

**Smartfi Home Loans  
HECM Servicing Guide -  
for Partners**

## TABLE OF CONTENTS

GENERAL .....	4
Who owns the home?.....	4
What are the customer’s obligations?.....	4
Who will be servicing the loan? .....	4
Will the borrower’s loan number change? .....	4
How will the borrower be contacted by their servicer after funding?.....	5
Will the borrower(s) receive monthly statements? .....	5
Is there a borrower portal/website? .....	5
Will the servicer ever call the borrower? .....	5
When is an alternate contact used? .....	5
The borrower wants to put the home in a Trust after closing. How does that work? .....	6
Where can I get more information on Reverse Mortgages? .....	6
FUNDS.....	7
How will the borrower(s) receive The Monthly PAYment from their reverse mortgage? .....	7
How Can the borrower(s) request funds from their reverse mortgage?.....	7
How can a borrower have funds deposited directly into their bank account?.....	8
How will a borrower know how much is remaining on their available Line of Credit?.....	8
How does the line of credit grow? .....	8
Do payments to the loan increase the available balance?.....	9
TAX AND INSURANCE .....	10
Are property tax deferrals and/or exemptions allowed with a reverse mortgage?.....	10
What is a LESA? .....	10
My borrower has a fully funded LESA, but they received a tax bill. What should they do? .....	11
What happens to tax bills if the borrower has a Partially Funded LESA?.....	11
PAYMENTS AND CONTACT INFORMATION.....	12
How can the borrower pay down the loan. What payment methods are available? .....	12
Who should the borrower contact for any questions about the reverse mortgage? .....	12
What information is found on the Reverse Mortgage Statement? .....	13
PROPERTY REPAIRS AND LOSS DRAFTS .....	15
My borrower’s home was damaged in a fire/hurricane/flood, etc. What do they do?.....	15
The borrower has a repair rider. What do they need to do?.....	15

DEFAULTS AND DEATHS ..... 16

- What are the requirements for a borrower to keep the loan in good standing? ..... 16
  - Maintain Occupancy ..... 16
  - Pay All Property Charges Timely ..... 16
  - Maintain The Property ..... 17
- When one of the requirements are not met, what happens?..... 17
  - Due and Payable ..... 17
  - Cures ..... 18
  - Extensions ..... 18
  - Legal..... 18
- How long does the foreclosure process take? ..... 18
- The borrower PASSED AWAY. What happens now? ..... 19
- Should the borrowers consider Estate Planning? ..... 19
- Can the mortgage company come after the heirs if the home is foreclosed on? ..... 19
- If there is a Protected Non-Borrowing Spouse (PNBS), what are the requirements? ..... 20

## **GENERAL**

### **WHO OWNS THE HOME?**

The customer retains full ownership of the property. The reverse mortgage is simply a loan taken out against the equity in the home. If the borrower follows the mortgage requirements, there will be no danger of losing the home because of the reverse mortgage.

### **WHAT ARE THE CUSTOMER'S OBLIGATIONS?**

The primary obligations of the customer are to a) occupy the home as their principal residence and return the annual occupancy certificate timely; b) pay all taxes, insurance (unless there is a LESA set aside), and homeowner's association dues; and c) maintain the property, including staying on the title, and repairing any property damages. See the Defaults and Deaths section for further information.

### **WHO WILL BE SERVICING THE LOAN?**

For loans where Smartfi has retained the servicing rights, a subservicer has been engaged. In that case, all correspondence sent by the appointed subservicer will contain Smartfi's logo and reference Smartfi as the Servicer. When a Servicer is referenced in this document, it means the appointed subservicer on behalf of Smartfi.

All contact information in this document may vary if Smartfi engages additional subservicers.

Smartfi has a team that oversees the subservicing relationship. Not only do they monitor the quality of the subservicer, but they also help prevent and resolve customer complaints / escalations.

### **WILL THE BORROWER'S LOAN NUMBER CHANGE?**

The borrower's origination loan number is the one in the closing package. Once the loan transfers to the subservicer, they will assign a new servicing loan number which they refer to as the Skey number. This Skey number will essentially become the customer's new loan number and they should refer to this when corresponding with the subservicer.

## **HOW WILL THE BORROWER BE CONTACTED BY THEIR SERVICER AFTER FUNDING?**

The borrower(s) will receive an introduction package from the Servicer once the loan has been boarded onto the servicing system. This welcome letter will include information about monthly statements, obtaining draws, contact information for repairs, how to contact customer service and how to register to view their account online.

## **WILL THE BORROWER(S) RECEIVE MONTHLY STATEMENTS?**

A monthly statement will be sent outlining the activity since the last statement. The statement will also provide the Servicer's contact information. The statements can be sent either electronically (encouraged for privacy and environmental reasons) or in the mail.

## **IS THERE A BORROWER PORTAL/WEBSITE?**

The borrower portal is located at <http://www.myReverseAccount.com/> and allows customers to:

- Manage and update borrower profile.
- Check loan balance and activity.
- Review/download monthly statements.
- Download forms associated with account (like draw requests).
- Contact Customer Service.
- Get answers to frequently asked questions.

The registration link is available on the top right corner of the web page. And borrowers will also have the option to download the mobile app for smart devices.

## **WILL THE SERVICER EVER CALL THE BORROWER?**

The Servicer may reach out to the borrower if there is a problem with the loan. For example, if the annual occupancy certificate is not returned or current proof of insurance was not received, contact may be attempted. If the borrower is uncertain if the call is legitimate, they can reach out directly to the Servicer using the phone number provided on the monthly statement or introduction letter.

## **WHEN IS AN ALTERNATE CONTACT USED?**

In the event the borrower is unreachable (for example due to illness or vacation, or the borrowers change their phone number and forget to update the mortgagor), an Alternate Contact may be attempted. Family or close friends may be a good choice for an Alternate Contact. The Servicer will not provide the Alternate Contact with any information on the loan unless they are authorized. Each year, the annual occupancy form will also include an option to add additional alternate contacts to the loan.

The borrower can also establish an Authorized Contact by contacting the Servicer directly. The borrower will need to sign a form and/or send a letter providing authorization to whomever they select. An authorized contact is someone the Servicer can discuss loan details or personal information.

### **THE BORROWER WANTS TO PUT THE HOME IN A TRUST AFTER CLOSING. HOW DOES THAT WORK?**

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]. For properties held in a trust when the loan closes, or placed in a trust after the loan closes, HUD requires the Trust meet specific conditions.

Due to the legal complexities of the ownership of property and the requirements of the loan documents, borrowers should always discuss any changes to the title with the Servicer and with an attorney before taking any actions.

### **WHERE CAN I GET MORE INFORMATION ON REVERSE MORTGAGES?**

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 review and share these resources with the borrowers:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm/hecmhome](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](http://portal.hud.gov/hudportal/HUD?src=/topics/information_for_senior_citizens)

<https://www.reversemortgage.org/>

<https://www.consumerfinance.gov/consumer-tools/reverse-mortgages/>

[Return to Top](#)

## FUNDS

### HOW WILL THE BORROWER(S) RECEIVE THE MONTHLY PAYMENT FROM THEIR REVERSE MORTGAGE?

If a scheduled monthly payment has been selected as part of the payment plan option, the first payment will be sent on the first business day of the month following the funding of this account. For example, if the loan is funded in November, the first payment would be sent on the first business day of December. Subsequently, the monthly payment would be sent on the first business day of each month, depending on the loan status. Funds can be direct deposited. See additional FAQ below.

### HOW CAN THE BORROWER(S) REQUEST FUNDS FROM THEIR REVERSE MORTGAGE?

If a line of credit is selected as part of the payment plan option, those funds can be requested by sending in a written request to the Servicer. The "Line of Credit Draw Request" form (available on the borrower portal) can be used when requesting payment.

The draw request form can be delivered to the Servicer using one of the following options:

- **Upload** to the borrower portal ([www.myReverseAccount.com](http://www.myReverseAccount.com))
- **Mail to:**  
Smartfi Home Loans, c/o PHH Mortgage Services  
P.O. Box 24606  
West Palm Beach, FL 33416
- **Fax** to 561-682-8821
- **Scan and email** to [Draw@PHHreverse.com](mailto:Draw@PHHreverse.com)

Once the signed request is received, if funds are available, it will be processed within 5 business days of receipt.

Note: HUD may have placed restrictions regarding how much can be accessed from the reverse mortgage during the first year – known as the "Initial Disbursement Limit." If applicable, no funds can be accessed beyond that first-year limitation listed on the monthly statement under "Total Funds Available." Once the one-year anniversary date has been reached, those limitations will no longer apply.

Any requests totaling 100K+ in a 30-day period will require that the Line of Credit Draw Request Form be notarized.

## **HOW CAN A BORROWER HAVE FUNDS DEPOSITED DIRECTLY INTO THEIR BANK ACCOUNT?**

If a voided check was provided at the time of loan closing for this purpose, nothing further needs to be done.

If a voided check was not provided at closing and the borrower would like to set up direct deposit later, an "ACH Direct Deposit Request" form must be completed and returned. This form can be located on the borrower portal.

To set up a deposit directly into a savings account, a letter from the bank or credit union (on their letterhead) listing the savings account number, the bank or credit union's routing number, and any names that are listed on the account is required.

Note: Only the borrower(s) on the reverse mortgage (or their financial Power of Attorney) can be listed on the account that is used to set up the direct deposit. There is no fee charged for the direct deposit service.

## **HOW WILL A BORROWER KNOW HOW MUCH IS REMAINING ON THEIR AVAILABLE LINE OF CREDIT?**

The mortgage statement will show the available line of credit balance. The section is titled: Total Funds Available.

Note that available funds do NOT include monies set aside for a LESA.

## **HOW DOES THE LINE OF CREDIT GROW?**

If the borrower leaves a portion of the credit line unused, this portion will experience growth. This available part of the credit line may grow monthly based on the interest rate of the loan (Margin + Index + MIP). This growth may increase the available line of credit balance for the use of the borrower.

If the borrower has a Life Expectancy Set Aside (LESA) account, this portion will also experience growth. The larger the available balance, the more growth is possible.

The borrower(s) should refer to their loan documents or contact the Servicer for more details about line of credit growth.



## **DO PAYMENTS TO THE LOAN INCREASE THE AVAILABLE BALANCE?**

If the borrower has an Adjustable-Rate Mortgage (ARM) with a line of credit (LOC) option, any payments made to reduce the loan balance may be available to re-draw in the future. With a fixed rate mortgage, no funds can be drawn in the future. Payments will only reduce the total loan balance.

If the borrower would like to change their payment plan to receive more funds in the LOC (reducing their monthly payments), they need to reach out to the Servicer. There will be a fee to change the plan.

[Return to Top](#)

## TAX AND INSURANCE

### ARE PROPERTY TAX DEFERRALS AND/OR EXEMPTIONS ALLOWED WITH A REVERSE MORTGAGE?

- **Property Tax Deferrals**  
Tax deferrals are not allowed for a reverse mortgage on the property. Tax deferrals are not the same as tax exemptions (see below), as they defer the tax payments until a later date and a lien is placed against the property, which can be in violation of the terms of the reverse mortgage.
- **Property Tax Exemptions**  
Reverse mortgages may be eligible for property tax reductions from the local tax authorities in the form of exemptions. Property tax exemptions are different from the deferral programs listed above, as they are permanent reductions in the taxable amount.

Some examples of possible exemptions are:

Homestead exemptions for occupying the home as a primary residence, age exemptions, such as being over 65 (age limits may vary by county), disability exemptions (in case of disability), or mortgage exemptions for having a mortgage on the property. The borrower should contact the city or county tax office to find out what options they may be eligible.

Note: There may be instances where a re-application for the property tax exemptions may be required when a new mortgage is placed on the property, such as a refinance or a reverse mortgage. To avoid losing the tax exemption status, the borrower should contact the local tax authorities for more information.

### WHAT IS A LESA?

A LESA is a Life Expectancy Set Aside. A Set Aside is a portion of the line of credit that is divided from the remaining balance to allow taxes and insurance charges to be paid. This is slightly different from an escrow account where there is actual money escrowed in a separate bank account.

As a tax or insurance bill is paid, the amount is deducted from the LESA available balance, and the total is added to the loan balance. This LESA balance is only available for property taxes and hazard and flood insurance.

The borrower is responsible for paying Homeowner's Association (HOA) fees, Planned Unit Development (PUD) fees, condominium fees and any other property charges out of their own funds.

Each year, the Servicer will perform an analysis to determine the amount of funds required for property charges during the following year. When there is an insufficient available LESA balance to continue to pay property charges, the Servicer will notify the borrower in writing, within 15 calendar days of the annual analysis that the borrower will then be responsible for future payment of property charges.

### **MY BORROWER HAS A FULLY FUNDED LESA, BUT THEY RECEIVED A TAX BILL. WHAT SHOULD THEY DO?**

Funds placed into a LESA or Tax & Insurance Set Aside only cover property taxes and homeowner's insurance. These funds do not cover any homeowner association dues, ground rents, condominium fees, or planned unit development fees.

If the borrower receives a property tax or insurance bill, they should forward that to the Servicer for payment. Usually any bills due within 30 days of closing are covered by funds at closing and paid by the title company. The borrower can review the Settlement Statement to verify.

Also, LESA 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, including non-occupancy or death. In addition, if there is a non-borrowing spouse associated with the loan, they will not be able to access any remaining funds that may be in a LESA once the borrower passes away. The NBS will be required to pay all property tax and insurance amounts owed out of their own funds or they may lose the NBS deferral and the loan will be called Due and Payable.

### **WHAT HAPPENS TO TAX BILLS IF THE BORROWER HAS A PARTIALLY FUNDED LESA?**

With a "partially funded" LESA, the homeowner is responsible for paying the taxes and homeowners/flood insurance and ensure that they are kept in a current status at all times. They will receive a semi-annual disbursement from the LESA until the funds in that set aside are exhausted.

If the borrower fails to pay taxes and/or insurance timely, it could jeopardize their right to receive that semi-annual disbursement. The remaining funds available in the LESA are shown on the monthly and annual mortgage statement.

[Return to Top](#)

## **PAYMENTS AND CONTACT INFORMATION**

### **HOW CAN THE BORROWER PAY DOWN THE LOAN. WHAT PAYMENT METHODS ARE AVAILABLE?**

All payments can be sent by wire, check, cashier's check or certified funds to Smartfi Home Loans, c/o PHH Mortgage. The borrower should always include the loan number/skey with any payments.

If the borrower does not want to close the account and payoff the loan, leaving a minimum loan balance of \$50 is suggested. For payoff instructions and the correct payoff amount, the borrower should contact the Servicer to obtain a current payoff quote. The loan balance is not the payoff amount.

Make checks payable to:

Smartfi Home Loans c/o PHH Mortgage Corporation  
Attn: RSVPP  
P.O. Box 24781  
West Palm Beach, FL 33416  
Ref: Loan skey, name and property address

OR send overnight to

Smartfi Home Loans c/o PHH Mortgage Services  
Attn: RSVPP  
1661 Worthington Rd., Ste 100  
West Palm Beach, FL 33409 Ref: Loan skey, name and property address

If the borrower is interested in a refinance, they will be referred to Smartfi by the Servicer. Smartfi will reach out to the original lender and provide them with the lead contact information.

### **WHO SHOULD THE BORROWER CONTACT FOR ANY QUESTIONS ABOUT THE REVERSE MORTGAGE?**

If Smartfi retains servicing rights, the Servicer contact information is as follows:

#### **Telephone**

Call toll free 1-833-604-0557 to reach a Reverse Mortgage Specialist. Regular business hours are 8:00 AM to 7:00 PM EST.

#### **Fax**

561-682-8644

## Email

CustomerAssist@PHHreverse.com

## Mail

Regular Mail	Overnight Mail
Smartfi Home Loans c/o PHH Mortgage Services P.O. Box 24606 West Palm Beach, FL 33416	Smartfi Home Loans c/o PHH Mortgage Services Attn: 24606 1661 Worthington Rd., Ste 100 West Palm Beach, FL 33409

### WHAT INFORMATION IS FOUND ON THE REVERSE MORTGAGE STATEMENT?

1. **Loan #:** This is the origination loan number. Loan number can be found in any of the Closing Documents.
2. **Month Ending:** This is the period that the statement represents.
3. **Pay Plan Type:** This is the current payment plan type for the loan.
4. **Interest Rates:** This displays the current interest rate in effect on the loan as of the Statement Period.
5. **Loan Balance:** This is the Loan balance as of the Month ending date. This is not the Payoff amount and doesn't include the Corporate Advances.
6. **Repair Set-Aside:** This figure represents the total amount of repair funds that is available to use for repairs.
7. **Life Expectancy Set-Aside:** This figure represents the total amount of funds that have been set aside to pay for taxes and insurance.
8. **Annual percentage rate (APR):** The annual percentage rate for the interest portion of the Finance Charge may increase or decrease annually based upon changes in the ("Index"). Therefore, the monthly and daily periodic rates relating to the interest portion of the finance charge may vary. To determine the annual percentage rate that will apply to the loan, a margin is added to the value of the Index, subject to certain rate limitations as provided in the Reverse Mortgage Note. The corresponding annual percentage rate for the interest portion of the finance charge does not include costs other than interest. The historical annual percentage rate includes interest and all other finance charges that relate to the loan.
9. **Mortgage Insurance Premiums (MIP) Periodic Rates:** This displays the MIP rate in effect on the loan as of the Statement Period.

10. **Periodic Finance Charges:** Each advance or payment made to the borrower or on borrower's behalf under the Reverse Mortgage will be subject to a finance charge beginning on the day after each advance or payment is made. A finance charge will continue to be assessed on the Reverse Mortgage until the entire outstanding balance and all fees due under the Notes, Security Instruments and Loan Agreement are paid.
11. **Loan Skey:** This is the reverse mortgage loan number. They should reference this loan number when calling the servicing department.
12. **Notice of Changes in the Interest Rate:** This is a notice of any upcoming change in the interest rate, if applicable.
13. **Total Funds Available:** This figure represents the total amount of remaining funds that the borrower has available to borrow on the reverse mortgage. Depending on the type of payment plan option selected, this figure would include any funds available in the line of credit, as well as any future monthly scheduled payments.
14. **Loan Balance Activity:** This displays the loan balance activity on the Reverse Mortgage loan for the billing period and year to date.
15. **Transaction Information:** Any transactions that have occurred on the loan during the Statement Period (line of credit advances, repayments, accrued interest, monthly scheduled payments, etc.) are detailed in this section.
16. **Closing Loan Balance:** This is the Loan balance as of the Month ending date. This includes the Principal Balance, Interest Balance, MIP Balance and Servicing fees on the loan. Note that this is not the Payoff amount and doesn't include the Corporate Advances.
17. **Corporate Advance:** This displays the corporate advance balance on the reverse mortgage. These are servicing-related expenses that were paid with servicer funds.

[Return to Top](#)

## PROPERTY REPAIRS AND LOSS DRAFTS

### MY BORROWER'S HOME WAS DAMAGED IN A FIRE/HURRICANE/FLOOD, ETC. WHAT DO THEY DO?

If the borrower sustains any type of damage to the property, they should:

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

Depending on the severity of the damage, and the amount of funds issued by the 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 the insurance company will list the Servicer as one of the payees.

The Loss Draft department at the Servicer can assist with the process. That department can be reached by phone at 866-918-0331.

### THE BORROWER HAS A REPAIR RIDER. WHAT DO THEY NEED TO DO?

The Repair Set Aside ("RSA") amount is based on the repairs cost estimate of the repairs required, equal to 150% of the cost of repairs, plus the repair administration fee.

The repair rider provides the timeline and terms of the repairs. Borrowers may be eligible for extensions to complete repairs, giving the homeowner a total time of up to one year to complete these repairs. If these are not completed timely, the loan will go into a default status and the borrower will be unable to access any additional line of credit funds until the repairs are done.

The mortgage statement outlines the available repairs balance, and an introductory letter will be sent to the borrower with the specific process and the documents required.

Once all the repairs listed on the repair rider are complete, the borrower will need to contact the Servicer. At that time, an inspection will be scheduled. The inspection fee will be deducted from the repair set aside.

If the inspection shows all repairs are completed, and the borrower submits supporting documents to the Servicer, the set aside funds can be released to the borrower, contractor, or the LOC. The borrower needs to review the introductory letter for the specific requirements.

[Return to Top](#)

## DEFAULTS AND DEATHS

### WHAT ARE THE REQUIREMENTS FOR A BORROWER TO KEEP THE LOAN IN GOOD STANDING?

#### MAINTAIN OCCUPANCY

---

At least one of the borrowers must maintain the home as their primary residence and sign an occupancy certificate every year confirming occupancy each annual anniversary of the loan. If there is a non-borrowing spouse (NBS), an annual NBS certificate confirming that the NBS borrower still remains in the home and remains married to the borrower, will need to be signed by the borrower as well.

The borrowers should notify the Servicer of any changes in contact information. This allows the Servicer to reach out to them if a problem arises.

- The borrowers may be out of the home for certain periods of time (ex. traveling) as long as they reside in the property for a majority of the year. If they are going to take a vacation or be out of the home for two months or more, they should contact the Servicer.
- The borrower(s) may be out of the home for up to 12 months for medical reasons, as long as the intent is still to return to the property.
- If it is established that the borrower will NOT be returning home, at any time, the loan will be placed into a default status.
- If the borrower has to move out due to health reasons, but there is a protected non-borrowing spouse still residing in the property, they need to reach out to the Servicer to apply for a deferment. Requirements apply.
- If the occupancy form is not returned timely, the loan may be placed into a default status and inspections ordered, with fees assessed to the loan, to attempt to obtain the signature from the borrower confirming occupancy.
- If the non-borrowing spouse moves out of the home or divorces the borrower, the Servicer needs to be notified in writing.

#### PAY ALL PROPERTY CHARGES TIMELY

---

- The borrowers must ensure payment of all property charges including (if applicable) ground rents, condominium fees, planned unit development fees, homeowner association dues and any other special assessment that may be required by local or state law.



If they have a LESA, they will still be required to cover any charges if the LESA runs out, and all items not included in the LESA.

If taxes or insurance go unpaid, it could result in this account being placed into default status and could be called Due and Payable. Advice from a HUD counselor can be obtained free of charge by calling 1-800-569-4287.

- The borrowers must maintain insurance coverage at the same amount and types required to have at the closing of the loan. This may change if the flood zone on the property changes.

If the covered property is a condo, the master policy must include coverage for the inside of the unit or the borrower may be required to purchase a supplemental policy (typically called an "HO6 policy" or "walls-in coverage").

In the event the borrower changes insurance agents or insurance companies, the borrower must notify the Servicer.

## **MAINTAIN THE PROPERTY**

---

- The borrowers must repair any items listed in the repair rider.
- The borrowers must keep up with property maintenance and avoid property violations in the city/township where they reside. This also includes repairing any damage after a fire, flood, or a disaster.
- At least one living borrower must remain on the property title while the mortgage is in place. If one of the borrowers is removed from the title, copies of the document should be sent to the Servicer.

## **WHEN ONE OF THE REQUIREMENTS ARE NOT MET, WHAT HAPPENS?**

### **DUE AND PAYABLE**

---

If the above mortgage requirements are not met and a default occurs the loan will be called Due and Payable within approximately 30 days. During this period, property inspections may be ordered and the charges for the inspections will be added to the loan balance.

A Demand Letter is sent within 30 days of calling the loan Due and Payable. This letter will specify deadlines the borrower or their heirs must abide by to inform the Servicer of how they will either cure the default.

## CURES

---

The borrower and/or heirs have the following options to cure the defaults, depending on the type of default:

- Correct the default (re-occupying the property and signing the occupancy certificate, repair the property, or repaying the amount advanced by the mortgage company.)
- Enter into a Repayment Plan Agreement (only available on tax and insurance defaults).
- Refinance or payoff the loan.
- Sell the property to payoff the loan. If the property is sold at a price above the total debt, the excess proceeds will be retained by the borrower.
- Short sale, if the property is worth less than the appraisal value.
- Deed in Lieu of foreclosure, which is the voluntarily transfer the property title to avoid foreclosure. The property must be empty and clear of all other liens.

To learn which default options are available, the borrower should reach out to the Servicer as soon as possible.

## EXTENSIONS

---

Depending on the type of reverse mortgage obtained, the borrower (or heirs) may be eligible for potential time extensions ranging up to one year if the required documents are provided within the initial timeline (typically within 60 days). These potential time extensions are only to be used to provide time to satisfy the balance of the reverse mortgage. Documents required may vary.

## LEGAL

---

The Servicer is required to take the first legal action to begin foreclosure within 6 months of the Due and Payable date. This means the loan will typically be referred to the foreclosure attorney within 90 days of the default date.

## HOW LONG DOES THE FORECLOSURE PROCESS TAKE?

The Servicer 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, title transfer and failure to maintain the property.

## **THE BORROWER PASSED AWAY. WHAT HAPPENS NOW?**

Heirs should contact the Servicer as soon as possible, but no later than within the first 30 days after death. Delaying the notification to the Servicer does not extend the foreclosure timeframes and may cause a HUD extension to no longer be available. Death notices are received from obituaries, social security notifications, and contact from heirs.

If there is at least one living borrower still on the loan, the Servicer will just require a copy of the death certificate. If there is a protected non-borrowing spouse, they will need to fill out a form and return it to maintain their protections within 30 days.

Once notified of the death of the last remaining borrower, the Servicer will send out a condolence/demand letter with instructions on what documentation needs to be signed and returned. Per HUD guidelines, this letter will advise them that they must respond within 30 days. Extensions may be available if they respond within that time period. The Servicer is required to take the first legal action to begin foreclosure within 6 months of the Due and Payable date. This means the loan will be referred to the foreclosure attorney within approximately 90 days of the default date.

If there are no additional borrowers, the heirs will need to submit authorization documents to obtain information on the loan. In addition, the heirs need to decide if they want to sell the property, refinance the property, or payoff the loan through funds they have available. If these are not an option, or the value of the home is less than the amount owed, they may wish to consider a short sale or deed in lieu to turn over the property.

## **SHOULD THE BORROWERS CONSIDER ESTATE PLANNING?**

Some borrowers have made provisions in their wills and discussed matters related to their HECM loan ahead of time with their heirs. Borrowers are encouraged to plan ahead, involve their heirs before their death, and consult legal counsel if necessary. The Servicer will typically reach out to the contacts on the loan, so it's important to have someone listed.

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. Setting up a Will or Trust will allow the heirs to obtain the information they need quickly following the death of the last remaining borrower on the loan.

## **CAN THE MORTGAGE COMPANY COME AFTER THE HEIRS IF THE HOME IS FORECLOSED ON?**

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.

## **IF THERE IS A PROTECTED NON-BORROWING SPOUSE (PNBS), WHAT ARE THE REQUIREMENTS?**

If a protected Non-Borrowing Spouse ("NBS") is identified at closing, they will be allowed certain protections if the borrower moves out due to medical reasons or passes away. If the spouse was identified as a non-protected NBS, they will need to follow the same requirements as heirs. If the spouse was not identified at closing, and did not sign the appropriate documents, they have no deferment options. It is important that any spouse is accurately disclosed at originations.

If the NBS qualifies for a deferral, they will not be entitled to draw any remaining funds from the loan or LESA (if applicable). A qualified NBS who is approved for deferment will also 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.

The NBS should contact the Servicer as soon as possible after the borrower's death or non-occupancy to fill out the appropriate forms to begin the review process. 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.

[Return to Top](#)