What You Need to Know About Your HECM After Closing

NRMLA
National Reverse Mortgage Lenders Association
www.reversemortgage.org

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Welcome! What follows is a guide to information that we trust will be helpful in answering some questions that you or your heirs may have now or in the future about your FHA-insured Home Equity Conversion Mortgage ("HECM"), commonly referred to as your reverse mortgage loan. This information should not replace reading your loan documents as the information in your loan documents is important and establishes the terms of your loan. Likewise, this information is not intended to be legal advice or to modify or replace any loan terms as established by your loan documents. This information is simply intended to be a guide for you after closing. Further, the people who act as your Servicer are ALWAYS the experts, thus you should contact them whenever you have a question or need direction.

The Index to this guide can be helpful in directing you to a specific answer but we encourage you, your family, your heirs, your financial advisor, your realtor or anyone else that might assist you with your affairs to read through the guide. Keep it handy but remember your best source of information is always your Servicer.

Let's get started. After you closed your HECM loan, your Lender may have retained ownership of your loan or they may have sold your loan to another entity who is now the owner (this is very common). The owner of your loan is also referred to as the Investor. The Investor may act as your Servicer or they may have engaged another entity to service your loan. Whatever course of action that occurred, these two entities, your Investor and your Servicer, are important to you and your HECM.

Other very important entities are the Federal Housing Administration ("FHA"), that insures your HECM loan, and the U.S. Department of Housing and Urban Development ("HUD"), and that administers the HECM loan program. FHA and HUD have established servicing rules and guidelines that everyone must follow and there are serious consequences if these rules and guidelines are not followed. FHA and HUD periodically issue updates to their servicing rules and guidelines, which your Servicer must follow. Your servicer will communicate changes to you as necessary and if applicable to your loan.

How do I know who my Servicer is?

Shortly after your loan closed, you received a "hello letter" from your loan Servicer. Your Servicer also prepares and sends you monthly account statements and on those statements you can find the Servicer's name and contact information.

Staying in touch

When you contact your Servicer, they may ask you to update your contact information (i.e., phone, cell phone or fax number, email address, etc.). Keeping this information current is essential so that you and your Servicer can always make direct contact.

If you decide at some point to have someone assist you in managing your affairs you may want to have your loan activity statements sent to an alternate address. You can contact your Servicer to make arrangements for this. In the event you are unavailable, for example due to illness or vacation, or you change your phone number, establishing an **Alternate Contact** is a good idea. Family or close friends may be your choice for an Alternate Contact on your account and your Servicer would reach out to this person if they are unable to contact you. An Alternate contact is not automatically an Authorized Contact as described below, but with your authorization this person(s) may become both.

You can also establish an **Authorized Contact**. An Authorized Contact is someone with whom you authorize your Servicer to discuss your loan details or personal information. This may be something that you wish to consider as part of your estate planning or just in the case of an emergency when you might need someone to assist you with your affairs. You may also wish to designate an attorney-in-fact via a Power of Attorney to handle your affairs. You should consult a trusted advisor or attorney-at-law when designating someone as your attorney-in-fact as that person will be able to act on your behalf.

Your Servicer will guide you through what is required to establish any and all contacts on your loan.

Receiving payments from your HECM

Based on the terms of your loan, you may be receiving ongoing payments or have the ability to request payments from a line of credit. If this is the case, your Servicer is who you contact regarding these matters. It is important for your loan to remain in good standing so that your payments are available. There are events described in the Default section of this guide that can adversely affect your rights to receive or request payments. Please review the Default sections of this guide. Upon the death of the last remaining borrower, no further borrower payments may be made from the loan.

If you would like to authorize someone to request payments for you (such as an attorney-in-fact) please contact your Servicer. This is a legal matter that will require legal documents to be submitted and reviewed by your Servicer before any authorization is granted.

Should a Borrower file for bankruptcy, there is no obligation to make further Loan Advances on or following the date that a petition for bankruptcy of Borrower is filed. The Borrower may contact the Servicer with information regarding servicing of the loan during the filing period.

Occupancy

One of the conditions of your loan is that at least one of the borrowers must live in the property as their **principal (main) residence** and thus borrowers have an obligation to certify their occupancy annually in writing. If you are going to take a vacation or be out of your home for medical or other reasons, for an extended period of time, it is always a good idea to contact your Servicer and advise them of your absence and how you can be reached during that time.

Each year your Servicer will send you an **Annual Occupancy Certification** for you to sign indicating that you reside in the property as your primary residence. HUD requires that Servicers obtain this Certification. If this Certification is not received, your Servicer is required to order an inspection of the property and take alternate actions to determine if the property is occupied by at least one borrower, which may result in inspection fees being charged to the loan. If the Servicer cannot determine that at least one borrower lives in the property, a default may be declared which means that any further loan payments you may be entitled to would be suspended and the loan may be referred for foreclosure. Therefore, it is very important that you return this written Certification to your Servicer promptly each year.

If you need to leave your home for medical or rehabilitation care for a period of time, you should contact your Servicer and let them know when you expect to return. If the last remaining borrower fails to occupy the property for a period of longer than 12 consecutive months because of physical or mental illness, HUD requires the Servicer to call the loan due and payable, and that could result in a foreclosure of your home. If you leave your home permanently you should make arrangements to notify your Servicer immediately.

Please review the section on Default for more information about the process when the property is no longer occupied by at least one borrower.

Property Charges

This section of the guide reviews your obligations as a borrower to pay all property charges (including, but not limited to, taxes, insurance, homeowner's dues, ground rents, etc…) in a timely manner. If you do not pay your property charges in a timely manner, your Servicer is required to pay them on your behalf which constitutes a default on your loan. Defaulting on your loan obligations may result in your loan being called due and payable and may ultimately result in foreclosure.

Property Taxes

Another important borrower obligation and requirement of your loan is to pay your property taxes timely when they come due. Your Servicer receives information through a national tax reporting vendor of all taxes that are not paid. Some taxing authorities have deferral programs available for taxpayers who qualify based on their age. Generally these programs are **not** available to HECM borrowers and may be considered a violation of the terms of your loan. If you find you cannot pay your property taxes when they come due, contact your Servicer.

Property Insurance

Another condition of your loan is to maintain insurance coverage at the same amount you were required to have at the closing of your loan. The requirement for insurance coverage may have included hazard, wind, flood, condo or some combination of them. If your property is a condo, your master policy must include coverage for the inside of your unit or you may be required to purchase a supplemental policy (typically called "walls-in coverage"). At some point during your loan, your Servicer may have notified you that flood or other type of insurance is required. You will need to contact your insurance agent or insurance company to obtain this required coverage and provide evidence of coverage to your Servicer.

Your Servicer receives information from your insurance agent or insurance company at least annually regarding the amount and type of insurance maintained on the property. In the event that you change insurance agents or insurance companies, you should notify your Servicer. If you should find that you are unable to obtain coverage, or unable to pay your insurance premiums as they come due, contact your Servicer.

If you sustain any type of damage to your property you should:

- Contact your insurance company right away to file a claim; and,
- Contact your Servicer to inform them
  - that damage has occurred; and
  - if you will need to move out of the property during the repairs.

This is another good time to update your Alternate Contact information with your Servicer to avoid any difficulties your Servicer might encounter in reaching you. If you had no damage, but you are in a federally-declared disaster area and are going to be away from your home for a prolonged period of time, let your Servicer know.

Depending on the severity of the damage, and the amount of funds issued by your insurance company, it may be necessary for the Servicer to hold the insurance funds, monitor the progress of the repairs, and pay the contractor after required inspections have been completed on the home. Even if the amount of loss does not require the Servicer to hold the insurance funds, the insurance check issued by your insurance company will list your Servicer as one of the payees. You will need to send the check to your Servicer to be endorsed and then returned to you. Contact your Servicer to learn how to obtain their endorsement.

Homeowner's Dues (HOA dues), Ground Rents, Other Property Assessments

Homeowner dues, ground rents and other property assessments are obligations you also must pay, if applicable. You should make every effort to contact these entities and make arrangements for a payment plan if you cannot pay the entire assessment when due. If you find that you cannot pay your assessments when they come due, contact your Servicer. In the event that your Servicer has to pay any of these property assessments on your behalf, HUD servicing guidelines do not allow you to repay those costs over time through a repayment plan. If the full amount of any charges paid by the Servicer on your behalf is not repaid immediately, HUD requires the Servicer to call your loan due and payable and begin the foreclosure process.

With regard to HOAs, certain states have granted special powers to HOAs that let them, or their agents, file a lien on the property for non-payment and foreclose on your property. These states are considered to

be "super lien states" and many HOAs have become very active in exercising these rights. If your Servicer becomes aware of a lien being placed on your property in a super lien state, the Servicer is required to pay the HOA charges to protect the property. If the charges paid on your behalf are not repaid immediately, again HUD requires the Servicer to call your loan due and payable and begin the foreclosure process.

Lifetime Expectancy Set Aside (LESA) / Tax & Insurance Set Aside

Depending on how and when your reverse mortgage was originated, there may have been funds set aside to pay for the property taxes and homeowners/flood insurance from your reverse mortgage or you may be responsible to pay for those expenses yourself.

Fully Funded LESA / Tax & Insurance Set Aside

If you received a "fully funded" lifetime expectancy set aside (or LESA) at the time your reverse mortgage was originated, or you optionally elected to have funds placed into a Tax & Insurance Set Aside, then your Servicer will be responsible for paying your property taxes and homeowners/flood insurance until the funds set aside for this purpose are exhausted. You will be able to see the remaining funds available in the LESA/Tax & Insurance Set Aside on your monthly and annual statements that you will receive from your Servicer.

Please note that funds placed into a LESA or Tax & Insurance Set Aside only cover your property taxes and homeowner's insurance (and flood insurance, if your property was located in a flood zone). These funds do not cover any homeowner association dues, ground rents, condominium fees, planned unit development fees, or any other special assessments that may be required by local or state law – you are still be responsible for paying for these items.

Also, these funds are only for the use of the borrower and will not be available if the reverse mortgage is ever called due and payable for any reason. In addition, if there is a non-borrowing spouse associated with your loan, they will not be able to access any remaining funds that may be in a LESA or Tax & Insurance Set Aside once you pass away.

Partially Funded LESA

If you received a "partially funded" LESA, then you will be responsible for paying your own taxes and homeowners/flood insurance to ensure that they are kept in a current status at all times. In addition, you will receive a semi-annual disbursement from your LESA until the funds in that set aside are exhausted. If you ever fail to pay your taxes and/or insurance timely, it could jeopardize your right to receive that semi-annual disbursement. You will be able to see the remaining funds available in the LESA on your monthly and annual statement that you will receive from your Servicer.

Please note that funds placed into a LESA or Tax & Insurance Set Aside only cover your property taxes and homeowner's insurance (and flood insurance, if your property was located in a flood zone). These funds do not cover any homeowner association dues, ground rents, condominium fees, planned unit development fees, or any other special assessments that may be required by local or state law – you would be responsible for paying for these items.

Also, these funds are only for the use of the borrower and will not be available if the reverse mortgage is ever called due and payable for any reason. In addition, if there is a non-borrowing spouse associated with your loan, they will not be able to access any remaining funds that may be in a LESA or Tax & Insurance Set Aside once you pass away.

No LESA or Tax & Insurance Set Aside

If you do not have a LESA or a Tax & Insurance Set Aside established with your loan, then you will be responsible for paying your own taxes and homeowners/flood insurance to ensure they are kept in a current status at all times.

Failure to pay your property taxes, homeowners/flood insurance, homeownership association dues, ground rents, condominium fees, planned unit development fees, or any other special assessments that may be required by local or state law may result in your loan being called due and payable.

If you ever experience difficulty in paying any of these obligations, contact your Servicer right away so that you can work together to try to solve the problem. In addition, you can always seek the advice, free of charge, from a HUD counselor by calling them toll-free at (800) 569-4287.

Title to My Property

HUD guidelines require that at least one HECM borrower remains on title to the property until your loan is re-paid in full. The title of the property cannot be conveyed out of the borrower(s) name(s) completely. At least one borrower must own the home. Otherwise, a complete conveyance (when all borrowers' interest in the property is transferred to another party) there will be a default under the terms of your loan. A default can result in your loan being called due and payable and may result in foreclosure of the property.

You should contact your Servicer to discuss adding a spouse or an heir to the title of your property after your loan has closed, or in the case of a divorce.

Trusts

If a borrower wishes to place the property in a trust after closing, the Servicer will work with the borrower to ensure the trust meets HUD guidelines.

HUD guidelines allow title to properties securing a HECM loan to be held in the name of an inter vivos trust, also known as a **living trust.** In general, a living trust is created during the lifetime of a person [as opposed to a testamentary trust which is created by the person's will after his/her death].

In general, for properties held in a trust when the loan closes, or placed in a trust after the loan closes, HUD requires the Trust meet the following conditions:

1. All beneficiaries of the trust must be eligible HECM borrowers at the time of origination and until the mortgage is released [i.e., borrower/beneficiary must occupy the property as a principal residence and new beneficiaries may not be added to the trust].
2. The trustee must sign the mortgage, and the mortgage must be signed by each borrower/beneficiary if necessary to create a valid first mortgage. The borrower/beneficiary must sign the Note and Loan Agreement. The lender may require the signature of the trustee on the Note or the signature of the borrower/beneficiary on the mortgage.
3. The trust shall not be a party to the Loan Agreement. The borrower/beneficiary may issue instructions to the lender to permit the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary; i.e., the right to receive loan advances or to request changes in the payment plan.

4. The lender must be satisfied that the trust is valid and enforceable, meets HUD guidelines, provides the lender with a reasonable means to assure that it is notified of any subsequent change of occupancy or transfer of beneficial interest, and ensures that each borrower/beneficiary has the legal right to occupy the property for the remainder of his or her life.

Due to the legal complexities of the ownership of property and the requirements of your loan documents, you should always discuss any changes to the title to your property with your Servicer and possibly with an attorney-at-law before taking any actions.

Repair Set-Asides

When the terms of your loan required repairs to be made to your property after the closing of the loan, specific loan funds were set-aside to pay for these repairs. A Repair Rider was included in your loan documents which describes the type of required repairs and the deadline to complete those repairs. The Servicer must ensure the completion of those required repairs on or before the date specified in your Repair Rider.

Your Servicer will make contact with you regarding the repairs. Be sure to review all the documents your Servicers sends you so you can familiarize yourself with the process of making the repairs, the required inspections, requesting funds for reimbursement and documentation required when the repairs are complete. Frequent phone calls and many documents are exchanged between the borrower, the contractor and HUD-certified inspectors. If you are using a contractor to make the repairs, you might want to consider sharing the information your Servicer provides to you so that all parties are aware of the process.

If delays are encountered in making the repairs, additional time to complete the required repairs may be granted by HUD prior to the deadline to complete the repairs as shown in your Repair Rider. These extensions are generally available due to inclement weather, unexpected conditions discovered during construction and other matters. Therefore, frequent communication with your Servicer is necessary to ensure the repairs go smoothly and your loan remains in good standing. One of the serious consequences that will occur if your repairs are not completed by the deadline in your Repair Rider is that loan payments you may be receiving, or funds generally available to you in a line of credit, will be suspended until the repairs are completed.

Default

Events of Default

HECM loans can enable borrowers to age in place in their homes. As a HECM borrower, you are entitled to live in your home for your lifetime as long as you maintain the property, remain the owner, occupy the home as your primary residence, and pay your property charges timely. If any one of these conditions is not met, a maturity event occurs and the loan is then considered in **Default**. A HECM loan is like any loan in that if you can no longer meet the conditions of the loan, it is in Default. The default condition must be cured, or the loan debt must be resolved in some acceptable manner, otherwise the property may be foreclosed upon to resolve the debt. Please know that not all HECM loans are resolved by foreclosure and your Servicer is always available to help you and/or your heirs consider possible options to avoid foreclosure if so desired.

The events of Default that may result in your HECM loan being matured and called due and payable are:

1) the death of the last surviving borrower,
2) failure of at least one borrower to occupy the property as their primary residence,
3) failure to pay your taxes and insurance, or other property charges
4) failure of at least one borrower to remain on title as an owner of the property, or
5) failure to maintain the property.

Default Process

HUD guidelines provide multiple options for resolution of a Default on a HECM loan, and avoidance of foreclosure. However, it is important for you and your heirs to understand that HUD has established a firm and expedient process to foreclosure if Defaults are not resolved. Therefore, it is important that decisions are made and action is taken in a timely manner to ensure that opportunities are not lost. Here is a brief overview of the process from default to eviction:

1. Once a default event occurs, the loan will be **called due and payable within approximately 30 days**. This is accomplished when the Servicer notifies HUD of the last remaining borrower's death, a title transfer (where no borrower remains on title), or when HUD's approval to call the loan due and payable is given in the case of non-occupancy, property charge default or failure to maintain or repair the property.
2. A **Demand Letter is sent within 30 days** of calling the loan due and payable. This letter notifies the borrower the loan has been called due and payable, and "demands" payment of the loan amount due, in full.
3. **An Appraisal of the property is ordered within 30 days** of sending the Demand Letter to determine the value of the collateral property. The appraisal is completed by an FHA-approved appraiser.
4. The Servicer is required to take the first l**egal action to begin foreclosure within 6 months/ 180 days** of the due and payable date.
5. Servicers must **complete the foreclosure and take possession of the property within HUD-prescribed specific timelines for each state**.

There are opportunities to resolve defaults for occupancy, property charges and failure to maintain the property. Let's discuss those options.

Resolving Defaults

Occupancy

In addition to the borrower notifying the Servicer that the property is no longer their primary residence, a Servicer may have reason to believe the property is vacant because the borrower's annual occupancy certification was not received. Other indications are property inspections which indicate the property appears vacant, or municipal code violations may be reported to the Servicer, or neighbors may contact the Servicer reporting the property appears to be vacant. To protect the property, the Servicer will secure the property by changing at least one of the locks to the property and will inspect the property's interior and exterior on a monthly basis. At least one lock will remain unchanged so that the borrower and family still have access to the property.

The resolution to an Occupancy default is to return to the property within 12 months of the property becoming vacant. To resolve an occupancy default, HUD requires the Servicer to obtain a written occupancy certification that must be mailed to the property address and signed by the borrower as proof of occupancy. The Servicer will validate the borrower's signature.

When your Servicer cannot confirm the borrower resides in the property, and has exhausted all reasonable options to locate the borrower, they are required to seek approval from HUD to call the loan due and payable. This is another instance where keeping your contact information updated on your loan can make a difference and is so important.

Property Taxes and Property Insurance

If your Servicer is informed that a tax payment has not been paid, or that your insurance premium has not been paid or renewed, your Servicer must disburse their own funds to bring the items current in order to protect the property from liens or casualty losses. After a disbursement is made on your behalf, your Servicer is required by HUD servicing guidelines to seek approval from HUD to call the loan due and payable. The loan will remain in a due and payable status until you repay the full amount of the disbursement(s) made by your Servicer.

You may qualify for a **Repayment Plan** option to fully repay any disbursements for taxes and/or insurance over a period as long as five years.

In order to evaluate you for a HUD-approved Repayment Plan, your Servicer is required to obtain documentation from you, including income and expense information and documentation supporting any special circumstances. If you do not qualify for a Repayment Plan, and the youngest borrower on the loan is over the age of 80, you may qualify for an **"At Risk" Extension**. Contact your Servicer to discuss this option and required documentation. HUD must approve all Repayment Plans.

If you are approved for a Repayment Plan, and you sign the plan document and return it to your Servicer, you are expected to make the agreed-upon monthly payments, on the date that they are due, to your Servicer. Additionally, you must pay all future taxes and insurance billings timely so that no additional advance of funds by your Servicer is required. If you fail to make a payment on your repayment plan for 60 days, or fail to pay another tax or insurance bill, and your Servicer has to again advance funds, your repayment plan will be considered "broken". At this point, your Servicer will need to re-evaluate you for a new Repayment Plan to include the additional funds advanced on your behalf. If your Repayment Plan is in good standing (i.e., payments are being made on time and no further defaults have occurred), your loan will not be referred to foreclosure.

During the term of your Repayment Plan, your loan must remain in a due and payable status. Please be aware that per HUD servicing guidelines, when a loan is in a due and payable status, monthly external inspections of the property are required. Your Servicer will retain a vendor to perform these external property inspections on a monthly basis. If you have questions about these inspections, please contact your Servicer.

Repairs

If the repairs required to the property are not completed within the required time period indicated in your Repair Rider, your Servicer must request approval to call the loan due and payable. The resolution to a repair default is to complete the required repairs and provide the required completion documentation as soon as possible to your Servicer. The Servicer must have the property inspected to ensure completion of the repairs. Once the repair process is completed, any loan payments that were previously suspended will resume and access to any funds in a line of credit will be restored.

Title

The resolution to a title default is to follow the corrective actions required by your Servicer. Servicers will always encourage you to seek the advice of legal counsel due to complexities of state laws regarding ownership of real property. Servicers cannot offer you legal advice.

Unresolved Defaults

Death

Servicers are required to monitor and identify the death dates of all borrowers. They use a variety of tools and national reporting services to accomplish this. It is not to your heir's advantage to delay notifying your Servicer about this event as the deadlines established by HUD for resolving the loan are based upon the date that the last remaining borrower passes away – *not the date that the Servicer was made aware of the borrower's death*. Resolution of the loan must be undertaken within 6 months/ 180 days of the death of the last borrower.

Estate planning

Some borrowers have made provisions in their wills and discussed matters related to their HECM loan ahead of time with their heirs, all of which is part of their estate planning. Servicers encourage borrowers to plan ahead, involve their heirs before their death, and consult legal counsel if necessary. As with all loans, a key consideration is how quickly the loan must be resolved. Preparing ahead of time (before a maturity event) will make the process for resolving the HECM loan debt much smoother. The death of the last remaining borrower on the loan is a maturity event and the loan then becomes due and payable as of the date of death.

Maturity Options

The options for resolution of the HECM upon maturity must be considered by the borrower's heirs and can include the establishment of an administrator or executor for the estate. This may require legal action and may include probating the will. It should be undertaken immediately. You should be familiar with your state's laws concerning real property, and your heir's rights if you do not have a will, as this will control your estate. A few considerations:

- Your heirs will need to communicate their intent for the resolution of the loan debt to your Servicer as soon as the Demand Letter is received.
- If the intent is to retain the property, then arrangements will need to be made to pay off the loan or to obtain financing to pay off the loan.
- If the intent is not to retain the property, the administrator or executor of your estate can list the property for sale. A real estate professional should be consulted at this point and everyone should be aware of the time constraints. If the property is sold at a price above the total debt, the heirs/ estate will retain the excess proceeds. Your Servicer may accept the lesser of your total debt or 95% of the current market value of your home, as appraised by an FHA-approved appraiser, **as a full** pay off of your loan, which is considered a **"short sale"**. Short sales must be approved in advance by your Servicer.
- Another option, if the intent is not to retain the property, is for the administrator or executor of the estate to provide a **deed in lieu ("DIL")** of foreclosure transferring the property back to the Investor. For a DIL to be approved, title to the property must be free of any other liens or encumbrances, and

the property must be in "broom-swept" condition meaning all personal property must be removed. During the DIL process, the borrower's estate is responsible for paying all property charges (i.e., taxes, insurance, homeowner's dues, and other property assessments) until the DIL is recorded and title is officially transferred to the investor (i.e., the owner of the loan). The DIL alternative extinguishes the debt and there is no further obligation or recourse to the estate.

Communicating with the Servicer is to everyone's advantage upon the death of the last borrower as time is of the essence. The Servicer is required to and will commence foreclosure within 6 months/180 days after the death of the last remaining borrower; however, if communication occurs early in the process of resolving the loan, HUD does allow **90-day extension** options for additional time to complete paying off the loan in full, completing a short sale, or completing a DIL. The Servicer and HUD will require specific documentation on the probating of the will, obtaining financing, or marketing the property to substantiate the request for an extension. HUD will only approve two 90-day extensions, with specific documentation to support the need for the extension(s).

All of these options to foreclosure require that your heirs and your Servicer communicate frequently and early in the default process. Servicers must begin the foreclosure process within 6 months/180 days from the last remaining borrower's date of death but will always seek to resolve the default with willing heirs whenever possible.

All other defaults (Property Charges, Title Transfer and Repairs)

When at least one of the borrowers can no longer occupy the property as their principal residence, pay their property charges when due (such as taxes and insurance), complete their required repairs or has conveyed their ownership of the property to someone else the loan is in default and must be resolved through foreclosure or one of the following options:

- If you desire to retain the property, then arrangements will need to be made to pay off the loan or to obtain financing to pay off the loan.
- If you are unable to pay-off the loan, the property can be listed for sale. A real estate professional should be consulted at this point and everyone should be aware of the time constraints. If the property is sold at a price above the total debt, the excess proceeds will be retained by the borrower. Your Servicer is able to accept the lesser of your total debt or 95% of the current market value of your home, as appraised by an FHA-approved appraiser, as a full pay off of your total debt and this is considered a **"short sale"**. Short sales must be approved in advance by your Servicer.
- Another option if you are unable to pay-off the loan to consider is a **deed in lieu ("DIL")** of foreclosure. This alternative quickly extinguishes the debt and there is no further obligations or recourse to the borrower but requires certain conditions be met regarding good and marketable title and the removal of all personal belongings.

All of these options to foreclosure require that you and your Servicer communicate frequently and early in the default process. Servicers must begin the foreclosure process within 6 months/180 days from the due and payable date [date of the Demand Letter] but will always seek to resolve the default with a willing borrower or heir whenever possible.

Non-Borrowing Spouse (NBS)

A very specific set of rules apply to **Non-borrowing Spouses ("NBS")**. If the borrower passes away and there is a spouse who was not also a borrower on the loan (i.e., they did not sign the Note and therefore are not obligated to honor the loan terms), that spouse may qualify to remain in the home until they pass or another maturity event occurs. To determine if an NBS is a "qualified" NBS according to HUD guidelines, the NBS should contact the loan Servicer as soon as possible after the borrower's death.

If the NBS qualifies to remain in the property, they will not be entitled to draw any remaining funds from the loan or LESA, if applicable. Once a maturity event occurs, all loan funds are frozen and cannot be drawn. A qualified NBS who is approved to stay in the home until another maturity event will be responsible for fulfilling certain obligations under the loan including maintaining the property, completing any unfinished repairs that were required at closing, paying all property charges timely (including, but not limited to, taxes, insurance, homeowner's dues and ground rents, as applicable), occupying the home as their primary residence and certifying their occupancy annually in writing to the Servicer.

HUD has established firm deadlines for the NBS to qualify to remain in the property; therefore, it is very important that an NBS contact the Servicer at the earliest possible opportunity after the death of the borrower.

Foreclosure

When all efforts to resolve the loan, as described herein, are exhausted, your Servicer will commence the legal foreclosure of the property. The length of time between the event of default and the foreclosure sale will vary by state and specific circumstances. Communications from the Servicer should not be ignored as this will only complicate the process.

Please be aware that should foreclosure action begin on your property, applicable attorney fees and costs, along with other HUD-allowable fees, will be added to your loan balance as they are incurred. If the foreclosure action is later stopped or rescinded, those fees will still be applicable and will remain in your loan balance.

After the foreclosure sale occurs, the Servicer will take custody of the property on behalf of the Investor. If there is personal property left in the home, or people residing in the property, the Servicer will undertake the legal process of eviction. The length of time between the foreclosure sale and the eviction will also vary by state.

HECM: A Non-Recourse Loan

The HECM is a "non-recourse" loan. This means that the HECM borrower (or his or her estate) will never owe more than the total debt or the value of the property, whichever is less; and no assets other than the home must be used to repay the debt.

Other Resources

In closing, it is important to remember that being familiar with the terms of your loan as explained in your loan documents and keeping your Servicer informed is key to enjoying the benefits of your HECM loan and understanding your obligations under the loan. Your HECM loan was designed to enhance your financial security by providing you access to a portion of your home's equity so that you may enjoy your senior years - in your home.

Both the Department of Housing and Urban Development and the National Reverse Mortgage Lenders Association (NRMLA) offer websites providing HECM information to borrowers and their heirs. We invite you to utilize these resources:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome
http://portal.hud.gov/hudportal/HUD?src=/topics/information_for_senior_citizens
https://www.reversemortgage.org/

Additionally, HUD provides a list of HECM Counselors at the link below, or you may locate a counselor near you by calling 800-569-4287.

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

NRMLA®
National Reverse Mortgage Lenders Association

For additional information such as finding a reverse mortgage lender or a reverse mortgage counselor, go to

www.reversemortgage.org