

Reverse Mortgage: Recent HECM Changes



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Objectives



- This training session is for **Wholesale, Mini Correspondent** and **Correspondent** Loan Origination Partners.
- This will cover the recent Mortgagee Letters Summation and how they impact Plaza Home Mortgage, Inc.

Overview of the Mortgagee Letters



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ML 2014-07: Non-Borrowing Spouse



FHA has written guidelines to address spouses of HECM borrowers who aren't the legal HECM age (minimum 62). Plaza will begin to allow non-borrowing spouses on HECM transactions beginning with all FHA case numbers created on or after August 4, 2014.

ML 2014-10: Prohibits Deceptive Advertising



FHA indicates direct examples of what is not allowed and what types of information advertisers should be disclosing to HECM prospects.

Plaza has no formal retail HECM employees and does not advertise to the consumer directly.

Plaza's Compliance and Marketing Departments are aware of these guidelines, and our Reverse Mortgage Marketing Materials comply.

ML 2014-11: Limit of Insurability of Fixed Interest Rate Products



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This primarily has to do with Fixed HECM's that offered a future draw potential. Plaza did not take this program on, and this will have no impact for us.

ML 2014-12: New HECM Principal Limit Factors



This is great news for the reverse industry. This increased LTV is for all borrowers except 62 year olds (-.2) and 63 year olds (-.1). The strongest gains started at age 78 (+4%) moving up to age 90+ (+9%).

Furthermore and most importantly, it gave Principal Limit Tables (LTV) to Non-Borrowing Spouses (NBS) under the age of 62. These new LTV tables go into effect for all case numbers created on or after August 4, 2014. Brokers wishing to move clients from the old principal limits to the new principal limits may do so. Please contact your Plaza Account Manager for details.

Mortgagee Letters



This link will take you directly to the complete Mortgagee Letters:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmml

Non-Borrowing Spouse Changes



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ML 2014-07: Non-Borrowing Spouse



Plaza Home Mortgage, Inc. will begin to allow non-borrowing spouses (NBS) beginning with case numbers created on or after August 4, 2014. Please refer to Mortgagee Letter 2014-07.

Loan Details



Non-Borrowing Spouses are not on the HECM Mortgage or Title.

Non-Borrowing Spouse (NBS) – spouse (as determined by law of state where spouse/borrower reside) of HECM borrower at time of closing

Deferral Period – period following death of last surviving borrower in which due and payable status of HECM is further deferred based on continued satisfaction of FHA requirements

Principal Residence – permanent residence of borrower/NBS (prior to and during deferral period) as defined by existing FHA requirements

- Residency in a Health Care Institution: Borrower's temporary residency in health care institution cannot exceed 12 consecutive months. NBS may temporarily reside in a health care institution as long as spouse/borrower resides in HECM property. During deferral period, NBS's temporary residency in a health care institution cannot exceed 12 consecutive months.

Married borrower with NBS

- ✓ Borrower marital status on application
- ✓ Evidence NBS received counseling
- ✓ Joint credit report
- ✓ Evidence of SSN/DOB for NBS
- ✓ Separate certifications at closing from borrower & NBS confirming marital status and acknowledging deferral requirements

Principal Limit



Principal limit on HECM loans identified with a NBS must be based on the age of the youngest borrower or NBS per new factor tables (LTV tables).

Qualifying Requirements of Deferral Period



- NBS must have been spouse of HECM borrower at closing & for duration of borrower's lifetime
- NBS must have been properly disclosed to lender at origination & specifically named as NBS in HECM documents
- NBS must have occupied & continue to occupy HECM property

Requirements of Deferral of Due & Payable Status for NBS



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- Establish legal ownership or other legal right to remain in property within 90 days of last surviving borrower's death
- Ensure all other obligations of HECM borrower contained in loan documents continue to be satisfied
- Ensure HECM is not be eligible to be called due & payable for any other reason
- Failure to meet any of the requirements for deferral will cause the HECM to become immediately due and payable
- Must maintain property taxes and hazard insurance

Post Closing/Servicing During Deferral Period



- **HECM is not assumable, and proceeds will not be available to be used on behalf of NBS or borrower's estate.**
- Lender/servicer to obtain annual certification from borrower verifying marital status and continued residency in property by borrower and NBS.
 - Deferral of a due & payable status that would prevent displacement of NBS will no longer be in effect if borrower & NBS divorce.
- If borrower predeceases NBS, annual certification to be obtained from NBS verifying continued residency.
 - Deferral of a due & payable status that would prevent displacement of NBS will no longer be in effect if NBS fails to reside in property as principal residence.

Unaffected Terms During Deferral Period



- HECM will still accrue interest in accordance with terms of mortgage and loan agreement.
- Lender must still remit MIP payments to FHA.
- Lender still permitted to collect servicing fees in accordance with terms of mortgage.
- Funds established for a Repair Set-Aside (as evidenced by an executed Repair Rider) may be disbursed for the sole purpose of paying costs of repairs specifically identified at loan approval as required to insure HECM.

Unaffected Terms During Deferral Period



- Lender may still request loan assignment to HUD after death of the borrower when loan balance reaches 98% of Maximum Claim Amount, provided HECM is not eligible to be called due & payable and all other requirements are met.
- Borrower maintains ability to sell property, whether or not due & payable, for lesser of outstanding balance or appraised value. If HECM is due & payable, borrower maintains ability to sell for lesser of outstanding balance, 95% of appraised value or present lender with deed-in-lieu.
- If HECM is due & payable due to death of last surviving borrower, borrower's estate or heirs maintain ability to sell property for lessor of outstanding balance or 95% of appraised value.

New HECM Principal Limit Factors



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ML 2014-12: New HECM Principal Limit Factors



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New principal limit factors begin with all case numbers created on or after August 4, 2014.

Youngest Age	New (8/4/2014)	Existing	Improvement
90+	0.750	0.660	9.000%
89	0.739	0.654	8.500%
88	0.729	0.650	7.900%
87	0.719	0.646	7.300%
86	0.709	0.641	6.800%
85	0.699	0.635	6.400%
84	0.690	0.630	6.000%
83	0.682	0.625	5.700%
82	0.674	0.621	5.300%
81	0.665	0.615	5.000%
80	0.657	0.610	4.700%
79	0.648	0.607	4.100%
78	0.640	0.600	4.000%
77	0.631	0.597	3.400%
76	0.622	0.593	2.900%
75	0.614	0.589	2.500%
74	0.606	0.586	2.000%
73	0.599	0.579	2.000%
72	0.591	0.575	1.600%
71	0.583	0.570	1.300%
70	0.576	0.564	1.200%
69	0.569	0.560	0.900%
68	0.562	0.554	0.800%
67	0.556	0.551	0.500%
66	0.549	0.546	0.300%
65	0.542	0.541	0.100%
64	0.536	0.535	0.100%
63	0.530	0.531	-0.100%
62	0.524	0.526	-0.200%

ML 2014-12: New HECM Principal Limit Factors



A borrower currently in process under the old PLFs may elect to use the new PL's effective August 4, 2014 under the following conditions:

- a) Loan must have been assigned a case # prior to August 4, 2014
- b) Plaza will cancel the old case #
- c) Plaza will obtain a new case #
- d) The appraisal does not have to have the new case #
- e) The underwriter will complete a 54114 explaining the old/new case #s. The cancelling of and obtaining a new case # will not impact the date sequence.

Any changes from the original disclosures must be re-disclosed to the borrower to include the applicable disclosures:

- a) Good Faith Estimate
- b) Reverse Mortgage Analysis
- c) Amortization Schedule
- d) Truth in Lending if a fixed or, Total Annual Loan Cost if an ARM

Plaza Reverse will pull the re-disclosures for you in IBIS, and the Loan Originator will be responsible for getting them executed.

Questions?



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