



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: July 11, 2023

Mortgagee Letter 2023-15

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Modifications to FHA Home Equity Conversion Mortgage (HECM) Requirements Related to Secretary Payment of Borrower Disbursements Due to Mortgagee Default

Purpose This Mortgagee Letter (ML) revises FHA's investigation requirements regarding whether a Mortgagee is unable or unwilling to make a Borrower payment required under a HECM and requires a Mortgagee who has failed to make a required payment to a Borrower to provide certain information to FHA.

Affected Regulations and Mortgagee Letters The requirements in this ML revise and, where they conflict, supersede the HUD regulation cited in 24 CFR § 206.121, *Commissioner authorized to make payments*.

Authority Pursuant to the authority granted in the Reverse Mortgage Stabilization Act of 2013, 12 U.S.C. § 1715z-20(h)(3), National Housing Act Section 255(d)(2) and (5), 12 U.S.C. § 1715z-20(d)(2) and (5), HUD revises and, where they conflict, supersede the HUD regulation cited above.

Effective Date The provisions of this ML are effective immediately.

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at answers@hud.gov or call 1-800-CALLFHA (1-800-225-5342). HUD will consider the feedback in determining the need for future updates.

Affected Programs The provisions of this ML apply to all FHA insured HECMs.

Background In consideration of recent market conditions that have impacted the HECM program, the Federal Housing Administration (FHA) is making program enhancements to improve market stability and reaffirm its commitment to the senior citizen population that is served by the HECM program.

To ensure that HECM Borrowers are provided with the payments due to them under the HECM loan documents, Section 255 of the National Housing Act makes FHA responsible for making any payments that are not paid timely to Borrowers due to the Mortgagee defaulting on their Borrower payment obligation. Any payments made by FHA to HECM Borrowers for this reason are secured by the HECM second mortgage.

FHA's ability to promptly comply with the obligation to provide Borrower payments upon a Mortgagee's default in their Borrower payment obligation is an essential element to the marketability of the HECM program. In expanding FHA's authority to investigate late payments to Borrowers and obtain payment information, FHA is improving its ability to promptly comply with its statutory responsibility to provide payments to HECM Borrowers upon a Mortgagee's default. Increased confidence in the HECM program is vital to the continued marketability of the program. The HECM program is relatively small when compared to the number of forward mortgage transactions each year. This small number of new originations annually results in a small market to support securitization of HECMs in the secondary market. Without the ability to securitize HECMs, there would not be sufficient liquidity in the market for the program to continue to function. FHA's ability to promptly make Borrower payments in the event of a Mortgagee's payment default is critical for consumer and market confidence in the HECM program, which, as described above, impacts origination numbers, securitization capacity, and market liquidity.

The ability to promptly make any required Borrower payments will also reduce direct costs to FHA. When a payment owed to a Borrower is made after the required due date, the Borrower is owed interest on that disbursement. FHA must make this interest payment to the Borrower when a

Mortgagee Letter 2023-15, Continued

Mortgagee defaults on their Borrower payment obligation. Making these disbursements as quickly as possible will reduce this interest that must be paid from the Mutual Mortgage Insurance Fund (MMIF), reducing FHA's costs in making the Borrower payments.

These changes are intended to strengthen the marketability of the HECM program, and in doing so mitigate market-based risk to the MMIF. Given current market conditions, FHA has determined these changes are necessary to improve the fiscal safety and soundness of the HECM program.

Summary of Changes

This ML:

- modifies 24 CFR § 206.121(a) to provide additional sources from which FHA can receive notice of a Mortgagee's inability to make Borrower payments; and
- requires Mortgagees to provide Borrower payment information to FHA when FHA must make HECM Borrower payments due to a Mortgagee's default on their Borrower payment obligations.

Investigation §206.121(a)

24 CFR § 206.121(a) is being modified to read as follows:

Investigation. In the event that the Commissioner receives notice of late payments owed to a Borrower from a Borrower or Mortgagee, the Commissioner will investigate.

When the Commissioner determines that a Mortgagee is unable or unwilling to make the Borrower payments required under the HECM, including late charges, the Commissioner shall make such payments to the Borrower once the disbursement is due but unpaid. Mortgagees must provide the Commissioner all information necessary to enable the Commissioner to make the late payments to the Borrower.

Information to be provided when Commissioner must make Borrower Payments

When the Commissioner determines the Mortgagee is unable or unwilling to make payments to a Borrower owed under the HECM, the Mortgagee must ensure the following information is provided and accurate in the Home Equity Reverse Mortgage Information Technology (HERMIT) system:

- FHA case number;
- payment plan type;
- disbursement type (scheduled or unscheduled);
- payment amount;
- payment method – check or Automated Clearing House (ACH) transfer;
- bank routing number and account number for ACH transfers;

Mortgagee Letter 2023-15, Continued

- account type (checking or savings); and
- mailing address.

A Mortgagee must provide the above referenced information to the HERMIT system via the HERMIT Secure File Transfer Protocol (SFTP) Server no later than one (1) business day following the date the Borrower payment should have been made. This information must be provided in an Excel spreadsheet or Comma Separated Values (.csv) file. Mortgagees must also send an email to servicingsupport@hermitsp.com and answers@hud.gov notifying all parties that a file has been uploaded. Mortgagees must not send the file directly through email. In the event this process needs to be initiated and a Mortgagee does not know how to access the HERMIT SFTP site, please contact servicingsupport@hermitsp.com for instructions.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0059, 2502-0524, and 2502-0611. In accordance with the PRA, 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 ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Julia R. Gordon
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FHA Commissioner
