolved in favor of the Mortgagee; and
- The property securing the HECM has not been sold to a third party.

Any such request for this extension is optional and within the Mortgagee’s sole discretion. Further, determining whether the above conditions are met is also within the Mortgagee’s discretion. The request for an extension is not conditioned on the continued pursuit of foreclosure or the marketing of the property. FHA will not deny any request for an extension that is based on the Mortgagee’s reasonable belief that the criteria are true, regardless of whether FHA’s future policy decisions would provide an alternative to foreclosure for any specific Non-Borrowing Spouse.

Additional Information

To request either extension related to the aforementioned guidance, Mortgagees must:

1. Prepare a detailed Extension Request on their company’s letterhead;
2. Obtain an authorized loan servicing manager’s signature on the Request; and
3. Upload the Request in the HERMIT system to the “Documents’ Tab,” then select the Document Type “Extension.” Include the following description in the Notes field: “Extension authorized under notice FHA INFO #14-34.”

HECM servicers, using their servicing systems, should track these types of Extension Requests in the event that FHA has a need to know the exact volume of such requests in the future.

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- Call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at 1-800-877-8339.
- Visit our online resource information at www.hud.gov/answers

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