



# UNMET PROMISE

REVERSE MORTGAGE SERVICING CHALLENGES  
AND HOW TO PRESERVE HOUSING STABILITY  
FOR OLDER ADULTS



National  
Consumer Law  
Center  
*Fighting Together  
for Economic Justice*

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# UNMET PROMISE

## REVERSE MORTGAGE SERVICING CHALLENGES AND HOW TO PRESERVE HOUSING STABILITY FOR OLDER ADULTS

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## 1. INTRODUCTION

James and Queen Hambric are an African American couple in Yonkers, New York, who have owned their home for 39 years. Mr. Hambric ran a successful business as a self-employed insurance broker. But he developed glaucoma, and his eyesight began to deteriorate. He wasn't able to earn the same income that he had been making before, and they were struggling to meet ongoing expenses. In 2010, the couple decided to get a reverse mortgage.

Reverse mortgages allow older homeowners to borrow against the equity in their home without the obligation to make monthly loan payments. The loan becomes due and payable after the borrower dies or permanently moves out of the home. Most reverse mortgages are insured by the Federal Housing Administration (FHA) and are available to homeowners aged 62 and older who have sufficient equity in their home. Congress authorized the creation of the FHA-insured reverse mortgage program to reduce the economic hardship caused by the increasing cost of meeting health, housing, and subsistence needs at a time of reduced income and to help older adults age in their homes. Yet, across the country, reverse mortgage borrowers are losing their homes through preventable foreclosures.

Mr. Hambric is now 80 years old, and his wife is 78. He handles most of the communications related to the reverse mortgage, although the loan is in only her name. As their income continued to decrease over time, the Hambrics fell behind on their property taxes, and the servicer advanced the taxes as it was required to do. There were a few times when the reverse mortgage company paid the taxes and the Hambrics paid them back fairly quickly. As Mr. Hambric explains, "We did make agreements to pay them back. We weren't trying to not pay the taxes. We've always been responsible all our lives . . . it was just during a time when it was difficult to do."

When the mortgage was serviced by Wells Fargo, Mr. Hambric said it was easy to communicate about the mortgage; he would call up the company, and the representative would ask how much he wanted to pay toward the arrearage, and he would make a payment. When the loan was transferred to a new servicer, Champion Mortgage, things got difficult. Mr. Hambric said, "Their routine was to always threaten [you] . . . Every time you'd turn around you'd be getting some kind of threatening letter. It wouldn't be one letter. The reverse mortgage was in my wife's name. They'd send about five of them to her, certified mail, and five to me."

Although the Hambrics had difficulties communicating with Champion, they were able to get onto a repayment plan. Once the arrearage was below \$2,000, Champion told them they could pay any amount that they wanted. They started

paying \$50 per month. They had gotten it down to a remaining balance of \$924, when the servicing was transferred to PHH.

Mr. Hambric describes even more difficulty after that servicing transfer. He called PHH mortgage to make a monthly payment as he had done with Champion. He says they told him essentially, “No, we don’t do it that way.” PHH told him that it would not take a payment by phone; he had to mail a check. And before PHH would allow him to make payments on a repayment plan, PHH had to conduct a financial review. Mr. Hambric protested. “I said, ‘we’re already on a payment plan, we’ve been paying \$50 a month, and we only owe \$924.’”

He also described getting “the runaround”—that with each phone call to PHH, “It’s like this is the very first time you ever called . . . It’s like they have no record of you talking to them before.” He says the couple has struggled for months trying to get back onto a payment plan.

This ongoing struggle has put significant stress on Mr. Hambric and his wife. “It had a big impact on my wife, because every time she got those letters [threatening foreclosure] . . . she’s very sensitive to things like that. And I am too, but I can deal with it more than she can.” He went on, “She would get a letter, as soon as she would see that it’s [the mortgage company], she just, it just does something to her. . . . It’s very stressful.”

Recently, according to their housing counselor, the Hambrics have been approved for help from the Homeowner Assistance Fund (HAF), a program that provides assistance to homeowners impacted financially by the pandemic. At last check, the HAF program was still trying to get verification from PHH to determine the balance needed to cure the default. Until the HAF assistance is received and PHH acknowledges that the tax arrearage is paid off, the Hambrics are still worried the HAF assistance will fall through and they will end up in foreclosure.

The Hambrics are not alone in their struggles to save their home from a reverse mortgage foreclosure. There are roughly 480,000 reverse mortgages currently

outstanding in the United States. This number is expected to grow as baby boomers age. The program was designed to allow older homeowners to borrow against their home equity without the risk of displacement, but reverse mortgages end in foreclosure much more often than they should. Reverse mortgage borrowers who fall behind on property charges face significant hurdles to obtaining a narrow set of home retention options. Heirs struggle to access information necessary to satisfy the reverse mortgage without the need for foreclosure. Spouses who are not listed on loan documents, often termed “non-borrowing spouses,” can generally remain in the home

The program was designed to allow older homeowners to borrow against their home equity without the risk of displacement, but reverse mortgages end in foreclosure much more often than they should.

if they keep paying the property taxes, but are not eligible for loss mitigation. Servicers too often foreclose based on supposed non-occupancy when the borrower is still occupying the home. Across all of these situations, poor servicing communication and insufficient access to housing counseling exacerbate the problems.

Resolving these problems is particularly important because of the effect of preventable reverse mortgage foreclosures on the racial wealth and homeownership gap. The crisis of preventable reverse mortgage foreclosures does not impact all communities equally. Historically, people of color have been more likely to take out reverse mortgages, due to the legacy of discrimination and policies that limited their wealth-building opportunities, and they are also more likely to end up in reverse mortgage foreclosure. The heirs of reverse mortgage borrowers of color may lose significant home equity if they are not able to sell or refinance the home to satisfy the loan. When it comes to addressing the racial wealth gap and racial homeownership gap, reducing the number of preventable reverse mortgage foreclosures is an important and necessary step.

The FHA reverse mortgage program has not lived up to its full potential. Based on the information uncovered in this report, we call on FHA and the Consumer Financial Protection Bureau (CFPB) to act quickly to prevent any additional home losses for this vulnerable population.

## **2. BACKGROUND**

### ***What are Reverse Mortgages***

Reverse mortgage loans are meant to make it easier for older homeowners to age in place by allowing them to borrow against the equity in the home without the risk of displacement. These loans were designed for homeowners who are living on reduced income during retirement but have built up significant equity in their homes. Taking out a reverse mortgage allows them to reduce their monthly expenses (if they have been making a monthly mortgage payment) and to tap into home equity without having to sell the home.

The proceeds of a reverse mortgage can be taken as a lump sum, a line of credit, a stream of monthly payments, or a combination of these options. As long as the borrower continues to occupy the home as his or her principal residence, no payment of principal or interest on the loan is required. Instead, the homeowner is only required to pay the taxes and insurance on the home and any homeowners association (HOA) fees. Unlike the standard mortgage (a “forward” mortgage), where the balance is paid down over time, the loan balance on a reverse mortgage grows over time as the interest, mortgage insurance, and

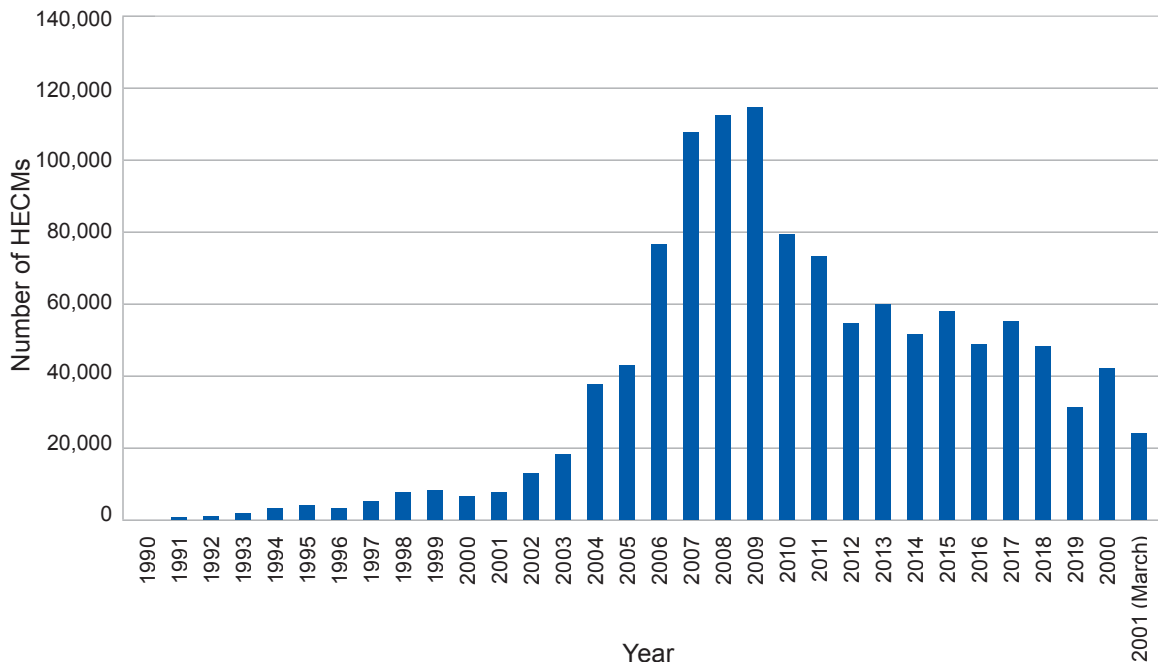
servicing fees are added to the principal balance. The full loan balance becomes due and payable upon a triggering event—in most cases, the death of the last remaining borrower or the date the last remaining borrower leaves the home.

Specifically, the program was designed to “meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by the increasing costs of meeting health, housing, and subsistence needs at a time of reduced income.”

Congress authorized FHA to create a federally insured reverse mortgage product in 1988 because of the benefit these loans can provide to low-income homeowners. Specifically, the program was designed to “meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by the increasing costs of meeting health, housing, and subsistence needs at a time of reduced income.”<sup>1</sup> These Home Equity Conversion Mortgages (HECMs), insured by HUD’s Federal Housing Administration (FHA), make up the vast majority of reverse mortgages in the United States. The FHA insurance covers any loss the lender might incur. For example, the lender is entitled to make a claim on the insurance if it forecloses on the home and the foreclosure sale does not satisfy the loan balance in full.

The graph below shows the growth in HECM origination volume from 1990 to a peak in 2007 to 2009 of more than 100,000 originations per year, then declining to between 40,000 to 60,000 loans per year in 2012 through 2020.

CHART 1 **HECM Volume, 1990 through 2021 (March)**



Source: Department of Housing and Urban Development.



A total of 49,207 homeowners took out FHA-insured reverse mortgages in 2021, and 64,489 did so in 2022. There were 478,754 active FHA-insured reverse mortgages outstanding at the end of Fiscal Year 2022.<sup>2</sup>

As the baby boomer population ages, a growing number of elders will likely need a reverse mortgage to make ends meet. More homeowners are entering retirement with mortgage debt than in prior generations.<sup>3</sup> Older adults are also carrying more non-mortgage debt, including credit card and student loan debt, into retirement than in past decades.<sup>4</sup> While debt is rising for older adults, fewer traditional pension plans and a lack of retirement savings add to the financial strain of growing older.<sup>5</sup>

## ***Causes of Preventable Reverse Mortgage Foreclosures***

### **Property Charge Defaults**

Reverse mortgage borrowers are not required to make monthly payments toward principal or interest as long as they continue to live in the home. However, reverse mortgages do require the borrower to pay property charges, including property taxes, homeowner's insurance, and homeowner's association (HOA) fees. If a borrower falls behind on these property charges, FHA directs the lender to advance the funds and then recover the advances from the borrowers. If borrowers are not able to repay the charges, the servicer is required to foreclose within a short timeframe or face financial penalties in the eventual insurance claim process.

Property charge defaults have become a significant driver of reverse mortgage foreclosures in the past decade. Reverse mortgage borrowers default on property charges for a number of reasons, as discussed in Section 4. One reason that has been cited many times is the borrower's lack of understanding regarding the requirement to directly pay property charges. Most homeowners are used to having their property taxes and insurance escrowed as part of their monthly mortgage payment. Many reverse mortgage lenders and brokers described the product as a "payment-free loan" in advertising, which contributed to a lack of understanding.<sup>6</sup> Counseling is required prior closing on the loan, but the pre-loan HECM counseling session does not always result in clear borrower understanding, especially in the face of confusing or outright false representations by some lenders.

Another significant factor leading to borrowers failing to understand their obligations and sinking further and further into default on property charges is the fact that often, unbeknownst to borrowers, lenders pay property charges from the line of credit, obscuring the default on these obligations. Many reverse mortgage borrowers have not realized this was happening until the first year in which

there was insufficient money left in the credit line and they received a notice concerning loan default.

Even when there was no line of credit and lenders were advancing their own funds to pay the property charges, for many years FHA was not requiring lenders to foreclose when a borrower defaulted on property charges. From 2007 to 2009, FHA's policy was to grant foreclosure deferrals rather than require a foreclosure when servicers reported a property charge default.<sup>7</sup> In mid-2009, the agency notified servicers that it would no longer accept deferral requests, but many servicers interpreted that message to mean that no deferral request was needed but they could still hold off on foreclosing.<sup>8</sup> After a 2010 report by the Office of Inspector General highlighting FHA's insufficient monitoring of property charge defaults, FHA shifted its policy.<sup>9</sup> In January 2011, FHA began requiring servicers to report property charge delinquencies to FHA and to offer loss mitigation options to borrowers, including a possible repayment plan of up to 24 months. If available loss mitigation options had been exhausted and the borrower still had not cured the default, then servicers were directed to request permission from FHA to accelerate the loan and foreclose.<sup>10</sup>

In April 2015, FHA's policy on property charge defaults became even more aggressive. The agency began to require lenders to foreclose promptly if a borrower was in default on property charges, and to prioritize speed over loss mitigation efforts. Lenders were now required to request permission to accelerate and foreclose within 30 days of the borrower's default.<sup>11</sup> FHA allowed for a slightly broader range of loss mitigation options, including repayment plans of up to 60 months, but exhaustion of loss mitigation was no longer a prerequisite to foreclosure. Rather, reverse mortgage servicers had the option to offer loss mitigation, but had to request an extension of time from FHA or face financial penalties for missing the foreclosure deadline.<sup>12</sup>

In April 2015, FHA's policy on property charge defaults became even more aggressive. The agency began to require lenders to foreclose promptly if a borrower was in default on property charges, and to prioritize speed over loss mitigation efforts.

In the wake of this 2015 policy change, a surge in property charge foreclosures began. According to FHA data, as of 2016, nearly 90,000 reverse mortgage borrowers were in default on property charges.<sup>13</sup> This represented roughly 14% of outstanding FHA-insured reverse mortgage loans.<sup>14</sup> FHA claimed at the time it did not know the reasons for the surge of reverse mortgage foreclosures, and even asserted that the vast majority of reverse mortgage foreclosures were due to the death of the borrower.<sup>15</sup> But a September 2019 GAO report showed that FHA had not been requiring lenders to track the reasons for reverse mortgage terminations, and roughly 30% of terminations between 2014 and 2018 were for indeterminate reasons.<sup>16</sup>

Nonetheless, other sources have confirmed that a large percentage of reverse mortgage foreclosures after the 2015 policy change were due to property charge defaults. Community Legal Services of Philadelphia reviewed the reverse mortgage foreclosure cases filed in 2016 in the city of Philadelphia. The reasons for foreclosure, as shown below, reflect that roughly two-thirds of reverse mortgage foreclosures filed in the city in 2016 were property charge default foreclosures.

**TABLE 1 Reasons for Default, Philadelphia Reverse Mortgage Foreclosures, 2016**

REASON FOR DEFAULT	NUMBER	PERCENT
Property Charge Default	289	64%
Death of Borrower	102	23%
Failure to Occupy	45	10%
Failure to Make Repairs	12	3%
Unknown (possible mistake—complaint claimed default in monthly payments)	1	0%
<b>Total</b>	<b>449</b>	<b>100%</b>

Source: Philadelphia Court Records, 2016 filings, Reviewed by Community Legal Services of Philadelphia

In 2017, the reverse mortgage foreclosure filings in Philadelphia reflected a reduction in the total number of reverse mortgage foreclosures (from 449 to 160) and a smaller percentage filed due to property charge defaults (from 64% to 34%), though they still made up a substantial part of the whole.

**TABLE 2 Reasons for Default, Philadelphia Reverse Mortgage Foreclosures, 2017**

REASON FOR DEFAULT	NUMBER	PERCENT
Death of Borrower	84	52%
Property Charge Default	54	34%
Failure to Occupy	22	14%
<b>Total</b>	<b>160</b>	<b>100%</b>

Source: Philadelphia Court Records, 2016 filings, Reviewed by Community Legal Services of Philadelphia

The rate of property charge defaults has declined significantly since 2016. FHA implemented a Financial Assessment for new HECMs beginning in 2015, which requires the lender to consider the homeowner’s ability to pay the estimated property charges and to carve out a set-aside from available loan proceeds to

pay the property taxes when appropriate. Property charge defaults have been much less common for HECMs originated after the advent of the Financial Assessment.<sup>17</sup> However, there is still a significant rate of unscheduled draws from lines of credit to pay property charges, suggesting that when these lines of credit are exhausted, borrowers may again end up in default without proactive servicing and counseling.<sup>18</sup>

Moreover, there are still a substantial number of reverse mortgage borrowers in default on property charges, and they need help. The reports from advocates and reverse mortgage borrowers described in Section 4 of this report confirm that property charge defaults remain a major reason for reverse mortgage foreclosures today. Reverse mortgage servicers reported that approximately 27,000 HECM borrowers were in default on property charges as of April 2021, and that roughly half of those borrowers fell behind after March 1, 2020, during the pandemic.<sup>19</sup> FHA created its property charge loss mitigation policies in a period of extremely high defaults and other threats to the liquidity of the FHA insurance fund. The high percentage of reverse mortgages originated in 2009 to 2011 with a full draw of available loan proceeds, and the steep decline in home values from 2008 to 2015, led to a record number of claims on the insurance fund and substantial concerns about solvency.<sup>20</sup> FHA implemented a number of policy changes to stabilize the fund,<sup>21</sup> and it is now in very strong condition.<sup>22</sup> As we discuss further in Section 5, the agency should revisit its policies to allow for more flexibility now that the 2016-17 surge of property charge defaults has subsided.

### Limited Loss Mitigation Options Available to Cure Property Charge Defaults

Only about a quarter of reverse mortgage borrowers in default on property charges have obtained any form of loss mitigation.

FHA allows only very limited options for property charge loss mitigation. The permanent reverse mortgage loss mitigation options are summarized below. All of these loss mitigation options are voluntary for servicers, and FHA takes the position that it cannot compel reverse mortgage servicers to offer loss mitigation on existing reverse mortgages.<sup>23</sup> Only about a quarter of reverse mortgage borrowers in default on property charges have obtained any form of loss mitigation.

**Repayment Plan:** FHA allows the servicer to offer a repayment plan of up to 60 months, during which the borrower must repay the full amount of property charges advanced by the servicer, plus any charges coming due in the next 90 days. The servicer may offer a term of less than 60 months if the monthly payment consumes less than 25% of the borrower's surplus income and if the full arrears are repayable within that time frame.<sup>24</sup> The term of a repayment plan also may be shorter than 60 months if the loan will become eligible for assignment to FHA during the 60-month period.<sup>25</sup>

If a borrower defaults on a repayment plan, FHA does not permit the servicer to offer a new repayment plan if the arrearage is over \$5,000. This cap was waived through December 31, 2023.<sup>26</sup> If a borrower defaults on a repayment plan and can obtain a subsequent plan, the term of the new plan can generally be no more than 60 months minus the number of months spent in the prior plan.<sup>27</sup> According to a September 2019 GAO report, 22% of borrowers with property charge defaults had obtained a repayment plan.<sup>28</sup>

**At-Risk Extension:** For borrowers for whom a repayment plan is insufficient or unsuccessful, the servicer may offer a one-year extension of foreclosure (renewable annually) provided that the youngest borrower is at least age 80 and a borrower has critical circumstances, “such as supported terminal illness, substantiated long-term physical disability, or a ‘unique’ occupancy need” such as terminal illness of a family member in the home.<sup>29</sup> According to the 2019 GAO report, only 2% of borrowers with property charge defaults had obtained an At-Risk Extension.<sup>30</sup>

**Optional Delay of Due and Payable:** If the property charge arrearages advanced by the servicer are less than \$2,000 and the borrower indicates a willingness to repay and is attempting to make payments, the servicer may delay submitting a due and payable request to FHA (delaying acceleration and foreclosure).<sup>31</sup> This allows for informal repayment arrangements for borrowers whose arrearage falls below the \$2,000 threshold.

**Mortgagee-Funded Cure:** A lender may pay off the property charge arrearage through its own funds, but after doing so, cannot assign the loan to FHA until three years have passed and the borrower has paid the property charges in a timely manner for three consecutive years.<sup>32</sup> The three-year buffer was waived during the pandemic, and the current waiver is in effect until December 31, 2023.<sup>33</sup>

**COVID-19 HECM Repayment Plan:** During the COVID-19 disaster period, FHA came under scrutiny for not creating post-forbearance options for reverse mortgage borrowers impacted by the pandemic as it had done for forward mortgage borrowers. Until December 2022, FHA had not created any post-forbearance options for reverse mortgage borrowers that took into account the unique circumstances of the pandemic. On December 15, 2022, FHA issued a Mortgagee Letter creating a new COVID-19 HECM Property Charge Repayment plan. The broader repayment plan option allows borrowers who were impacted by the pandemic to obtain a full 60-month term for a repayment plan even if they used some of their available 60 months in a prior, failed repayment plan. It also permits the servicer to offer a payment plan that would cure only part of a property charge arrearage if the borrower has applied for help from the Homeowner’s Assistance Fund program in their states.

FHA still has not created any option that would allow reverse mortgage borrowers to defer payment of property charges missed during the pandemic until the end of the loan, as advocates have urged.

FHA still has not created any option that would allow reverse mortgage borrowers to defer payment of property charges missed during the pandemic until the end of the loan, as advocates have urged.<sup>34</sup> Although FHA allows forward mortgage borrowers to push their arrearages to the end of the loan, reverse mortgage borrowers impacted by the pandemic must pay back the arrearages over a maximum of 60 months. For many low-income older homeowners, particularly those relying solely on fixed and limited Social Security or Veterans' benefits to survive, paying on a repayment plan while also saving for the next year's taxes or insurance is not affordable.

Moreover, the recent steep increases in living expenses and other inflationary pressures have meant that the budgets of many older households are stretched very thin.

### **FHA's Approach to Property Charge Loss Mitigation**

FHA's strict foreclosure timelines and lack of robust foreclosure avoidance policies for HECM borrowers, and servicers' business decisions influenced by these policies, can make it extremely difficult for HECM borrowers to avoid foreclosure. These strict policies undermine the statutory purpose Congress had for creating the HECM program: enabling older adults to age in place as their incomes decrease. These are some of the most vulnerable homeowners, many of whom would not be able to afford to rent an apartment if they were displaced from their homes. FHA policy should not require aggressive foreclosure activity when borrowers experience exactly the kinds of financial hardship that the program was designed to address.

In addition to limiting the loss mitigation options that are available, making all loss mitigation voluntary, and imposing stiff penalties on servicers that fail to foreclose fast enough, FHA policy requires keeping the loan in "due and payable" status while the borrower is in an approved loss mitigation option, until the default is fully cured. This means that property inspections are ordered every month, often with no true necessity and no benefit—simply another fee added to the loan balance. It also means that servicers are more likely to pay the property taxes for the next year early (creating a double payment and an alleged breach of the repayment plan), because when a loan is in due and payable status, the servicer is not reimbursed for future penalties or late fees from the tax assessor. Finally, keeping the loan in "due and payable" status creates an elevated risk of foreclosure for borrowers who are actively performing on a loss mitigation option.

Both FHA and reverse mortgage servicers tend to express doubts about the viability and benefit of property charge loss mitigation. FHA officials have claimed that options that help HECM borrowers delay or avoid foreclosure "generally do

not mitigate losses to FHA.”<sup>35</sup> This assertion betrays either a skepticism about whether borrowers will successfully complete a repayment plan or a misguided conclusion that even curing the property charge default would not benefit the insurance fund. If the former, FHA needs to take a closer look at the efficacy of repayment plans, particularly when entered into with help from a housing counselor or other advocate. If the latter, FHA is setting the goal posts in the wrong place. Resolution of a property charge default should be deemed a successful outcome, even (and especially) if it allows the reverse mortgage borrower to live in the home for the remainder of a long and independent life.

Reverse mortgage servicers also tend to espouse skepticism about the value of loss mitigation. Servicers interviewed by the GAO noted that while they can delay or avoid foreclosure, repayment plans are “rarely successful in the long-run and borrowers in such plans often miss payments.”<sup>36</sup> Servicers attributed these failures to “the same reasons that usually contribute to initial defaults”—that “borrowers on limited incomes may struggle to pay increasing property tax and insurance costs or may fall behind on property charges when the death of a spouse reduces their income.”<sup>37</sup>

Sometimes reverse mortgage borrowers do end up in “breach” of the repayment plan, either because the payment is unaffordable or they forget to make payments. But often the payment is unaffordable because the servicer used a shorter repayment plan period than the allowed 60-month maximum or no one helped the borrower create a realistic budget. Homeowners often do not understand that they will have to pay the next year’s taxes directly, or don’t have help creating a budget plan for how to do that. And reverse mortgage servicers often pay tax bills before they are due, and then treat the borrower as in default because the servicer rather than the borrower paid taxes.

As discussed in Section 4, evidence from the field does not support a fatalistic attitude about property charge loss mitigation. When assisted by a high-quality housing counselor or attorney, many reverse mortgage borrowers can achieve long-term success in resolving property charge defaults and avoiding future defaults. For the few reverse mortgage borrowers who cannot afford to fully repay the property charge default and also pay property charges going forward, FHA’s policy should still be flexible enough to advance the mission of the reverse mortgage program: keeping them in their homes.

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## False Claims of Non-Occupancy

Another cause of preventable reverse mortgage foreclosures is servicers improperly concluding that the borrower no longer occupies the home as their principal residence. FHA requires reverse mortgage servicers to verify annually that the property securing the reverse mortgage is still the primary residence of the borrower. Servicers do this by sending an occupancy certification by mail, which the borrower is required to fill out and return by mail.

Borrowers sometimes fail to return the occupancy verification for a number of reasons. They may have issues with their mail, forget to check the mail, mistrust that this is a valid request, experience cognitive decline that impacts their ability to understand or respond timely to the request, or be temporarily away from home due to health or other reasons. When a borrower fails to return the occupancy verification, the servicer is supposed to take other steps to determine whether the borrower is living in the home. Yet often servicers do not take reasonable steps, and proceed too quickly to initiate foreclosure. The result is unnecessary foreclosure and legal fees being added to the loan balance, reducing the available home equity, and potentially adding to the amount of an eventual insurance claim.

## Non-Borrowing Spouses

For years, FHA policy required reverse mortgage lenders to foreclose on non-borrowing spouses, even though Congress had forbidden the agency from insuring any reverse mortgage that failed to protect spouses from displacement. It took extensive litigation to get FHA to institute a policy, the Mortgagee Optional Election (MOE), to permit non-borrowing spouses to remain in their homes. The original MOE policy in June 2015 still had a number of problematic requirements that blocked access for many non-borrowing spouses. In its September 2019 report, the GAO documented that out of 1,445 requests for MOE program, 432 (30%) had been denied. Fortunately, policy changes in 2019 and 2021 cured many of the remaining barriers to accessing the MOE program.<sup>38</sup>

Now, the most substantial problem non-borrowing spouses face that leads to preventable reverse mortgage foreclosures is that they are barred from accessing property charge loss mitigation. If the borrowing spouse is in a repayment plan or has an At-Risk Extension, any such plan terminates upon the borrower's death. The non-borrowing spouse is required to pay property charges in full as a condition of remaining in the home and the servicer is required to promptly initiate foreclosure if the spouse defaults on property charges at any time.



## Heirs Forced into Foreclosure

Reverse mortgages, by design, become due and payable upon the death of the borrower, except when a non-borrowing spouse remains in the home. Heirs must satisfy the loan within six months of the borrower's death, with a possibility of two 90-day extensions, or the lender will foreclose. FHA policy states that the loan may be satisfied for the lesser of the balance due or 95% of the fair market value of the home. This means that heirs may obtain a cancellation of the reverse mortgage if they can offer 95% of the current value of the home, either through a short sale or a short refinance. FHA also allows heirs to enter into a deed in lieu of foreclosure. For reverse mortgages with loan numbers issued after September 1, 2017, the servicer may offer a cash for keys incentive of up to \$3,000.<sup>39</sup>

The fact that the loan must become due and payable upon the borrower's death does not mean that a foreclosure has to occur. As much as possible, it would be better for the insurance fund if heirs could enter into a market sale, short sale, short refinance, or deed in lieu of foreclosure. Yet the evidence suggests that more often than not, heirs are unable to carry out those other options due to a lack of information from the servicer and other communication gaps. Even the deed in lieu and cash for keys options are very rarely used by heirs of reverse mortgage borrowers. We explore the barriers to these options in Section 4 of the report and make policy recommendations about this issue in Section 5.

## Fast Foreclosure of Reverse Mortgages Assigned to FHA

The Maximum Claim Amount is the maximum amount the FHA insurance can pay out on a claim, and is equal to the appraised value of the home when the loan is made, up to a ceiling set by FHA. When the reverse mortgage loan balance reaches 98% of the Maximum Claim Amount, the lender is entitled to assign the loan to FHA and have its insurance claim paid in full. FHA then holds the loan until a foreclosure-triggering event, typically the death of the borrower. Right now, FHA is holding a record number of reverse mortgage loans—roughly 150,000, nearly one-third of the outstanding HECM loans. FHA has ended up with such a large number of loans in recent years because many of the loans originated in the 2007 to 2009 peak origination years have now reached 98% of the Maximum Claim Amount.

Historically, borrowers with FHA-owned loans have reported a number of problems attempting to communicate with the government's servicer. However, that servicing contract recently changed, and it is not yet clear how the new servicer will handle this book of business. It will be important for FHA to work with the new contract servicer to emphasize outreach and clear communication with borrowers and heirs regarding loss mitigation and loan payoff options.

FHA has statutory authority to carry out a fast, non-judicial foreclosure under the Single Family Mortgage Foreclosure Act, regardless of state laws to the

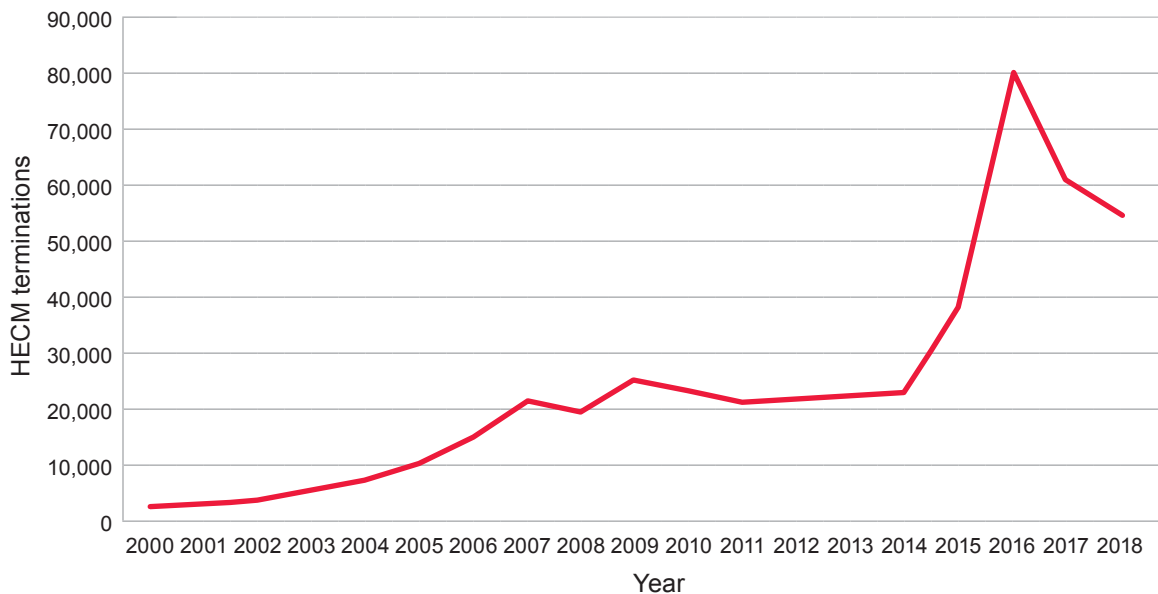
contrary.<sup>40</sup> Advocates have raised concerns about heirs of HECM borrowers getting insufficient notice of their rights or opportunities to avoid foreclosure before the rapid sale takes place.<sup>41</sup>

## FHA's Data About Reverse Mortgage Foreclosures

Assessing the number of preventable reverse mortgage foreclosures is particularly difficult due to the gaps in available data from FHA. When the GAO undertook its comprehensive review of reverse mortgage foreclosures in 2009, it examined terminations of federally insured reverse mortgages from 2014 to 2018. During that time, the GAO found that 34% of terminations were due to death of the borrower, 15% were due to default, 3% occurred due to the borrower moving out or conveying title, 8% were refinanced, 9% were otherwise repaid, and for 30% of terminations, the reason could not be determined.<sup>42</sup> Because of the lack of clear data regarding how many reverse mortgage terminations are foreclosures and how many stem from other causes, we review the historical trend in reverse mortgage terminations below.

As this chart shows, the number of HECM terminations per year shows a significant spike in 2016. HECM originations peaked in 2009. Due to the typical tenure of a HECM loan, a number of HECMs would have been coming to their natural end around 2016. Yet the spike is still steeper and higher than would be expected due to life expectancies of borrowers. The 2016 spike was likely caused by the sudden changes in FHA's policies surrounding property charge defaults, described above.

CHART 2 HECM Terminations, 2000–2018



Source: 2019 GAO Report.

One of the GAO’s recommendations was that FHA should keep better data regarding the reasons for HECM terminations. FHA claims to have addressed that problem,<sup>43</sup> but did not respond to our Freedom of Information request for that more recent data. In our analysis in Section 3, we rely upon available data from an earlier Freedom of Information request, which provides data from insurance claims that followed a foreclosure or deed-in-lieu of foreclosure. Very few federally insured reverse mortgages terminate through a deed-in-lieu of foreclosure, so the vast majority of these claims were foreclosure claims.<sup>44</sup>

### Servicer Incentives to Foreclose

FHA requires reverse mortgage servicers to foreclose promptly or face financial penalties. If the servicer misses the deadline for initiating foreclosure, FHA’s insurance fund will not pay the servicer for any interest that accrued after the deadline. The risk of this financial penalty (known as “interest curtailment”) incentivizes servicers to rush to foreclose rather than engage in loss mitigation. At the same time, FHA does nothing to incentivize successful loss mitigation or foreclosure avoidance outcomes.

### Servicer Communication Issues

Advocates have reported for some time that written communications from reverse mortgage servicers are difficult for borrowers to comprehend.<sup>45</sup> A recent study by the Connecticut Fair Housing Center illuminates this problem. Using testers that were either over age 62 or individuals with disabilities, the Center reviewed the accessibility of servicers’ websites and common form letters. The investigation revealed that servicer websites lacked key information about loss mitigation options and a number of the letters and loss mitigation documents were confusing and opaque, and difficult for older and disabled consumers to understand.<sup>46</sup>

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## 3. RACIAL IMPACTS OF REVERSE MORTGAGE FORECLOSURES

Despite the importance of the HECM program in helping elderly homeowners maintain stable housing while accessing their home equity, problems with oversight and servicing of these loans have resulted in older homeowners facing unnecessary foreclosures. These unnecessary foreclosures do not impact all communities equally. As shown in this section, reverse mortgage foreclosures are concentrated disproportionately in communities of color.

## ***Black homeowners have historically taken out reverse mortgages at higher rates***

Although the majority of reverse mortgage borrowers are white, until recent years the percentage of Black reverse mortgage borrowers was higher than their percentage of the population. The population of the United States is 13.6% Black, and Black Americans have a 30% lower homeownership rate than white Americans; and yet in 2009 and 2010 (peak years for reverse mortgage lending), roughly 16% of reverse mortgage borrowers were Black.<sup>47</sup> That percentage fell below 10% for the first time in 2016, and now sits at around 6%. It is likely that FHA's origination changes since 2015 have made it more difficult for Black homeowners to obtain reverse mortgages.<sup>48</sup> However, Black older adults are more likely to access their home equity through a reverse mortgage than through a cash-out refinance, second mortgage, or home equity line of credit,<sup>49</sup> making the reverse mortgage program comparatively more important for them even though they now appear to have a harder time accessing it. Reverse mortgage originations between 2001 to 2009 were concentrated disproportionately in predominantly Black zip codes.<sup>50</sup>

The population of reverse mortgage borrowers overwhelmingly comprises low-income individuals. The median income of borrowers who took out a reverse mortgage in 2018 was \$26,000, less than half the U.S. median income,<sup>51</sup> and 84% of HECM borrowers had an annual income of less than \$45,000 per year.<sup>52</sup> Nearly half of respondents to a survey of HECM borrowers had sought the loan to pay for basic necessities and essential expenses.<sup>53</sup>

Due to historical and present-day policies that disparately concentrate wealth in white households and target Black homeowners for predatory, unaffordable mortgages, it is not surprising that a significant number of older Black homeowners have taken out a reverse mortgage to help them afford to remain in their home in their older years and to pay for basic expenses. Despite federal COVID-related programs and benefits, in 2020, for example, 17.2% of Black people 65 years and older were living in poverty, compared to 6.8% of their white peers.<sup>54</sup> Older Black adults have endured decades of discrimination in housing, credit, and employment leading to a decrease in wealth and lifetime income, which results in lower Social Security payments.<sup>55</sup> Moreover, the income of Black older adults often supports multiple family members. More than a third of Black older adults (35%) were responsible for the basic needs of one or more grandchildren under age 18 living with them.<sup>56</sup> Reverse mortgages can bridge the gap between increasing financial needs in older age and available resources.

## Reverse Mortgage Foreclosures Impact Communities of Color

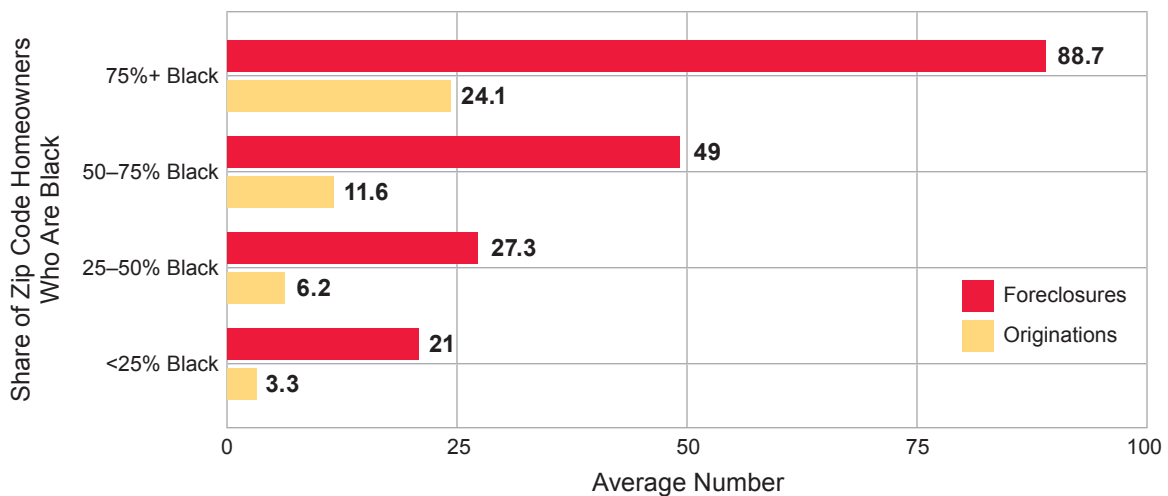
Reverse mortgage borrowers facing foreclosure in recent years are also disproportionately located in communities of color. A July 2019 in-depth article in *USA Today* showed that communities of color have been hit hardest by reverse mortgage foreclosures, with foreclosure rates six times as high as in majority white neighborhoods.<sup>57</sup>

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NCLC and the Reinvestment Fund analyzed the racially disparate patterns of reverse mortgage originations and foreclosures by examining data obtained from FHA. The dataset showed reverse mortgage originations from 2001 to 2009 and foreclosures from 2013 to 2017 by zip code.<sup>58</sup> Our goal was to get a general sense of the volume of reverse mortgage originations in particular neighborhoods to have a baseline against which to compare the number of related reverse mortgage foreclosures.

Nationally, there is a clear pattern of more HECM originations and more HECM foreclosures in zip codes with more Black homeowners.

CHART 3 **Average Number of HECM Originations and Foreclosures by Share of Zip Code Homeowners Who Are Black**

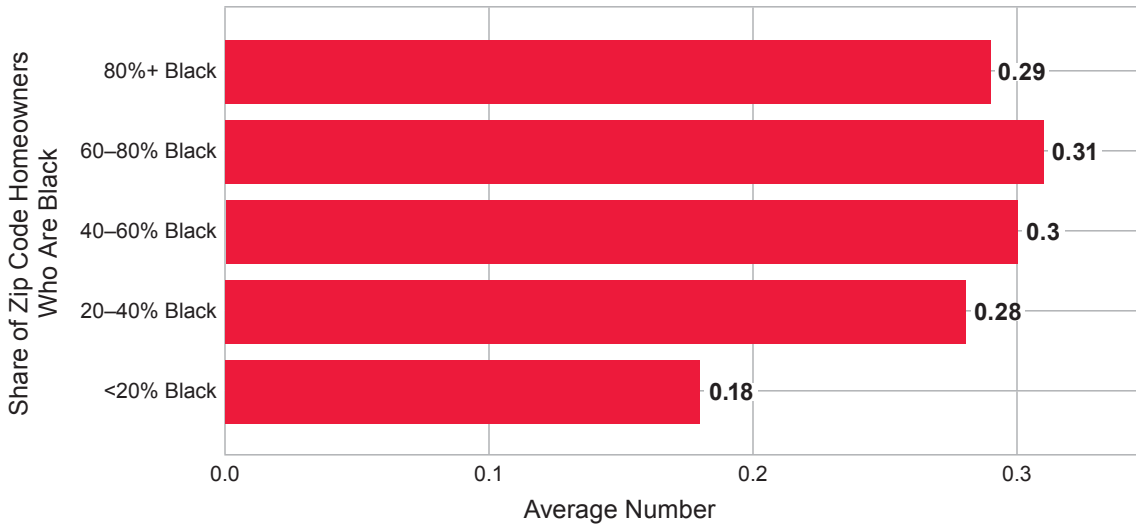


Source: FOIA data from FHA, 2001-09 originations and 2013-17 foreclosures, analyzed by the Reinvestment Fund.

Because it might appear that the elevated number of reverse mortgage foreclosures in Black zip codes is simply a factor of the larger number of reverse mortgage originations in those areas, we examined the ratio of foreclosures to originations by racial concentration of the zip code. We found that in zip codes

that were less than 20% Black, that ratio was .18 (18 foreclosures in 2013 to 2017 for every 100 originations in 2001 to 2009). In zip codes that were 40% Black or higher, that ratio was close to double at .3 in zip codes that were 40-60% Black, .33 in zip codes that were 60-80% Black, and .28 in zip codes that were more than 80% Black.

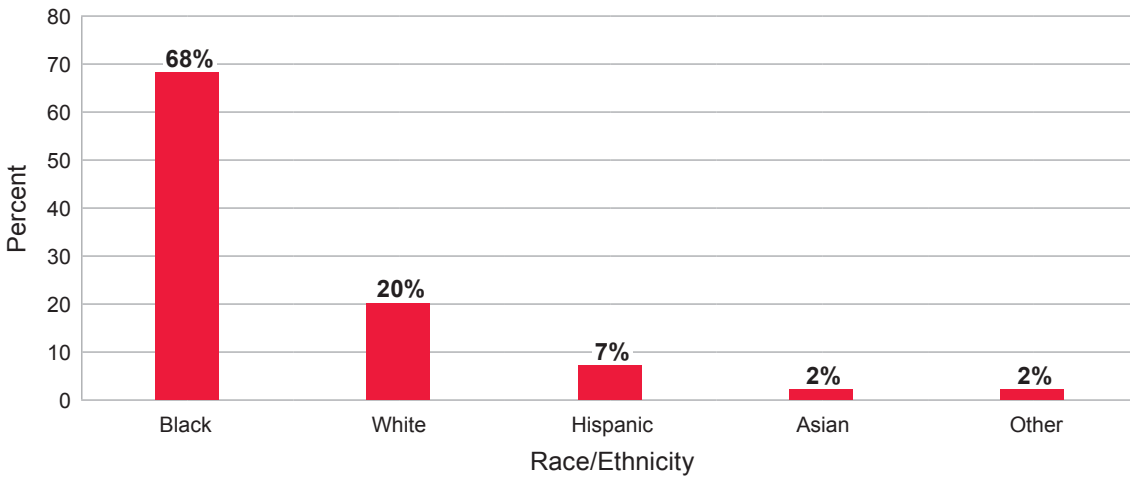
**CHART 4 Average Number of Foreclosures per HECM Origination by Share of Zip Code Homeowners Who Are Black**



Source: FOIA data from FHA, 2001-09 originations and 2013-17 foreclosures, analyzed by the Reinvestment Fund.

In Philadelphia, we had reverse mortgage foreclosure data down to the level of address and name of the borrower, based on public foreclosure filings. We used Bayesian Improved Surname Geocoding (BISG) to impute the race of homeowners involved in reverse mortgage foreclosure filings. The BISG approach calculates probabilities of racial/ethnic identity of individuals based on (1) comparing surnames to the racial/ethnic distribution of that surname in the Census, and (2) refining those probabilities based on the racial/ethnic distribution of the Census tract where that individual lives. We use the shorthand terms “race” and “ethnicity” (and the categories within each group) here to reference probable characteristics of the homeowners going through a reverse mortgage foreclosure in 2016 and 2017.<sup>59</sup> As shown in the graph that follows, this analysis reflects a likely racial composition of homeowners experiencing reverse mortgage foreclosure in Philadelphia in 2016 and 2017 of 68% Black, 20% white, 7% Hispanic, 2% Asian, and 2% other.

**CHART 5 Share of Reverse Mortgage Foreclosures by Race, Philadelphia 2016–17 Inputed Using Bayesian Improved Surname Geocoding**

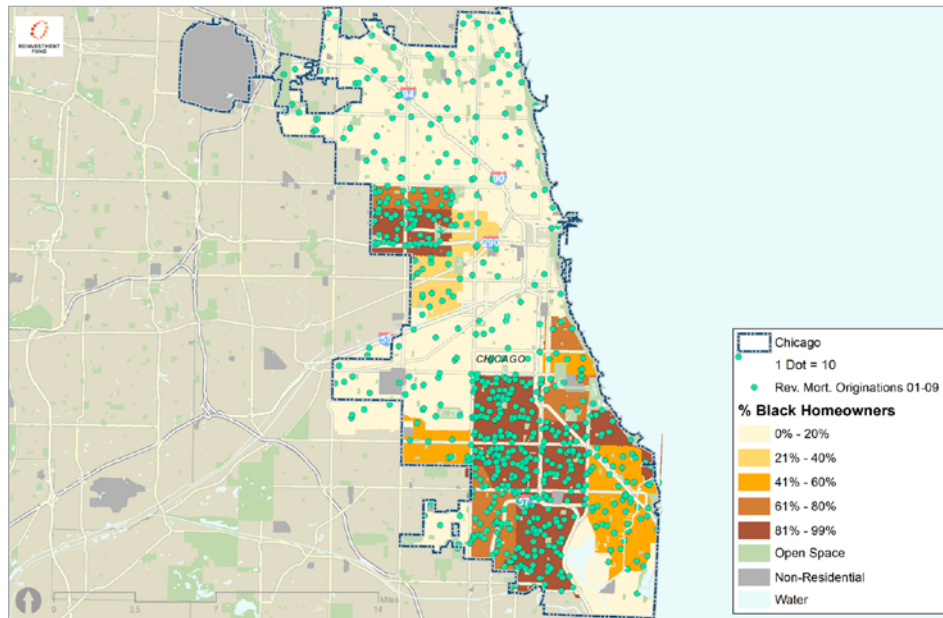


*Source:* Philadelphia reverse mortgage foreclosure public filings in 2016 and 2017, analyzed by the Reinvestment Fund.

We then conducted case studies of five counties, looking at the zip code level HECM Originations and foreclosures overlaid with racial demographics. We selected the five counties from among those with the largest numbers of both reverse mortgage originations and foreclosures. Houston (Harris County) was selected for regional diversity, and Philadelphia County because of the additional data we had access to for Philadelphia.

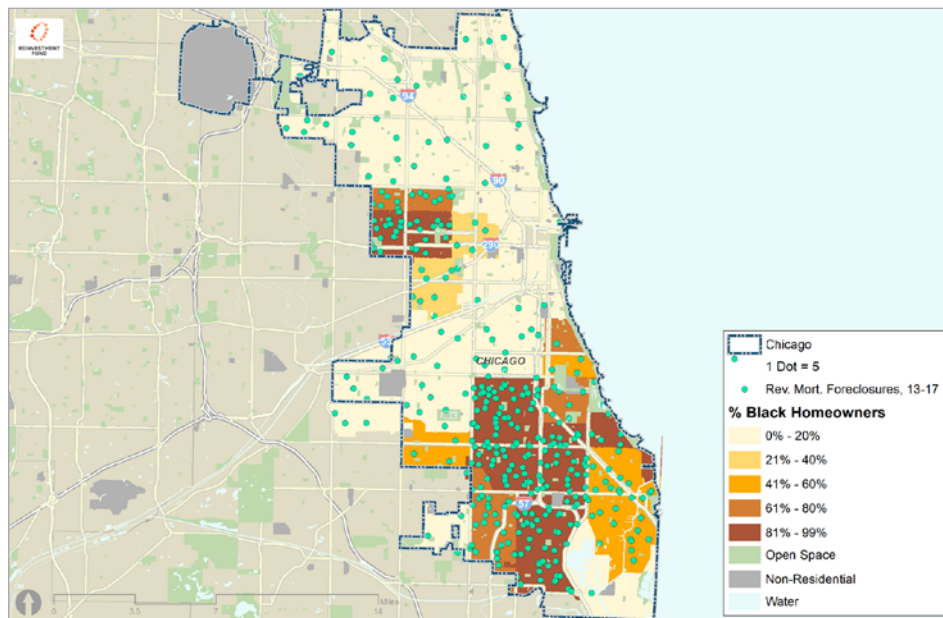
Each of these maps is shown below.

MAP 1 **Cook County/Chicago: Reverse Mortgage Originations by Zip Code, 2001–2009**



Source: FOIA data from HUD, analyzed by the Reinvestment Fund

MAP 2 **Cook County/Chicago: Reverse Mortgage Foreclosures by Zip Code, 2013–2017**



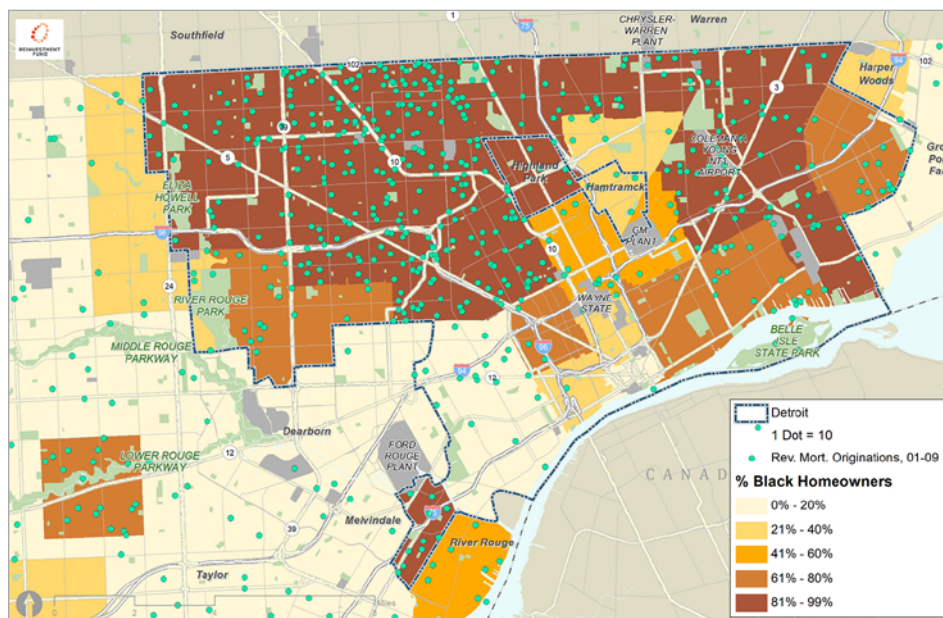
Source: FOIA data from HUD, analyzed by the Reinvestment Fund



Chicago had the highest number of reverse mortgage foreclosures of any city in the United States during the 2013 to 2017 time period. In Chicago, we observe a noticeable clustering of reverse mortgage originations in and near the areas of the city that are 61-80% or 81-99% Black, and an even starker density of reverse mortgage foreclosures in those areas. The ratio of HECM foreclosures in 2013 to 2017 to originations in 2001 to 2009 is 0.23 in Chicago zip codes that are 0-20% Black. In the Chicago zip codes that are 20-40%, 40-60%, 60-80%, and 80-100% Black, that ratio ranges from 0.29 to 0.34.

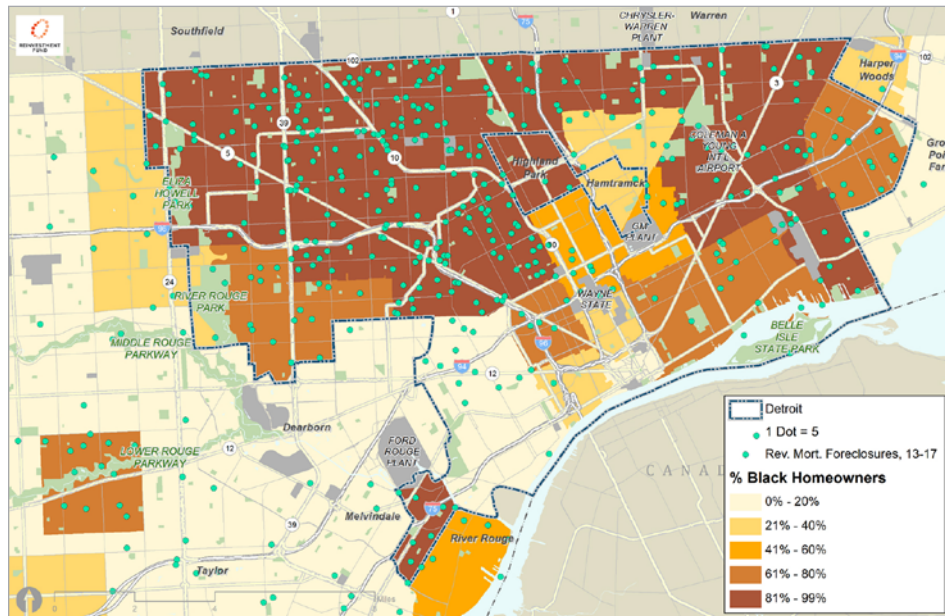
The next set of maps depicts the location of reverse mortgage originations and foreclosures by zip code in Wayne County, metropolitan Detroit. Detroit had the second largest number of reverse mortgage foreclosures during the 2013 to 2017 time period.

**MAP 3 Wayne County/Detroit: Reverse Mortgage Originations by Zip Code, 2001–2009**



Source: FOIA data from HUD, analyzed by the Reinvestment Fund

MAP 4 **Wayne County/Detroit: Reverse Mortgage Foreclosures by Zip Code, 2013–2017**

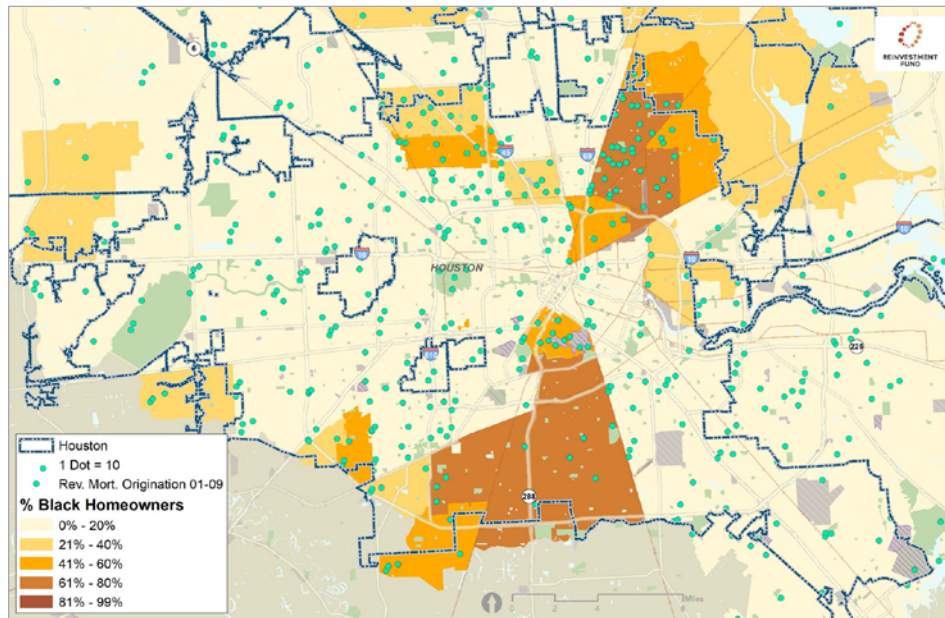


Source: FOIA data from HUD, analyzed by the Reinvestment Fund

In the Detroit area, the ratio of reverse mortgage foreclosures to reverse mortgage originations in zip codes that are 0-20% Black is .32. That ratio is 0.38, 0.40, 0.43, and 0.34 respectively, in Detroit area zip codes that are 20-40%, 40-60%, 60-80%, and 80-100% Black. Although the ratio trends back downward for the most densely Black zip codes, that is likely due to the very high number of reverse mortgage originations in those zip codes (a very large denominator in the ratio of foreclosures to originations).

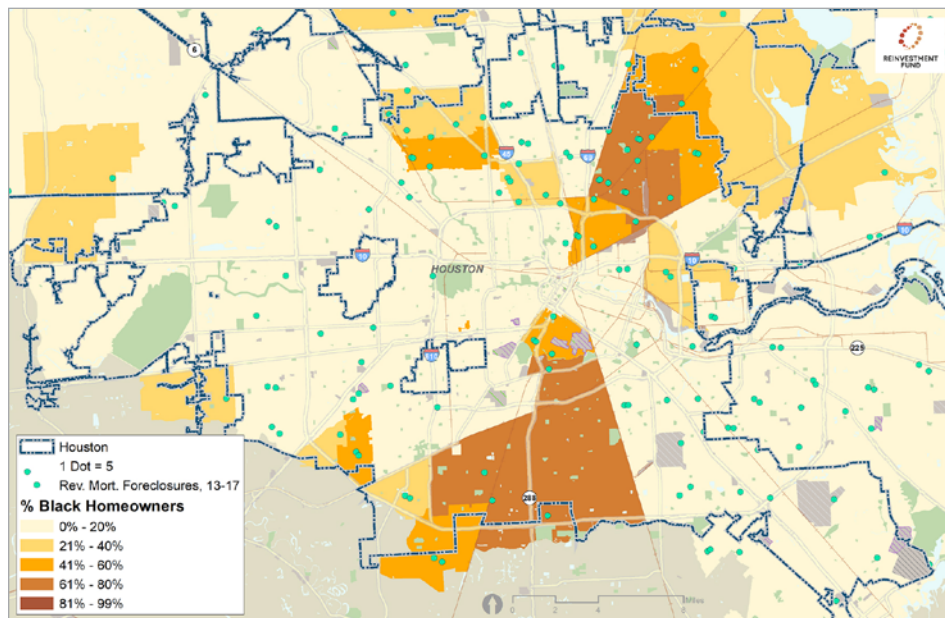
Maps of Harris County/ Houston follow. We included Houston for regional diversity. Houston had the seventh largest number of reverse mortgage foreclosures of any city during the 2013 to 2017 time period.

MAP 5 **Harris County/Houston: Reverse Mortgage Originations by Zip Code, 2001–2009**



Source: FOIA data from HUD, analyzed by the Reinvestment Fund

MAP 6 **Harris County/Houston: Reverse Mortgage Foreclosures by Zip Code, 2013–2017**



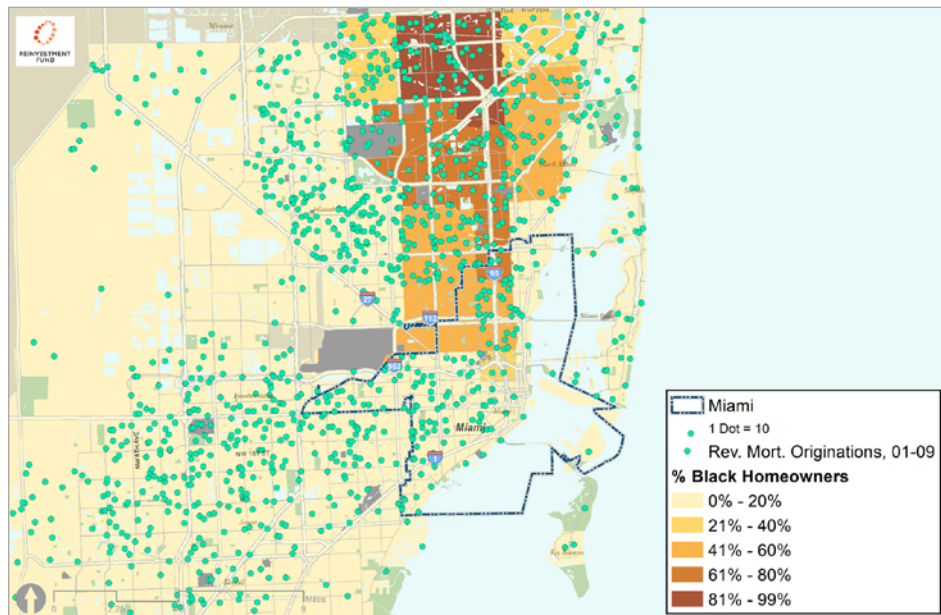
Source: FOIA data from HUD, analyzed by the Reinvestment Fund

In Houston, the overall rate of reverse mortgage foreclosures is not as high as the other counties we examined. Lower rates of HECM foreclosures across Harris County, when compared to the other metro areas we considered, might be attributable to relatively higher home price appreciation in Houston over the past decade. When home values continue to rise, it is often easier to avoid a reverse mortgage foreclosure through a sale or refinancing.

Despite lower rates of reverse mortgage foreclosure in the city, the racial disparity in foreclosure rates is substantial. There is an observable cluster of originations in the mostly Black areas in the northeastern quadrant of the map (around one o'clock as on a clock face), where there is also a cluster of reverse mortgage foreclosures. The ratio of foreclosures to originations in the Houston zip codes that are 0-20% Black came in at 0.16, whereas the ratio in zip codes ranging from 20-80% Black ranged from 0.22-0.23 (nearly 50% higher). There are no zip codes in Harris County that are 80-100% Black.

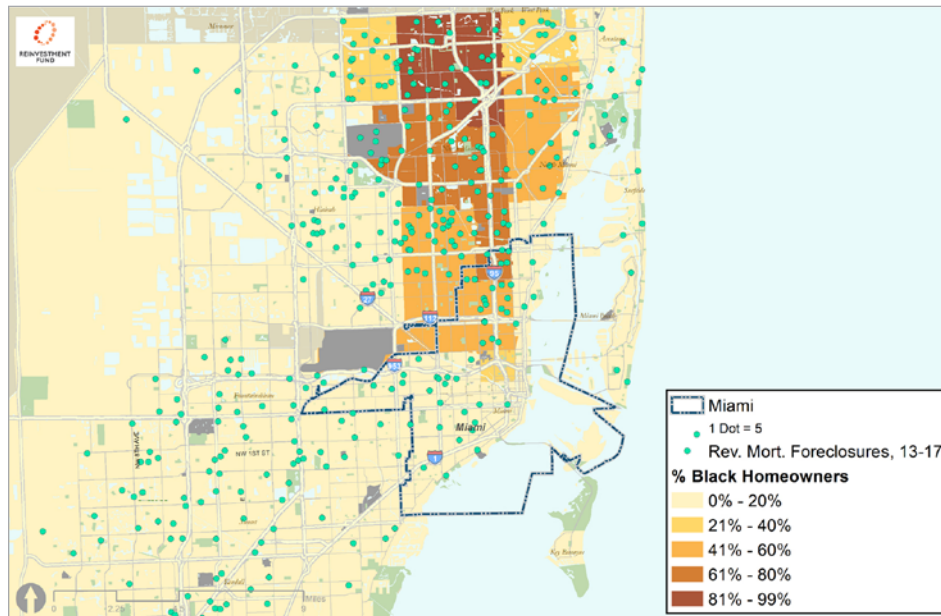
Maps of the Miami-Dade area follow. Miami had the third highest number of reverse mortgage foreclosures of any city, and the highest number of reverse mortgage originations from 2001 to 2009 of the cities we examined.

**MAP 7 Miami-Dade County: Reverse Mortgage Originations by Zip Code, 2001–2009**



Source: FOIA data from HUD, analyzed by the Reinvestment Fund

MAP 8 **Miami-Dade: Reverse Mortgage Foreclosures by Zip Code, 2013–2017**

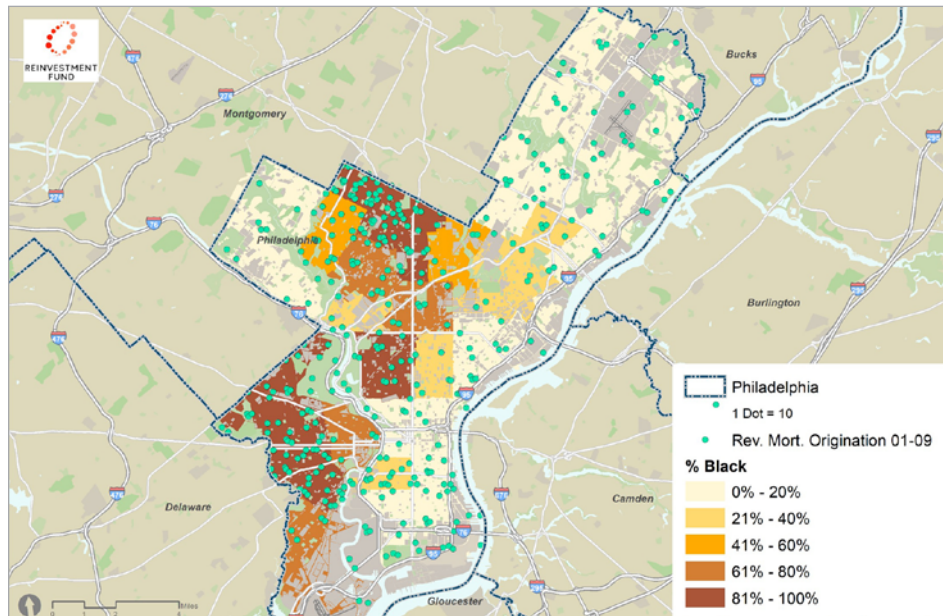


Source: FOIA data from HUD, analyzed by the Reinvestment Fund

In Miami, reverse mortgage originations from 2001 to 2009 densely pepper the entire metro area, but reverse mortgage foreclosures in 2013 to 2017 are noticeably more concentrated in the zip codes that are 40-100% Black than they are in less densely Black areas. Confirming this visual impression, the ratio of foreclosures to originations in zip codes that are 0-20% Black in Miami was 0.13. In the Miami zip codes that are 40-60% Black, that ratio was doubled.

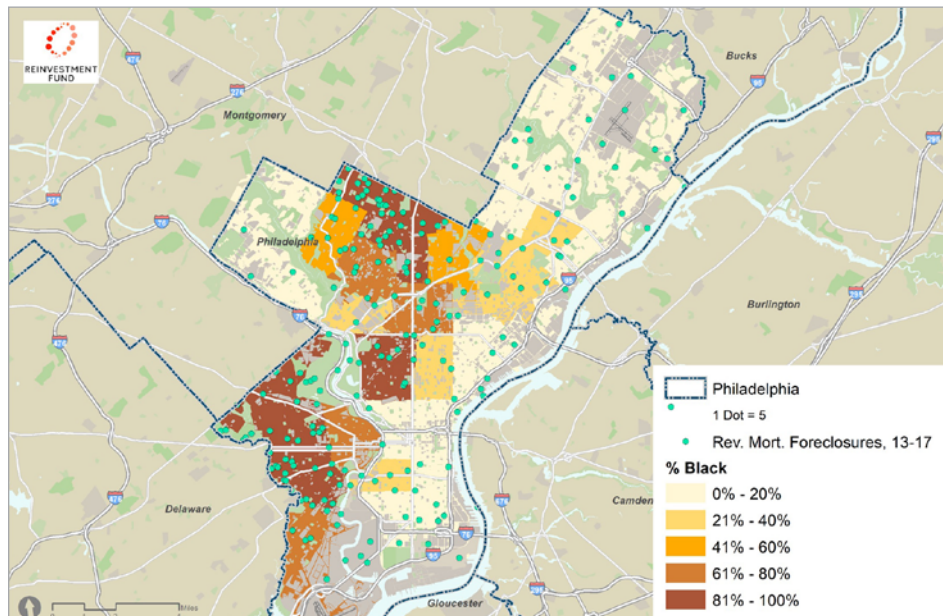
The next metro area we examine is Philadelphia, which had the fifth highest number of reverse mortgage foreclosures of any city during the 2013 to 2017 time period.

MAP 9 **Philadelphia: Reverse Mortgage Originations by Zip Code, 2001–2009**



Source: FOIA data from HUD, analyzed by the Reinvestment Fund

MAP 10 **Philadelphia: Reverse Mortgage Foreclosures by Zip Code, 2013–2017**

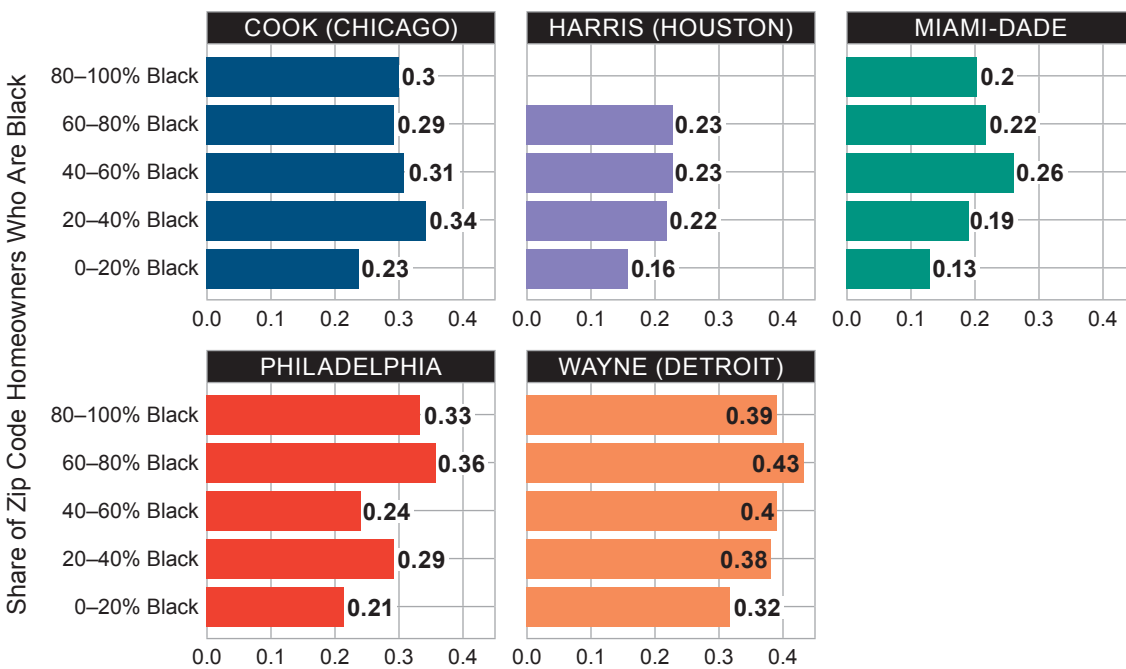


Source: FOIA data from HUD, analyzed by the Reinvestment Fund

In Philadelphia, reverse mortgage originations and foreclosures are most densely clustered in the darkest (most racially concentrated) areas of the map. In Philadelphia zip codes that are 0-20% Black, the ratio of reverse mortgage foreclosures to originations was 0.21. That ratio ranged from 0.24 to 0.36 in more densely Black areas of the city.

The ratios of reverse mortgage foreclosure to originations by percent Black are summarized in the chart below for all five metro areas we examined.

**CHART 6 Average Number of Foreclosures per HECM Origination by Share of Zip Code Homeowners Who Are Black**



Source: FOIA data analyzed by the Reinvestment Fund.

The fact that the federally insured reverse mortgage program is intended to “meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by the increasing costs of meeting health, housing, and subsistence needs at a time of reduced income”<sup>60</sup> is a sufficient reason in itself to work to reduce reverse mortgage foreclosures. But if that were not enough, the disproportionate concentration of reverse mortgage foreclosures in communities of color presents an additional and compelling reason to tackle the problems that drive reverse mortgage foreclosures. In the next section, we delve into the causes of reverse mortgage foreclosures and the methods that work to reduce their prevalence.

## 4. LESSONS FROM THE FIELD

We analyze several sources of data in this section to explore the causes of preventable reverse mortgage foreclosures and identify practices that work to reduce their frequency. First, we summarize the results of a survey of advocates that NCLC conducted in September 2022. Second, we identify common themes and observations from qualitative interviews with 18 reverse mortgage advocates in October 2022. Interspersed in this discussion, we highlight the stories of several reverse mortgage borrowers and heirs that exemplify the problems identified by advocates. Finally, we present outcomes data from a HECM default counseling pilot program carried out by a HUD-certified housing counseling agency in 2018 and 2019.

The survey and interviews provide insights into the factors that lead to property charge defaults and the barriers that impede successful loss mitigation after such a default. They also reveal some of the communication problems that plague interactions between reverse mortgage servicers and borrowers and their heirs. These qualitative interviews suggest that a number of reforms would make successful loss mitigation and foreclosure alternatives for heirs more common. The outcomes of the HECM default counseling pilot further bolster that conclusion.

### *Advocate Survey*

NCLC conducted a survey of advocates from around the country who handle reverse mortgage cases. Forty-five advocates responded to the online survey. Thirty-seven of these respondents self-identified as legal services attorneys; four identified as HUD-certified housing counselors; and the remaining four described themselves as a private attorney, a nonprofit attorney, a consumer advocate, and a nonprofit provider of technical assistance.

### **Characteristics of respondents**

Survey respondents hailed from 22 states: California, Delaware, Florida, Georgia, Illinois, Louisiana, Maryland, Michigan, Minnesota, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, Washington, the District of Columbia, and Wisconsin.

Most survey respondents had been handling reverse mortgage cases for a significant length of time. Fifteen had handled reverse mortgage cases for more than 10 years, 19 for 5 to 10 years, nine for one to five years, and two for less than one year. With respect to the approximate volume of reverse mortgage clients they assist, seven said they assist more than 20 per year, 12 assist 10 to 20 per year, 14 assist 5 to 10 per year, and 12 said they assist fewer than five per year.

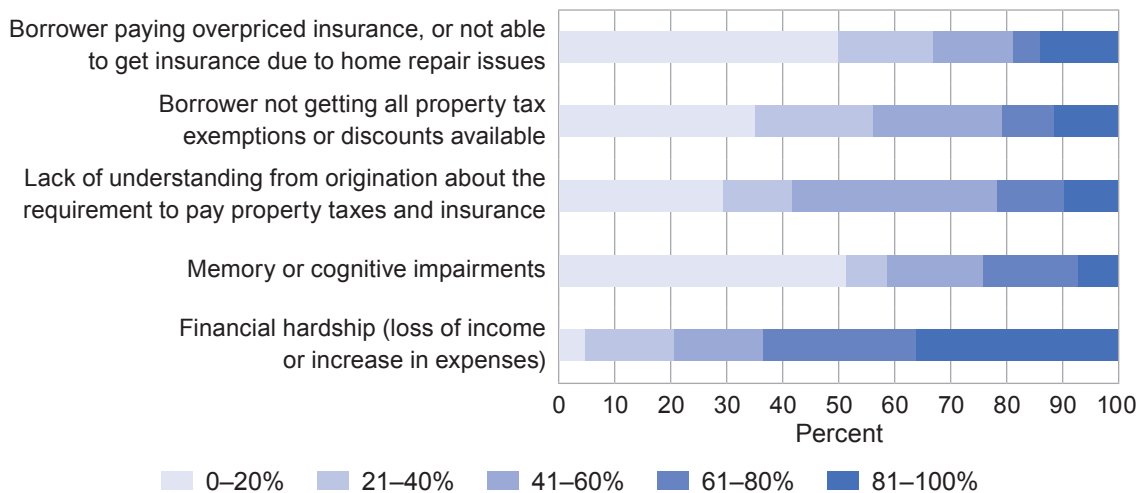


## Reasons for default

We asked these advocates about the issues that played a role in causing their clients' reverse mortgage defaults. Financial hardship was the predominant issue; More than half of the respondents said it played a role in more than 60% of their property charge default cases. Other significant factors included a lack of understanding from the point of origination about the requirement to pay property taxes and insurance and the borrower not getting all available property tax exemptions. The full set of responses are shown below.

## Factors that cause defaults on property charges

CHART 7 **In What Percentage of Your Property Charge Default Cases Does It Appear That Each of the Following Issues Played a Role in Causing the Default?**



In narrative answers, respondents named several other factors that have caused property charge defaults. These included:

- Unexpected or chronic medical hardships
- Death of a spouse
- Financial abuse or exploitation
- Homeowner's insurance issues
- Servicer's declaration that homeowner who was in a city or state tax deferral or payment program was in default

## Barriers to obtaining loss mitigation

As described above in Section 2, FHA allows reverse mortgage servicers to offer borrowers who have defaulted on property charges a repayment plan

of up to 60 months. For most reverse mortgage borrowers, this is their only loss mitigation option and only way to avoid foreclosure. Yet prior research shows that only 22% of reverse mortgage borrowers in default on property charges obtain a repayment plan.<sup>61</sup>

Advocates described a number of barriers to borrowers obtaining repayment plans. Lack of clear information from the servicer about loss mitigation options is the most common

factor. Borrower difficulty providing an accurate budget (pointing to the need for housing counseling) and servicer rules limiting repayment plans were the next most common issues.

FHA rules limiting repayment plans are also a significant factor, with 18 respondents estimating this to be a barrier in at least 40% of cases. FHA limits reverse mortgage repayment plans to no more than 60 months, and shorter if the borrower has defaulted on a prior repayment plan. FHA does not permit the servicer to offer a repayment plan if the borrower defaulted on a prior plan and owes more than \$5,000.<sup>62</sup>

As described in Section 2 above, FHA allows the servicer to assign the reverse mortgage to FHA (and be paid its full claim) when the loan balance has reached 98% of the Maximum Claim Amount. However, FHA does not allow loans to be assigned while there is a property charge arrearage. A servicer of a reverse

mortgage that has reached 98% of the Maximum Claim Amount and is in default on property charges therefore has the option to foreclose immediately, or to offer a repayment plan and continue holding the loan. Offering the repayment plan and holding the loan in that situation is risky. On a home with plenty of equity the servicer might foreclose at a later date and recover the full balance owed, but there is always a risk that the foreclosure sale will bring in less than the loan amount. Any eventual insurance claim, whether through foreclosure or assignment, cannot exceed the Maximum Claim Amount. So the servicer of such a reverse mortgage is more

likely to foreclose than to offer a repayment plan to the borrower. One-third of respondents said that the borrower nearing the Maximum Claim Amount poses a barrier to loss mitigation in more than 40% of their property charge default cases. FHA could solve this incentive problem by allowing reverse mortgages to

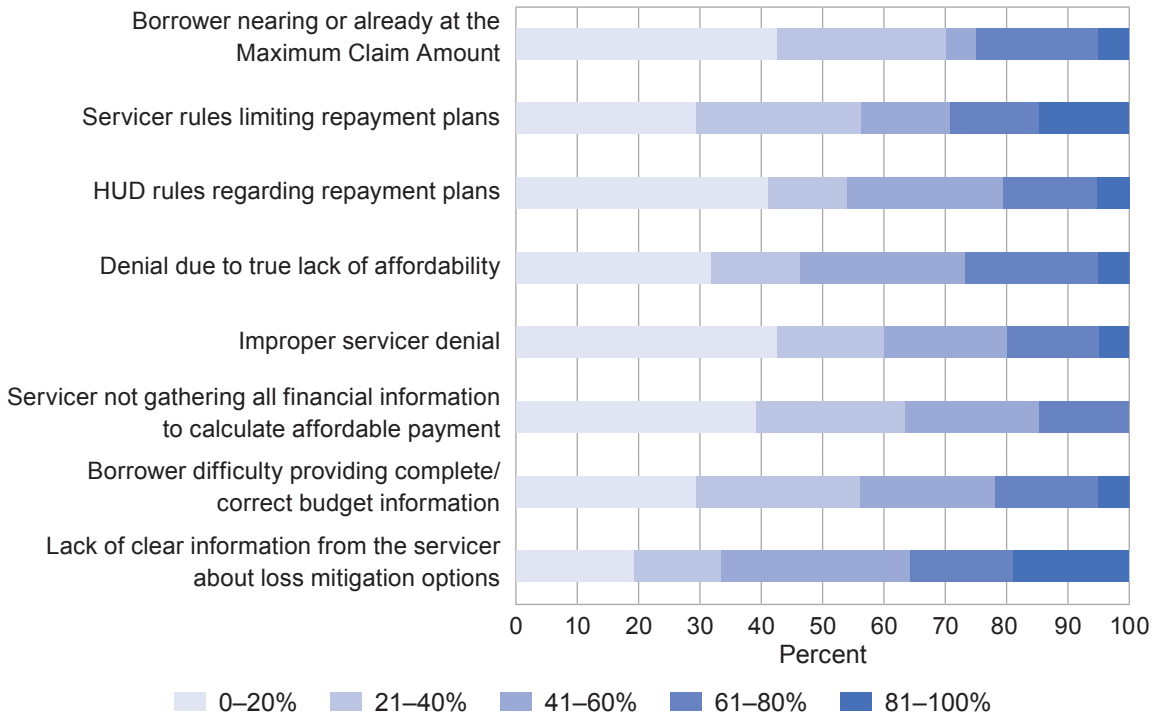
Lack of clear information from the servicer about loss mitigation options is the most common factor limiting access to repayment plans.

One-third of respondents said that the borrower nearing the Maximum Claim Amount poses a barrier to loss mitigation in more than 40% of their property charge default cases.

be assigned to FHA with an active loss mitigation option in place. This and other recommendations are discussed in Section 5.

## Barriers to Obtaining Repayment Plans

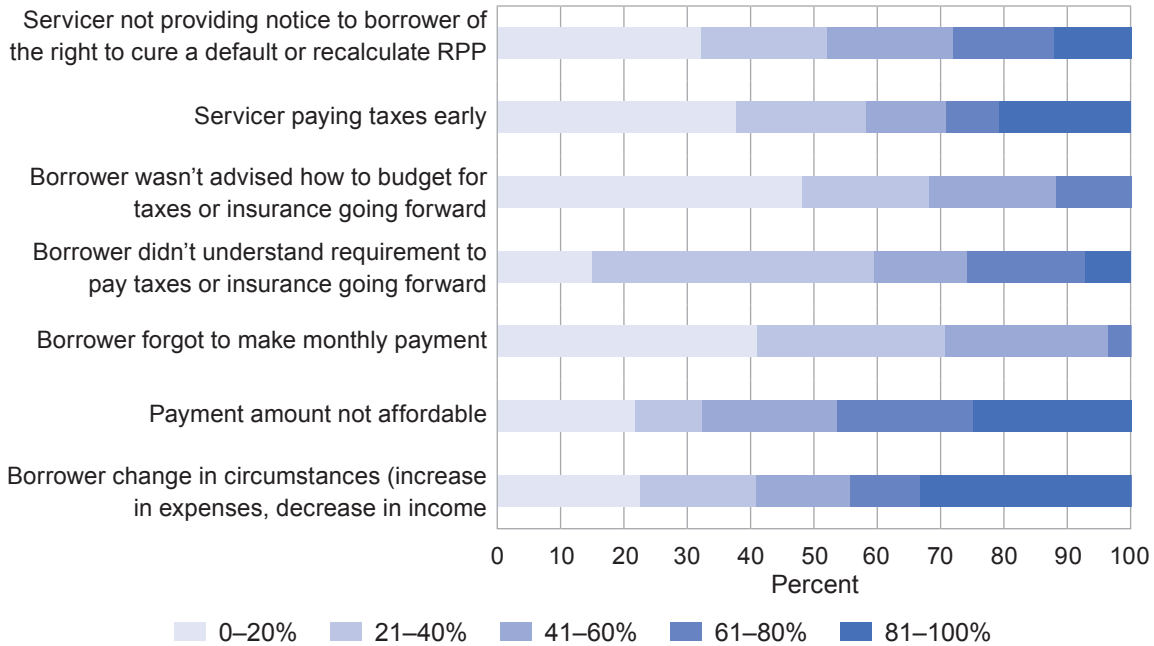
**CHART 8 In What Percentage of Your Property Charge Default Cases Does It Appear That the Following Factor Poses a Barrier to Obtaining an Affordable Repayment Plan?**



The survey next asked advocates about factors that lead to redefault on an approved repayment plan. Borrower change in circumstances (increase in expenses, decrease in income) appears to be the common issue: of the 27 people who had experience dealing with this issue, one-third said that it was a factor in 81-100% of their cases. Payment unaffordability is a significant factor, as is borrowers not understanding the requirement to pay the taxes directly for the next year. Servicers not providing notice to the borrower of the right to cure a default or recalculate the repayment plan is also a significant problem. FHA rules allow servicers to offer a recalculated plan when borrowers experience a decrease in surplus income.<sup>63</sup>

## Factors that Contribute to Default on Repayment Plans

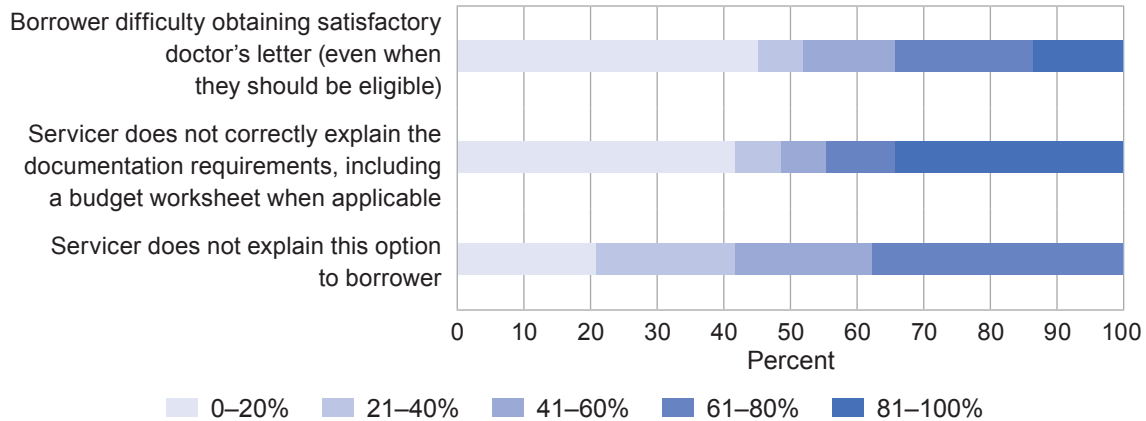
**CHART 9 In What Percentage of Your Repayment Plan Cases Does It Appear That the Following Factor Contributed to Causing a Default on a Repayment Plan?**



The survey asked advocates to estimate the percentage of their cases where the following issues posed a barrier to clients obtaining an At-Risk Extension. As described in Section 2, the At-Risk Extension allows for a one-year delay of foreclosure (renewable annually) for borrowers over age 80 with critical health circumstances. By far the most significant problems advocates observed was servicers not explaining to the borrower that this option exists. Servicer failing to correctly explain the documentation requirements was the next most significant barrier.

## Barriers to Obtaining the At-Risk Extension

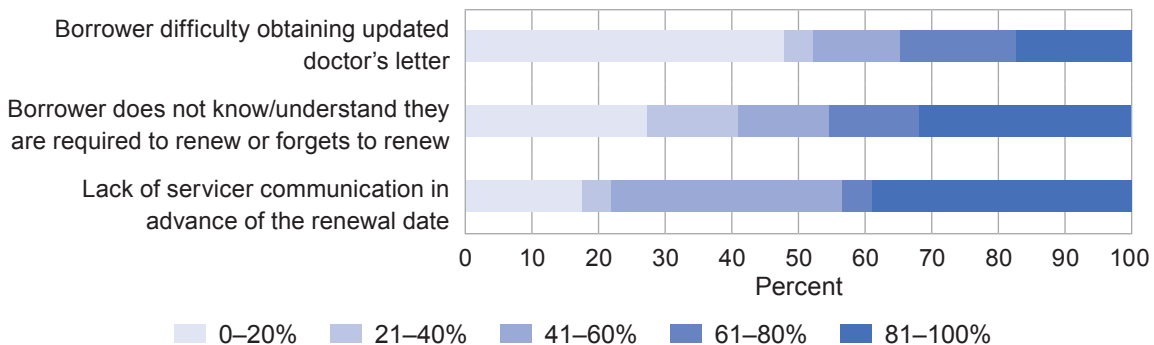
**CHART 10 In What Percentage of Your Cases Where the Borrower Should Be Eligible for the At-Risk Extension Do the Following Issues Create a Barrier to Accessing the At-Risk Extension?**



Once an At-Risk Extension is obtained, it has to be renewed annually. Advocates who had experience dealing with renewals of the At-Risk Extension identified the barriers to success in that process. The most common problem was a lack of servicer communication in advance of the annual renewal date.

## Barriers to Renewing the At-Risk Extension

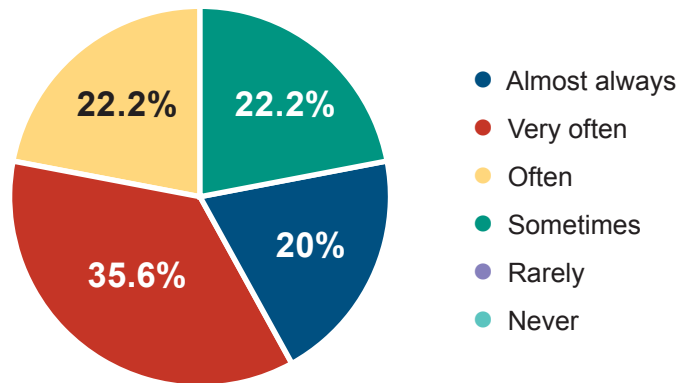
**CHART 11 In What Percentage of Your Cases Where the Borrower Was Approved for an At-Risk Extension Are the Following Issues Posing a Barrier to Being Able to Renew the At-Risk Extension Annually?**



## Steps that are effective to save homes from reverse mortgage foreclosures

We asked survey respondents how often their clients who received their assistance in curing a property charge default were able to maintain stable housing going forward. A full 78% of respondents (35 advocates) said their clients were able to maintain stable housing going forward either often, very often, or almost always. Twenty-two percent responded sometimes; and no respondents answered rarely or never.

**CHART 12** Based on Your Experience Handling Reverse Mortgage Property Charge Default Cases, How Often Are Your Clients Able to Maintain Stable Housing Going Forward, After You Help Them Resolve the Default?



Advocates noted that in successful cases where long-term stability was achieved, the following services they provided helped their clients to maintain stable housing going forward:

**TABLE 3** Services that Promote Stability for HECM Borrowers

SERVICE PROVIDED THAT HELPS MAINTAIN STABILITY	NUMBER OF RESPONDENTS
Helping to reduce property tax bills	17
Budgeting	11
Spending time to educate clients and/or get family involved	10
Helping to find alternative and/or affordable insurance	7
Helping to apply for repayment plans or At-Risk Extensions	6
Helping to apply for grants	4
Planning ahead for ongoing expenses	3

## **Servicing practices that would help reverse mortgage borrowers save their homes**

We asked advocates to rank how significant the benefit would be of certain servicing practices, with one being little to no benefit and five being a very substantial benefit. The following practices were ranked as a 4 or a 5 by at least half of respondents, and are listed in order of greatest perceived benefit:

- Dismissing any foreclosure case and revoking the “due and payable” status during a repayment plan or At-Risk Extension
- Allowing occupancy to be verified verbally
- Not requiring annual recertification for the At-Risk Extension
- Allowing property charge loss mitigation for non-borrowing spouses
- Servicer referring the borrower to legal services organizations in the event of default
- Prohibiting servicers from paying property tax bills before their final due date (the date after which a late penalty is assessed)
- Servicers explaining verbally, and in a simple flier, the borrower’s obligation to pay property charges going forward while in a repayment plan
- If a servicer pays the next year’s property taxes while borrower is in a repayment plan, giving the borrower 90 days to repay the advance
- Servicers helping borrowers to calculate the amount they will have to save for the next year’s taxes and insurance
- Servicer transferring the borrower to a HUD-certified housing counselor while on the phone for independent budget counseling at the time the borrower is seeking property charge loss mitigation
- Servicer providing an auto-pay option for repayment plans
- Offering periodic post-closing housing counseling or counselor outreach (annually over the life of the loan)

## **Problems facing heirs who attempt to avoid foreclosure**

Finally, the survey asked advocates to share the biggest problems heirs face in avoiding foreclosure on a reverse mortgage after the death of the borrower. Although the reverse mortgage becomes due and payable upon the death of the borrower (with exceptions for non-borrowing spouses), heirs can avoid foreclosure by selling or refinancing the home or pursuing a short sale, short refinance, or deed in lieu of foreclosure. The following problems were indicated by the 34 survey respondents who said that they had experience with this issue:

- Lack of (or unclear) communication about the timeline for the heir to sell or refinance (74% of these respondents)
- Lack of (or unclear) communication about what documents need to be submitted for the heir to get extensions on the timeline to sell or refinance (76% of these respondents)
- Problems getting an appraisal or clear communication about the payoff for 95% of appraised value (71% of these respondents)
- Problems getting timely payoff statements for closing on a sale or refinance (53% of these respondents)

### ***Advocate Interviews: Themes and Observations***

In this section we summarize our in-depth qualitative interviews with 18 advocates—legal services attorneys and housing counselors who represent reverse mortgage borrowers facing the risk of foreclosure. The advocates were based in Florida, Illinois, Indiana, Louisiana, Maryland, New Mexico, New York, Ohio, Pennsylvania, Texas, and Washington, D.C. Half of the advocates interviewed had at least 10 years of experience representing reverse mortgage borrowers, and 83% of them had at least five years of experience. One-third of the advocates counsel and assist over 20 reverse mortgage borrowers per year, slightly more than a third 10 to 20 per year, and roughly one-third assist five to 10 reverse mortgage borrowers per year.

The summaries of our findings are broken down by issue. We summarize key findings of the interviews related to each issue in the overview and provide more detailed analysis in the discussion.

### **Issue I: Reasons for Default**

#### *Overview*

Advocates described certain common reasons that reverse mortgage borrowers defaulted on property charges. More than half of the advocates interviewed discussed reverse mortgage borrowers' lack of understanding about the obligation to pay property charges dating back to the origination of the loan. Affordability issues were cited by half of the surveyed advocates, and one-third stated that memory or cognitive issues played a significant role. Property taxes were the primary type of property charge that caused defaults.

As with the survey respondents, a number of advocates interviewed observed that after getting assistance to bring the property charges current, homeowners were frequently able to maintain the necessary housing expenses going forward. They attributed greater chances of borrower success to services like robust



budget counseling, help applying for homestead exemptions or other assistance programs, and consistent reminders about upcoming payments.

### *Discussion*

The common theme of reverse mortgage borrowers' lack of understanding dating back to the origination of the loan was linked by many to failures in the pre-loan counseling process. More than half of advocates mentioned ineffective pre-loan counseling as an issue. When asked whether reverse mortgage borrowers could effectively understand the loan product and their obligations, one legal services attorney responded, "Yes; I don't think that it is an intelligence issue . . . When I have talked to people about, what was the counseling component? It's like, 'I forgot about that. Well, that was just this guy that spent 15 minutes with us, and we signed a piece of paper.'" One housing counselor expressed a view that in-person counseling is the most effective, but there are few counselors available for pre-loan HECM counseling now. Many older homeowners don't have access to a computer for remote counseling, and she explained that phone counseling makes it very difficult to assess whether the person being counseled understands the information.

More than half of advocates mentioned ineffective pre-loan counseling as an issue.

Some advocates also indicated that borrowers may have understood their obligations initially but then forgot. They raised the question of whether periodic post-closing counseling could be helpful in this regard. One counselor said that the letter she sends to borrowers shortly after closing serves "just as a reminder these are your rights and responsibilities. But what do they do with it? Put it in a drawer, throw it out, and they may over time forget. I think that's something that should be reiterated throughout the process."

Regarding the need for reminders, one counselor noted that property taxes are more likely to be the issue. She noted, "The homeowner's insurance, the insurance agent is going to be contacting them; but with the property taxes, I think commonly, they're [just] not used to paying it." Another advocate raised the issue of homeowners not having all available homestead exemptions in place, which is another issue that could be addressed through post-closing counseling.

As for affordability, in rapidly gentrifying areas, rising property taxes are causing reverse mortgage borrowers to default. One legal services attorney from such an area explained:

People did not expect their property taxes to go up that quickly. The change has really happened a lot in the last 10 years . . . and the appraisal is set at the time they took out the reverse mortgage. Even though their current appraised value may be two or three times what it was expected to be when

they took out the reverse mortgage that doesn't help them unless they can qualify to refinance into a new reverse mortgage.

As this advocate noted, the principal limit for the loan is based on the appraised value at the time of loan origination. The significant growth in property values in certain metro areas does not result in an increased borrowing limit.

Another attorney from a gentrifying area said many borrowers would not otherwise default on obligations, but they just can't afford them anymore:

We've got our next reevaluation for property taxes [in our county] in 2023 and we are terrified of what that's going to look like in some of our minority communities where there's been gentrification, and then just a really, really hot housing market, where across the board properties are just increasing at very fast rates in the urban core area. . . . Also increasing at a rate far greater than any increases they might get in social security or a pension are utilities, unfortunately.

Although property taxes were usually the most significant reason for default, the advocates from Florida and Louisiana also mentioned significant challenges HECM borrowers face with keeping affordable homeowner's insurance in place, likely caused by the high incidence of natural disasters in these states. The Florida insurance market was already in turmoil and putting pressure on older adults even before the most recent storms.<sup>64</sup> One Florida attorney said, "Just as an example, my homeowner's insurance went up 300% this year. I was able to deal with it, not happily but I was able to deal with it. My 80 and 90-year-old clients can't do that. . . . All of my clients are being told that they have to get a new roof [as a condition of keeping insurance] and on Social Security-based income, you can't just drop everything and get a new roof."

## Issue II: Communication Issues

### Overview

Difficulties that homeowners faced communicating with reverse mortgage servicers were a common theme across the advocate interviews. More than half of the advocates mentioned clients getting the runaround from servicer representatives—including having to submit documents multiple times, speaking with servicer representatives who did not have information about a pending loss mitigation request, and feeling like they were starting over with each phone call. More than half of the advocates discussed servicer representatives that seemed ineffective or inexperienced.

Advocates consistently said that while a boilerplate letter might mention loss mitigation options, the language in those letters is difficult for borrowers

to understand, and servicers do not typically explain the foreclosure avoidance options proactively by phone. One advocate stated that while a servicer might explain the option of a repayment plan, they never affirmatively mention the At-Risk Extension.

### *Discussion*

Several homeowner advocates commented on the lack of continuity across phone calls and an inability to get clear information from servicer representatives. The following observations were made by the interviewees regarding phone communications with reverse mortgage servicers:

- “The servicers don’t know what they’re doing half the time. The representatives don’t know that a foreclosure is pending. The client might call in and be understandably concerned or maybe even panicky about a foreclosure. Then the rep will say, ‘Oh, I don’t see anything about a foreclosure. I don’t think this is in foreclosure.’ The information is confusing and unhelpful but they’re usually very nice.”
- “There’s not any continuity of the person dealing with the case on that end. The new person I’m dealing with doesn’t really know what we already talked about.”
- “There doesn’t ever seem to be a way that the person who’s answering the questions can look into a database and then see prior conversations that have taken place with other representatives of the same servicer.”
- “You’ve got so many hands in the pot and there’s no uniform source of information coming to the people that are on the phones, so it is truly garbage in, garbage out.”
- “They’re on hold, they have long hold times, the people aren’t very nice. They don’t understand what the representative is saying often. Usually, when we do a three-way call, we can get that squared away and I can help break it down for them.”

Often, that lack of clarity leads to communications that borrowers feel are threatening. One legal services attorney mentioned servicers that “threaten clients,” with an “intimidating tone,” saying things like, “Well, you’re \$15,000 behind, how are you going to resolve this?’ It’s very aggressive. It can scare people. It can cause people to not want to take action sometimes.” This aligns with a common theme we heard from homeowners we interviewed, discussed throughout this section, who also described feeling threatened or harassed by the tenor of phone conversations and the number of letters they received from servicers while in default on property charges.

More than half of the advocates mentioned clients getting the runaround from servicer representatives—including having to submit documents multiple times, speaking with servicer representatives who did not have information about a pending loss mitigation request, and feeling like they were starting over with each phone call.

Advocates agreed that the standard boilerplate letters sent by servicers to reverse mortgage borrowers are *not* effective in conveying loss mitigation options that exist or prompting follow-up. Nearly all advocates shared the impression that reverse mortgage servicers do not affirmatively provide information about loss mitigation options to borrowers in writing or by phone, at least not in language that borrowers can understand.

- One legal services attorney, when asked if his clients had been informed about loss mitigation options, said, “I don’t believe I’ve ever had any reverse mortgage client tell me the servicer told me about this option, I just don’t know how to apply . . . I don’t believe I’ve ever run into that.”
- Another attorney said, “The mortgage companies don’t effectively communicate what the options are. Even when we read the letters as attorneys, some of the letters make no sense.”
- One counselor noted that reverse mortgage servicers never seem to mention the Homeowner Assistance Fund to borrowers; she is the first person to mention HAF to her clients.

Communication problems carry over into issues with the annual occupancy verification process. When a servicer does not get back a signed occupancy verification from the borrower, this should lead to a process of attempting to reach the borrower in a number of ways. However, FHA guidance is not sufficiently clear on the required steps, and several advocates mentioned a failure by servicers to take effective steps to reach these borrowers.

Crafting effective steps to communicate with borrowers about the annual occupancy verification process requires an understanding of the reasons borrowers may fail to return the form. Five advocates expressed that homeowners are cautious and fearful of scammers and potential identity theft. Some noted that borrowers’ adult children have advised them not to pick up unknown calls.

- One attorney reported that borrowers ask, “‘Why are they even asking me this question if it’s really my reverse mortgage company, they should already know that I’m still living here. It must be somebody else. It must be a scam.’ There’s a lot of fear and so they don’t respond and then they’re in foreclosure for not filling out an ‘I live here’ form. . . . It’s like ‘Why did I get this random thing in the mail when I’m getting a lot of other random things?’”
- Another attorney said, “I’ve had clients who don’t want to send back an occupancy certificate, because they think that they’re being asked to [provide] private information.”

More than half of advocates expressed an opinion that allowing for occupancy verification to be done by phone, rather than in writing, would be helpful. One

advocate suggested verifying the address through other data sources, like the Social Security database. Another suggested using voter registration data or information from the postal service.

Several advocates mentioned language barriers as an issue. One Florida attorney said that information was not being provided in Haitian Creole, and he was not sure about Spanish, for clients who would have preferred to communicate in those languages. Advocates in Texas and Louisiana also mentioned language barriers impacting reverse mortgage borrowers.

### Issue III: Barriers to Obtaining Repayment Plans

#### Overview

Advocates highlighted several barriers concerning their clients' ability to enter a repayment plan. Affordability was cited by two-thirds of interviewed advocates as a significant issue. Roughly half of advocates expressed that their clients had difficulties with the application process. One-third mentioned arbitrary evaluations and unexplained denials as impediments impacting borrowers' access.

#### Discussion

The issue of borrowers' difficulty affording a repayment plan was mentioned by many advocates. At a time of rising property taxes and insurance rates, advocates emphasized that many borrowers are unable to afford property charges on fixed and limited incomes. A legal services attorney in New York said, "[The issue is] servicer inflexibility in the face of what most of our clients' realities are, which is a constantly fluctuating income in the household and changing circumstances."

According to advocates, reverse mortgage borrowers experienced hardships navigating the repayment plan application. A budget is required to apply, and advocates reported that many of their clients did not understand what a budget was or how to accurately provide the information. They described their clients' difficulties locating bank statements and other documentation needed for an accurate budget. Additionally, some clients required technological assistance to fax or email application documents to the servicer.

When asked about clients' experiences communicating with servicers about repayment plans, one counselor responded, "The servicers are not very proactive about explaining what it's going to take to get approved for the repayment plan, to the extent that sometimes they'll just say, 'Well, send in your budget,' with no direction."

Reverse mortgage borrowers experienced hardships navigating the repayment plan application. A budget is required to apply, and advocates reported that many of their clients did not understand what a budget was or how to accurately provide the information.

This counselor and other advocates raised concerns about reverse mortgage servicers' subjective practices regarding repayment plan approvals. Advocates observed that FHA's guidelines surrounding surplus income and the plan term were being arbitrarily defined from servicer to servicer. FHA states that Monthly Surplus Income is determined by "subtracting the mortgagor's necessary living expenses . . . and a monthly amount needed for property charges due over the next twelve months from available sources of income as stated by the mortgagor."<sup>65</sup> Some servicers required borrowers' payment to consume no more than 25% of their surplus income to be approved—an improper interpretation of FHA's repayment plan guidelines, which FHA has rejected multiple times.<sup>66</sup> Servicers' failure to explain that they would impose this requirement resulted in borrowers sending over budgets that reflected worst-case scenarios. "They would unwillingly disqualify themselves from a payment plan by remembering their largest electricity bill instead of the average over the year," one attorney said.

Equally concerning to advocates was the length of the repayment plan decided on by the servicer. As mentioned above, reverse mortgage borrowers are primarily low-income and often rely entirely on fixed income such as Social Security, SSI, or Veterans' benefits. The discretion of a servicer to extend a repayment plan out to the maximum 60 months versus a shorter term was cited by advocates as a significant barrier to access and affordability. One attorney said he frequently double checked the calculations of servicers: "It's not clear how they calculate all the time. We have to do our own backwards math. Are they extending it out to the full 60 months? Are they choosing an arbitrary 48? Why would they choose one over the other when we have a client with a fixed income?" Seldom did advocates or their clients receive explanations for denials. At best, one attorney noted, "they just get a denial letter saying, 'Oh, you don't have any surplus. Denied.'"

The barriers to entering a repayment plan described by advocates point to the greater failure of FHA in not requiring servicers to communicate or provide loss mitigation to avoid reverse mortgage foreclosures. The ambiguity of FHA's language on repayment plans compromises servicers' ability to actively resolve defaults with borrowers. Possible solutions to these issues as described by advocates include the servicer allowing for an over-the-phone budget; making a direct phone transfer from the servicer to a housing counselor or legal services if a borrower is seeking budgeting assistance or has been denied a repayment plan; and requiring the servicer to thoroughly explain the repayment plan option to the borrower at first sign of default. Recommendations will be discussed in more detail in Issue VIII and in Section 5, below.

## **Vickie Speissegger, Goose Creek, South Carolina: Long Saga to Get a Repayment Plan**

Vickie Speissegger is a 77-year-old, white homeowner who lives in Goose Creek, S.C. She grew up in South Carolina and worked most of her life on farms. She raised five children. At age 69 she went back to work at a daycare to cover expenses. Late in life, in 2014, she got married and moved into the home that her husband had purchased more than a decade earlier.

The Speisseggers got a reverse mortgage in 2019 to help cover expenses and possibly allow them to travel together. But they did not get to fulfill those wishes before Mr. Speissegger died in July 2020.

After his death, the homestead exemption (which, unknown to Ms. Speissegger, had been solely in her husband's name) ended and the property taxes went up significantly. Ms. Speissegger was not able to go to the office in person, as necessary to apply for the exemption in her name, due to pandemic-related challenges.

Ms. Speissegger faced significant challenges trying to obtain a repayment plan, despite working with a very capable HUD-certified housing counselor. Before she got through to the housing counselor, Ms. Speissegger described her attempts to communicate with the servicer this way, "I couldn't communicate with them, I didn't know how. I mean, I would try to do something, and, 'No, you can't do that.' So finally, everybody kept telling me to go talk to somebody, I could get help doing it."

Even with the housing counselor's help, Ms. Speissegger had to apply four times before her repayment plan was finally approved. At first it was not clear why the repayment plan was being denied. Eventually the counselor realized that the reverse mortgage servicer was using the previous, higher property tax bill to calculate Mrs. Speissiger's next year's property tax bill, leaving her with an artificially low (and insufficient) amount of surplus income. The counselor had informed the servicer several times that the next year's property tax bill would be less than \$900, not \$3,200, now that Ms. Speissegger had gotten the homestead exemption in place. Yet the servicer continued to use the higher property tax bill, resulting in an improper budget-related denial.

The counselor's notes reflect frequently having to call the servicer several times to get through to a representative, being on hold for long periods of time, and then getting disconnected. Sometimes the servicer representative would agree to take an updated budget by phone, and other times they required Ms. Speissegger to fax the budget to them. These constantly changing requirements presented significant challenges for Ms. Speissegger.

The servicer has since explained that in most states, including South Carolina, the representative should be able to take a budget by phone, and only New York has state law requirements that the servicer interprets as necessitating a paper application.

Ms. Speissegger finally was approved for a repayment plan after a long and difficult saga. She describes the significant stress this has created. She has an essential tremor disorder that has gotten significantly worse. “I shake so bad I can’t hardly write my name.” She told us, “[My home] is the only place I have to go unless I go on the street.”

Ms. Speissegger noted how frustrating it was to go through multiple phone calls with servicer representatives who seemed not to have the relevant information about her loan. “I don’t feel like they know what they’re doing half the time when we talk. If they’re gonna answer that phone and be able to help someone, they should be able to pull up on the computer right then what they need to know. And they don’t do it. They have to keep going back and going back.”

She concluded, “If it hadn’t been for [my counselor] I would have never got a repayment plan. . . . They said I didn’t have enough money left. I said, I can get the money to make a payment, if you would just let me make a payment.”

## Issue IV: Reasons for Redefault on Repayment Plans

### Overview

Borrowers with existing repayment plans are expected to make monthly payments towards their outstanding arrearage while concurrently paying their property charges going forward to avoid redefaulting. However, one-third of advocates reported that their clients did not understand these responsibilities, with the obligation to pay property taxes going forward as the greatest issue. A second problem, prepayment of property taxes by the servicer, was cited by two-thirds of advocates as a barrier to clients’ performing successfully under an existing repayment plan. Several advocates also noted overall unaffordability as a reason for redefault.

### Discussion

Repayment plan success is hampered when borrowers are unaware of all their obligations. FHA’s policies contribute to this problem. FHA neither allows servicers to add future property charges into the repayment plan (unless coming due within the next 90 days) nor requires servicers to clearly communicate with borrowers or use effective payment reminders. Requiring plain language communications from servicers to borrowers could help borrowers understand



their obligations and increase repayment plan success. Instead, many borrowers are unaware (or forget) that these ongoing obligations exist.

One advocate noted that clients on repayment plans tended to focus solely on curing their arrearage, not realizing that they also have to directly pay the next year's taxes. The default on the next year's taxes is considered a breach of the repayment plan terms. The borrower then has to try to qualify for a new or recalculated repayment plan, and "the amount is higher, and these seniors who are on fixed incomes sometimes can't requalify for another repayment plan at that point."

Servicers paying the next year's property taxes early seemed to be the greatest barrier to repayment plan success.

Servicers paying the next year's property taxes early seemed to be the greatest barrier to repayment plan success. Almost all advocates cited prepayment of property taxes by the servicer as the leading cause of redefault. According to one attorney, satisfying monthly payments is only part of the challenge: ". . . I've had people that are in [re] payment plans performing on them and then all of a sudden [the servicer] pays [the taxes] and they're like, 'Hey, we're canceling your repayment agreement because we paid your taxes.'" This advocate stated that lenders advancing funds early is a recurring problem that causes redefaults. One-third of advocates argued in favor of prohibiting reverse mortgage servicers from paying property taxes before the final due date; or if they do pay them early, only allowing it to count as a default if the borrower does not reimburse the servicer within 90 days.

Several advocates mentioned communication issues related to taxes or homeowner's insurance as a reason for redefaults. One attorney explained:

We have had people come in who had a repayment agreement and then were unilaterally kicked off the repayment agreement because of another type of default. If they were on a repayment agreement and then they didn't get insurance again, then the servicer just unilaterally kicks them off and files for foreclosure, but they don't send them a letter say, 'Hey, you don't have insurance and if you don't get this insurance, we're going to kick you off your repayment plan.' They don't get that notice.

Several advocates specifically mentioned the need for reminders about property tax obligations. Another suggested greater success would follow if taxes were paid monthly rather than annually or biannually. Automatic monthly payments on repayment plans were suggested by five advocates.

Advocates from Florida cited the rising costs of insurance and the limited number of insurers in the state as barriers to successfully completing a repayment plan. Other issues mentioned by advocates included clients having difficulties renewing insurance, dealing with unexpected repairs, and switching insurers without reporting it to the servicer.

True lack of affordability problems were noted by several advocates as a reason for redefaults. One attorney commented that all servicers he worked with have initially presented disadvantageous terms to his clients, offering them a higher payment and shorter timeline than the FHA rules allowed. Several advocates discussed the need to extend the maximum term past 60 months to make monthly installments more affordable. Several advocates mentioned that a repayment plan enabled their clients to retain homeownership and stay in the home, and one attributed these successful outcomes in part to ensuring that homeowners received all property tax exemptions and discounts available to them.

### **Jean Reese, Philadelphia: Servicer pre-paying property taxes**

Jean Reese is a 76-year-old African American woman who lives in the East Mount Airy section of Philadelphia, together with her daughter, who is in her last semester of graduate school. Ms. Reese was semi-retired and working part-time for an insurance agency when the pandemic hit, and she was laid off.

Some years ago, Ms. Reese fell behind on her property taxes with the City of Philadelphia. To prevent foreclosure and save homes, the city offers affordable income-based payment agreements, with forgiveness of interest and penalty when the agreements are completed. Ms. Reese made such an agreement and remained current on it. There was no danger of a tax sale as long as she remained current. But in December 2019, despite her being in regular contact with the servicer, the servicer swooped in and paid the remaining arrears as well as the 2020 taxes that were not yet due. Because the servicer paid the interest and penalties that the city would ultimately have forgiven, and because of FHA limits on the length of a repayment plan, the repayment plan on the property default was \$477 per month for five years, a much steeper payment than she previously had on her income-based plan with the city.

Then the pandemic hit, and Ms. Reese lost her job. Neither she nor her legal services attorney could get the servicer to provide terms for a new repayment plan. The default balance was then just under \$30,000. If Ms. Reese could receive a new 60-month repayment plan, she would have to pay about \$499 per month, which her attorney assessed as steep but affordable for her. However, if her new plan were limited to the 39 months remaining on her original plan, her payment would be \$767, an unaffordable amount.<sup>67</sup>

Unable to get any response to her request for a repayment plan and facing likely unaffordability, Ms. Reese applied for help from the Pennsylvania Homeowner Assistance Fund (PAHAF) program. Ms. Reese had obtained a

COVID-19 forbearance that ended in November 2021. PAHAF did not open for applications until February 1, 2022. Community Legal Services helped Ms. Reese apply for assistance on the second day the program was open. Nonetheless, she feared the constant threat of foreclosure being initiated while her HAF application was pending. In June 2022, FHA put in place a policy requiring servicers to pause a reverse mortgage foreclosure for 60 days once the state has informed the servicer that a HAF application is pending.

But there was a further complication. Ms. Reese paid her 2022 taxes to the city well before they were due. But two months later, her then servicer, PHH, disbursed again for the 2022 taxes, leading to a double payment. That placed Ms. Reese in default over the then PAHAF limit of \$30,000. Ms. Reese's attorney tried to get PHH to request a refund of the double payment, but whether it was the fault of the city or PHH, the city claimed not to have received a refund request. So the attorney submitted a refund request to the city on Ms. Reese's behalf. Although he asked that the refund go to PHH, the city insisted on sending it to Ms. Reese since she (through her attorney) was the one to request it. Ms. Reese then attempted to send payment to PHH to bring the default balance back down below \$30,000, but PHH rejected her payment because it did not bring the default balance fully current. Delays within the PAHAF program meant that Ms. Reese's HAF application was still awaiting approval, so PHH had not yet received the HAF funds. PHH initially insisted that the city refund the money to PHH directly, which was impossible since the city had already refunded it to Ms. Reese directly. Ms. Reese's attorney had escalated that issue to get PHH to accept the partial payment. However, the recently increased PAHAF limit will allow the full default balance to be cured. At last communication, Ms. Reese was still awaiting the transmission of funds from PAHAF to her reverse mortgage servicer.

## Issue V: At-Risk Extension Issues

### Overview

If a repayment plan is “insufficient or unsuccessful,” borrowers who are at least 80 years old and have critical circumstances, such as a long-term physical disability or terminal illness may request an At-Risk Extension postponing the foreclosure process.<sup>68</sup> Many advocates raised issues surrounding this loss mitigation option. More than half of advocates mentioned that their clients were uninformed about the At-Risk Extension. Half of interviewees cited obtaining proper documentation to prove eligibility and complying with the annual recertification as significant issues for their eligible clients.

## Discussion

In many cases, information on the At-Risk Extension was not fully provided to borrowers until they sought help from legal services or housing counselors. Advocates concluded that servicers often failed to tell eligible borrowers about the At-Risk Extension, or if they did, provided insufficient information to them. One attorney stated that he has never heard a servicer affirmatively mention the option. “They [the clients] have always had to request it specifically,” he stated. This lack of information from servicers is a serious barrier to access to the At-Risk Extension.

Another attorney shared a similar observation that she has not seen clear information about the At-Risk Extension in servicer communications: “I’m not seeing it in the correspondence and clients act very surprised when we describe, ‘Hey, with this information, we can write this letter, we can get your doctor to sign this, and you can do this.’ They’re like, ‘Oh, no one ever talked with me about that.’ That’s what they say, and we don’t see it clearly written anywhere that a servicer is offering that.” One advocate specifically called on servicers to provide more detailed and consumer-friendly information about loss mitigation.

Reverse mortgage borrowers’ lack of knowledge about both loss mitigation options—the repayment plan and At-Risk Extension—suggests that servicers are not proactively working with borrowers to resolve their defaults, and points to a larger concern of ineffective reverse mortgage servicing practices.

Advocates detailed several issues about documentation requirements for the At-Risk Extension. Several advocates highlighted the difficulty attorneys have communicating with doctors. One attorney shared that some doctors are hesitant to fill out forms with legal implications. Another attorney experienced similar interactions: “When we [legal services] call, the message that gets relayed [to the doctor] is ‘an attorney is on the phone’ and so it gets referred to legal and we get nowhere fast.”

Additional issues raised by advocates include the servicer not explaining what is required in the doctor’s letter (doctor’s signature, medical records, etc.) and declining medical documents for not meeting the servicer’s undefined criteria. They also described clients having difficulty getting to and from appointments, difficulty scheduling appointments, and clients rejecting appointments in fear of getting exposed to COVID-19. Without these appointments, clients cannot obtain the doctor’s letters that are required for an At-Risk Extension request to be approved.

When asked about how to overcome these challenges, one attorney advocated for a universal form that medical providers could quickly and easily complete—removing the need for over-the-phone communication to initiate the simple

request. She mentioned that an electronic form would shorten the process and might remove the need for the at-risk homeowner to make an in-person visit to the doctor's office.

Borrowers who are qualified and approved for the At-Risk Extension are then obligated to comply with its annual recertification requirement. Multiple advocates thought this was unnecessary given the eligibility requirement of a critical circumstance; one called it “cumbersome” and a “bad use of resources.” Another advocate argued that clients had already established a critical circumstance in medical documents. One attorney stated, “I have never had anyone qualify for an At-Risk Extension who then does not qualify for renewal.”

Several respondents suggested that servicers implement an automatic renewal. One attorney said:

If you certify any medical hardship in the year that you turn 80, I can't see it going away. These are not people who are going to meaningfully change in physical or mental condition for the better over the course of time, and recognizing that I think eliminates a lot of administrative headaches for servicers, and generally, I think improves the streamlined processing of these at-risk extensions in the first instance.

Other suggestions from advocates include reminders about the upcoming recertification and allowing borrowers to renew the Extension over the phone. One advocate pushed for the At-Risk Extension to be automatically applied when a reverse mortgage borrower turns 80 years old.

### **Barbara Allen, Yonkers, N.Y.: Struggling to Get the At-Risk Extension**

Ms. Allen lives in the home she grew up in, the home her parents built. She is 86 years old. Over her working years, she worked at a bank and served in the U.S. Air Force. She even drove a taxi for five years—in all five boroughs of New York—when times were tough financially.

In 2002, Ms. Allen took out a reverse mortgage against her home. She recalls at the time being overwhelmed by debt and feeling that, financially, this was her best option. Ms. Allen still lives in the home and has a home health aide who assists her with various tasks.

For years, Ms. Allen says, things were going fine with the reverse mortgage. After a recent transfer of the servicing to a new company, she started receiving threatening letters nearly every day.

Ms. Allen's mortgage servicer claims she fell behind on property taxes and insurance. Ms. Allen disagrees and says she has always paid the charges. However, given various health challenges, she has not been able to

provide documentation to her housing counselor to attempt to challenge the mortgage servicer's accounting.

Regardless of this issue, Ms. Allen should be eligible for the At-Risk Extension because she is over age 80 and has chronic health conditions. She has been attempting to apply for the At-Risk Extension with the help of her housing counselor, Brenda Giancaspro. The mortgage servicer is requesting a number of documents to evaluate this request.

Ms. Allen's home health aide helped her fax the required documents to the mortgage servicer. When they called to follow up, the servicer said they had received the fax. The second time they called to check on the status, the servicer said they had never received it. Ms. Allen's housing counselor then tried to fax over the documents herself, and asked Ms. Allen to follow up the following week. The counselor noted the frustration of so many hurdles for something relatively simple. Eventually, Ms. Allen was confirmed for an At-Risk Extension.

Ms. Allen said, "We live in fear, is what we do. Because of this reverse mortgage business." She described, "I am deathly afraid that they're going to come along and just be able to dump me out of my home. Everybody says, 'No, it's not going to happen that way,' but it's very hard to believe anybody."

She described the letters from the reverse mortgage company, saying, "it's Greek to me," and that the constant harassing letters felt like they were "browbeating" her. She said, "It's devastating that anybody can do this, especially to a senior citizen. It blows my mind, to tell you the truth, that a company can be so brutal in their treatment of another human being, who has a home that they've lived in for years, and they could care less."

## Issue VI: Challenges Faced by Non-borrowing Spouses

### Overview

As described in Section 2, non-borrowing spouses of reverse mortgage borrowers have a statutory right to remain in the home until their death. For years, FHA's policy contradicted the statute and required foreclosure of non-borrowing spouses after the borrower's death. When FHA finally created a policy to protect non-borrowing spouses from foreclosure, it initially suffered from overly strict criteria and unworkable deadlines. However, in 2019 and 2021 FHA issued Mortgagee Letters that resolved the largest remaining barriers facing this vulnerable population.

In our interviews with advocates, only a few mentioned barriers to non-borrowing spouses maintaining stable housing through the options now in place, known as the Mortgage Optional Election (MOE) or (for loans originated after August 4, 2014) the deferral option. This represents a significant improvement over years past, when advocates were seeing a large number of non-borrowing spouses facing unnecessary foreclosure and eviction.<sup>69</sup>

### *Discussion*

Only a few advocates brought up problems related to non-borrowing spouses, suggesting that great improvement has occurred in this area since the issuance of Mortgage Letters 2019-15 and 2021-11.

One legal services attorney mentioned the difficulty spouses sometimes have finding and submitting documentation in the aftermath of their loved one's death. She said, "There's also a whole grieving process that they're dealing with and then they're being asked for all this documentation, which they often don't have. We'd like to think that everybody has every document they need nicely stored away somewhere, but things—marriage certificates and things like that — people don't always have those, especially if they were married in a different place. Lots of reasons why people do not have easily available proof of things that they are required to show."

Several advocates mentioned that it would be helpful if non-borrowing spouses could obtain property charge loss mitigation. Existing defaults on property charges seem to be one of the major remaining impediments to non-borrowing spouses obtaining their statutorily assured housing stability after the death of the borrower.

## **Issue VII: Challenges Faced by Other Heirs**

### *Overview*

The advocates who had experience advising heirs of reverse mortgage borrowers all had suggestions on ways to improve the process for heirs after the borrower's death. Although the reverse mortgage becomes due and payable upon the death of the borrower, heirs may be able to avoid foreclosure through a market sale, refinance of the loan balance, short sale, or short refinance. A short sale or short refinance involves cancellation of the mortgage lien for less than the full balance owed. Under FHA rules, the HECM may be satisfied for the lesser of the balance owed or 95% of the current fair market value of the home. However, the 95% option is useful to heirs only if they know that it exists and that they must ask the servicer to order an appraisal. Two-thirds of advocates mentioned a lack of information about the process as a barrier for heirs.

## Discussion

Most of the advocates who mentioned heirs lacking information specifically called out servicers refusing or failing to communicate with heirs. Several advocates mentioned heirs not understanding the timeline for necessary next steps. One-third of advocates mentioned heirs being misinformed or uninformed about what documents they needed to submit or servicers losing documents. One housing counselor noted that forward mortgage servicers are able to provide a list of the necessary documents to non-borrower heirs and asked why reverse mortgage servicers are not doing the same.

Several advocates mentioned heirs lacking sufficient income to qualify for a mortgage to keep the home or disputes among heirs as issues. One legal services attorney mentioned heirs not understanding what a deed in lieu of foreclosure is or how to obtain one. One legal services attorney mentioned difficulty getting the servicer to obtain the appraisal that is necessary for the heir to pursue a short sale or refinance.

### Heirs Struggling to Avoid Foreclosure

#### Carol Pettigrew, Atlanta

Ms. Pettigrew's father passed away, leaving a reverse mortgage on the family home. She was appointed executor of the estate. Realizing that she would not be able to afford to pay off the loan balance, she decided to list the property for sale to preserve as much of the home equity as possible. She entered into a sales contract with a closing date of November 22, 2021, and requested the payoff statement from Celink on November 11, 2021. Celink stated that the payoff could be expected by November 24, so the closing had to be postponed. The payoff was not actually provided until November 30, meaning that the closing could not be completed within the eight-day extension allowed under the purchase and sale contract. The buyer decided to walk away.

Ms. Pettigrew had to relist the property for sale. In the meantime, despite their own delays that had caused the sale to fall through, Celink proceeded to initiate foreclosure. Ms. Pettigrew was able to obtain another buyer, but had to accept an offer \$20,000 lower than the prior sales contract. A new payoff was requested on December 22 and received on January 6, but was only good for seven days. The parties had to scramble to get the closing completed in time, all with the stress of the pending foreclosure sale looming over Ms. Pettigrew. Despite using her best efforts to get the property sold and the reverse mortgage paid off, Ms. Pettigrew says the experience "was a nightmare."



### **Nicole Dominic, Wheat Ridge, Colorado**

Ms. Dominic inherited her mother's home and made arrangements to keep the home by qualifying for a refinance to pay off the reverse mortgage. She requested a COVID-19 HECM forbearance and provided information to the servicer about the upcoming closing on her refinance, but the servicer still referred the loan to foreclosure. The closing on the refinance was scheduled for November 19, 2021, and the payoff was requested on November 5. However, Finance of America Reverse (through its subservicer, Celink) did not provide the payoff until November 19—too late for the closing to be completed on that day. In addition, the payoff was good only through November 29. By the time the closing could be rescheduled for November 24, and with the intervening holiday and the three-day waiting period required by the Truth in Lending Act before the funds could be disbursed, the payoff could not be made until November 30. Although the payoff was padded with additional funds to more than cover the one-day delay, the servicer's foreclosure counsel threatened to reject the payoff because it was received one day after the good-through date. The funds were ultimately accepted, and the reverse mortgage satisfied and canceled, but the process caused significant and unnecessary stress on an heir attempting to pay off the loan.

### **Rodney Rogers, Atlanta**

Mr. Rogers started communicating with the reverse mortgage servicer promptly after his mother passed away, notified them of his intention to sell the property, worked diligently to file probate as quickly as possible, and provided all documentation requested. However, the communications from the servicer were confusing and misleading, and caused him significant stress and fear of losing the home to foreclosure. The initial letter he received indicated that he only had 30 to 90 days to probate and sell the property (rather than the allowed six months), and immediately caused him concern that the lender was going to foreclose. When he called, the servicer representative instructed him to provide numerous documents that should not have been required at this early stage. They asked not only for the death certificate and statement of his intention for the property, but also for the final appointment from the probate court and proof of his efforts to sell the property, such as a listing agreement or a photograph of a for-sale-by-owner sign. The servicer representative stated that it required all these documents to be provided within a very short period of time—30 days from when it sent the condolence letter—otherwise the property would go into foreclosure.

These documentation requirements and shortened time frame were not only traumatic for a grieving son after the loss of his mother but also extremely problematic. Obtaining the final appointment from the probate court can

take several months, even with diligent efforts. Instructing heirs to put up a for-sale-by-owner sign can subject them to all kinds of scams from home equity “investors.” It can also create problems if they enter a sales contract without yet having legal authority from the probate court to sell the home. In a subsequent call, another servicer representative stated that the actual deadline for the family to provide these documents was 90 days from the borrower’s death, but they tell people the deadlines are earlier to make sure the family is acting promptly. If they receive the documents within 90 days, then they will approve the full six-month period for the loan to be paid off, followed by up to two 90-day extensions if needed. Such a policy is still problematic for heirs who are not able to complete probate within 90 days and need the full time allowed by FHA guidelines to complete the probate process and sell or refinance. With guidance from a legal services attorney, Mr. Rogers was fortunately able to provide the documents requested and sell the property before foreclosure sale, but he suffered significant stress, confusion, and anxiety throughout the process.

### ***Advocates’ Suggestions for Practices that Would Reduce Unnecessary Reverse Mortgage Foreclosures***

Advocates described a number of practices that they believed would help to reduce the number of unnecessary reverse mortgage foreclosures. Half of the advocates interviewed discussed the significant benefits that would flow from using plain language in servicer communications with borrowers. Other suggestions were live phone calls rather than robocalls, giving servicer employees specific training related to communicating with older adults, the importance of strong HECM default counseling and referrals to legal services for homeowners, and the usefulness of judicial mediation programs. Many advocates emphasized the significant importance of preserving housing stability for this vulnerable older population.

#### **Effective communication**

Half of the advocates discussed the significant benefits that would flow from using plain language in servicer communications with borrowers.

One attorney said, “especially once the loans are in default, they get so much mail, and it seems like 12-page letters, and 11-and-a-half pages of it is boilerplate that has no relevance to their loan.”

Another attorney noted the importance of “reducing the amount of information” in letters to older homeowners. She said, “I’m always taking stuff back out of letters to try and help my clients focus on the key points that I most need them

to understand. Putting too much in the letter can be really detrimental to any understanding at all.”

About a third of advocates said that live phone calls would be much more effective than robocalls and form letters, which are standard practice in the industry now.

One counselor said, “I don’t understand why there’s not more proactive phone communication because that really is— I think our clients are going to be much more receptive to that, because they’re already getting a million letters, sometimes scary-sounding letters.”

One attorney noted, “It doesn’t show up on my call ID as PHH Mortgage. It shows up with some name . . . The caller ID doesn’t give you a clue to pick it up.”

One-third of advocates also cited the importance of fostering family support or family involvement as a way to promote effective communication.

### **Expertise with the aging population**

Three advocates mentioned that reverse mortgage servicing staff should receive specific training on how to communicate with older adults. There are professionals, such as literacy experts, who specialize in working with aging populations. These experts should be consulted in the process of designing a strategy for verbal and written communications with reverse mortgage borrowers.

### **Dismiss foreclosure cases while borrowers are in loss mitigation and rescind “due and payable status”**

Roughly half of advocates emphasized how helpful it would be if foreclosure cases could be dismissed and the loan’s “due and payable” status rescinded when a borrower is approved for a loss mitigation option. Under FHA’s current rules, servicers keep the foreclosure action pending, because if the foreclosure case is dismissed, the servicer might not be reimbursed for a second filing fee when it ultimately makes a claim against the FHA insurance fund. As noted by one legal services attorney, the practice of keeping cases pending for years is also a waste of judicial resources.

One attorney said, “We live in New York State. It’s a slow, methodical process, and the court has to oversee it and has to approve each step. Emotionally, people don’t hear that. What they hear is, ‘I could be kicked out of my home at any moment. I am going to lose my home.’ Especially for someone towards the end of their life who might have health issues and might be dealing with other traumas, that is frightening.”

What they hear is, ‘I could be kicked out of my home at any moment. I am going to lose my home.’ Especially for someone towards the end of their life who might have health issues and might be dealing with other traumas, that is frightening.

That attorney also highlighted the elevated risk of scams posed by long-pending foreclosure cases. She said, “The other thing is that as long as it’s on the docket, it can be accessed by the public. Scammers, especially with seniors, they will see, ‘Oh, you’re in the foreclosure process.’ . . . Being able to dismiss the foreclosure so that they’re not appearing anymore in those searches, I think would be really useful.”

A related problem is that loans are treated as being in “due and payable status” throughout the duration of a five-year repayment plan, or throughout the term of an At-Risk Extension. This means that property inspections are ordered every month, often with no true necessity and no benefit—simply another fee added to the loan balance. It also means that servicers are more likely to prepay the property taxes, because when a loan is in due and payable status, the servicer is not reimbursed for future penalties or late fees from the tax assessor.

### **Importance of housing counseling and legal services**

Half of advocates expressed the view that a “warm transfer” from the reverse mortgage servicer to a HUD-certified housing counselor or legal services attorney at the first sign of trouble, or at an early stage as a preventive measure, would be extremely helpful. Several advocates noted that post-closing housing counseling (especially by local providers) can help get borrowers into homestead exemptions they might not know about. One attorney mentioned that the “senior freeze” on property tax increases in Illinois can help longtime homeowners in gentrifying areas keep the taxes affordable. One counselor said, “I’ve had vets that never applied for veteran exemptions. I’ve had people that never applied for the basic property tax exemptions, and they said nobody ever told them about it.”

One attorney noted that with an advocate on the line, “[it’s a] much more helpful call for the client . . . I can understand the lingo and I can explain to the client exactly what is being asked for. I think a lot of clients are turned off or misunderstand simply the verification process that happens at the beginning of all of these calls.”

One counselor said, “when you have a servicer on the phone and a housing counselor, oftentimes you get a better response.” Others noted that “the servicer is more responsive” and the servicer’s “whole demeanor changed . . . they became more borrower friendly” when a knowledgeable advocate was on the line.

However, some advocates also noted that the quality of HECM default counselors varies. One legal services attorney gave an example: “They’ll get on the conciliation conference and they’ll say like, ‘Joe Smith’ and the court will say, ‘Housing counselor [name], this is your client.’ They’re like, ‘Oh, really? That’s my

client?’ They call them the night before the conciliation hearing. Attorneys have ethical obligations that they have better problem-solving abilities, they have more tools in their toolbox. It’s night and day.”

## Other suggestions

Several advocates mentioned that their clients who had received one-time assistance to bring property charges current had a stronger likelihood of maintaining stability going forward than those in a repayment plan. One attorney noted that, when clients got help curing their arrears through a local tax repayment assistance program, those clients “got a true fresh start we really would not see them as repeat clients nearly as often.”

Judicial foreclosure (versus a non-judicial process) and official foreclosure mediation programs were also cited as helping to prevent foreclosures.

Advocates mentioned foreclosure mediation programs in Maryland, Pennsylvania, the District of Columbia, and New Mexico.

In Philadelphia, which has a court-supervised foreclosure mediation program, 60% of the property charge default foreclosures initiated in 2016 had been discontinued without a foreclosure sale (and presumably with the default resolved) as of May 2018.<sup>70</sup>

Several advocates discussed the importance of foreclosure avoidance options for older homeowners. As one attorney pointed out, for many of these borrowers, “. . . they would rather die than leave their house. In part, that’s because it’s familiar to them and so it helps them with all of those challenges from day to day . . . [even my mother in-law] doesn’t have dementia. . . but couldn’t fathom having to learn how to do something new at this point even if it was as simple as moving into a new house and figuring out how does the stove work or a new microwave works.”

Several advocates discussed the importance of foreclosure avoidance options for older homeowners. As one attorney pointed out, for many of these borrowers, “they would rather die than leave their house.”

The human toll of ineffective servicing practices was even clearer in our direct interviews with homeowners, included throughout this report. In Section 5, we tie together these suggestions and findings into overarching policy recommendations.

## Successful Loss Mitigation Efforts

In addition to the information gathered from homeowner advocates around the country through our survey and interviews, data from an in-depth HECM default counseling program shows that home retention is possible with high quality help.

Housing Options Provided for the Elderly (HOPE) is a St. Louis-based, HUD-certified housing counseling agency that provides reverse mortgage counseling

to homeowners nationwide. In addition to the pre-loan counseling, HOPE had a multi-year pilot program funded by the Retirement Research Foundation to focus intensively on HECM default counseling.

In 2018, HOPE counseled 162 households at risk of reverse mortgage foreclosure from 31 states. Roughly 88% of those counseled were at or below 80% of Area Median Income, and 51% of those counseled were African American or Hispanic/Latino. The median age of borrowers assisted was 76, and the median length of time in the home was 32 years. As the charts below demonstrate, more than 70% of those counseled obtained a home retention option.

**TABLE 4 2018 Home Retention Outcomes from HOPE HECM Default Counseling**

OUTCOME	NUMBER	PERCENT
Obtained a repayment plan	47	29%
Obtained At-Risk Extension	30	19%
Referred to state Hardest Hit Fund <sup>71</sup> program for reinstatement	28	17%
Assisted borrower in paying off default balance through funds borrowed or help from family	9	5.6%
<b>Total obtaining a home retention option</b>	<b>114</b>	<b>70.3% (114 out of 162 people served)</b>

Of the 48 clients who did not retain the home, 15 were surviving family members where the borrower had died and the family needed assistance in determining next steps to take. Eight were borrowers who were unable or did not want to remain in the home and were helped to find alternative housing.

**Roughly 74% of those counseled received a home retention option.**

In 2019, HOPE counseled 204 households at risk of reverse mortgage foreclosure from 36 states. Roughly 93% of those counseled were at or below 80% of Area Median Income, and 30% of those counseled were African American or Hispanic/Latino. The median age of borrowers assisted was 74, and the median length of time in the home was 23 years. As the charts below demonstrate, roughly 74% of those counseled received a home retention option.

**TABLE 5 2019 Home Retention Outcomes from HOPE HECM Default Counseling**

OUTCOME	NUMBER	PERCENT
Obtained a repayment plan	86	42.2%
Obtained At-Risk Extension	28	13.7%
Obtained Optional Delay of Foreclosure (arrears under \$2,000)	21	10.3%
Referred to state Hardest Hit Fund program for reinstatement	4	2%
Assisted borrower in paying off default balance through funds borrowed or help from family	12	6%
<b>Total obtaining a home retention option</b>	<b>151</b>	<b>74.2% (151 out of 204 people served).</b>

Of the 53 people who did not retain the home, seven of them were surviving family members where the borrower had died and the family needed assistance in determining next steps to take. Eleven were borrowers who were unable or did not want to remain in the home and were helped to find alternative housing.

The success of this pilot program makes the case for a significant expansion of funding for HECM default counseling. However, there were several characteristics of the program that should be incorporated into any default housing counseling model to have a similar rate of success. The counseling provided by HOPE to its HECM default clients typically involved three or four phone conversations over a four-to-six-week period. Counselors advised the homeowner and participated in three-party calls with the reverse mortgage servicer to help with the application for loss mitigation.<sup>72</sup> There was no expectation of a single-phone-call counseling relationship, and the extended nature of the assistance is part of the value of HOPE’s model.

## **5. POLICY RECOMMENDATIONS: FHA AND CFPB ACTIONS CAN IMPROVE HECM OUTCOMES THROUGH INCREASED FLEXIBILITY AND COMMUNICATION**

As the survey and interviews show, significant servicing problems contribute to unnecessary reverse mortgage foreclosures. Borrowers are not aware of loss mitigation options and feel threatened rather than informed by pre-foreclosure letters and calls from servicers. The shortage of effective HECM default counseling services leads to frequent denials and high failure rates for repayment plans.

FHA and the CFPB have the ability to make a significant difference in the lives of low-income reverse mortgage borrowers by implementing certain policy changes. Given the importance of this program in allowing older adults to age in place, and the racial justice implications of HECM foreclosures, both agencies should act swiftly to address the problems identified in this report. The two overarching themes of our recommendations are a need for greater flexibility regarding property charge loss mitigation and more effective communication with reverse mortgage borrowers.

### ***FHA should update reverse mortgage servicing practices to promote greater foreclosure prevention***

In its approach to property charge loss mitigation, FHA has swung from one extreme to the other. When the Office of Inspector General pointed out in 2010 that FHA was never requiring lenders to foreclose due to property charge defaults, and that the significant number of HECMs with property charge arrearages could have a negative impact on the insurance fund, FHA responded by implementing an aggressive framework of mandatory foreclosures and fast timelines. Loss mitigation became secondary.

The backlog of property charge defaults has now been greatly reduced. Newer HECMs are defaulting at much lower rates due to the Financial Assessment (described in Section 2) that took effect in 2015. FHA can afford to prioritize loss mitigation over aggressive foreclosure timelines while keeping servicers accountable for efficient servicing.

### **Our Top Four Recommendations for FHA**

The following are our top four recommendations to FHA related to reverse mortgage servicing:

- 1. Allow flexibility with property charge loss mitigation policies.** Asking a low-income homeowner to repay the outstanding arrearage while also paying the prospective property taxes, homeowner's insurance, homeowners' association fees, and unexpected expenses is unreasonable for many reverse mortgage borrowers and necessitates changes to FHA's loss mitigation guidelines. FHA's goal should be to keep reverse mortgage borrowers in their homes until their death whenever it can be done without a significant negative impact on the insurance fund. This should mean that for most reverse mortgage borrowers, FHA should approve a repayment plan as long as the borrower's expected property charge arrearage is not growing any larger, and for the most vulnerable borrowers, FHA should approve a loss mitigation plan even if the arrearage is growing.



For the expected arrearage not to grow, the borrower's monthly payments must be sufficient to cover the expected annual property charges. The arrears in existence at the point of repayment plan approval are a sunk cost, and the servicer can ultimately be reimbursed for them when it makes a claim on the insurance fund. The insurance fund would be no worse off if the arrearage at least will not

grow any larger. In some instances, preventing a foreclosure at the point of a repayment plan evaluation might even benefit the insurance fund because it could lead to an eventual market sale of the property, short sale, or deed in lieu of foreclosure, any of which is financially preferable to a foreclosure sale.<sup>73</sup> Under this proposed policy, if the borrower fails to pay the next year's property charges, the servicer would advance those charges, add them to the arrearage, and continue to accept the ongoing monthly payments that were calculated to be sufficient to cover a year of property charges.

2. **Rescind the due and payable status when loss mitigation is approved.** Currently, FHA policy requires lenders to keep the loan in "due and payable status" until the property charge default has been fully resolved. This means that the loan is considered to be in default throughout the entire span of a repayment plan, which might last five years, or At-Risk Extension, which is designed to be renewed indefinitely. Servicers have a number of obligations when a loan is in due and payable status. If they could rescind the due and payable status for any HECM once a loss mitigation option is approved, this would reduce costs and servicing burdens, making loss mitigation more appealing. It would also benefit the insurance fund because needless costs are being incurred for loans in due and payable status, such as monthly occupancy inspections, which make no sense when a borrower is performing on a repayment plan. Finally, rescinding due and payable status would reduce the risk of unnecessary or accidental foreclosures for borrowers who are on a loss mitigation plan.
3. **Allow loans to be assigned to FHA while in an active loss mitigation plan.** This would make repayment plans more affordable and would incentivize servicers to offer loss mitigation. Right now, many servicers decline to offer a repayment plan or At-Risk Extension when the borrower is at or near the Maximum Claim Amount.

### Top Four Recommendations for FHA

1. Allow flexibility with property charge loss mitigation policies
2. Rescind the due and payable status when loss mitigation is approved
3. Allow loans to be assigned to FHA while in an active loss mitigation plan
4. Require a loss mitigation review

If the loan is approaching or is already over 98% of the Maximum Claim Amount, the servicer is allowed to either approve only a very short repayment plan (which is often unaffordable) or may decline to offer any repayment plan—because any interest or charges that accrue beyond the Maximum Claim Amount are coming out of the investor’s pocket. Foreclosing is likely much better financially for the investor in that situation, though it may not be better for the FHA’s insurance fund and is certainly worse for the borrower.

If a servicer could offer a repayment plan and assign the loan to FHA (possibly after a six-month seasoning period during which the borrower demonstrates the ability to stick to the repayment plan), then the servicer would be paid its claim and FHA would hold the loan for as long as the borrower lives in the home and performs on the repayment plan. Interest would then accrue at a lower rate than the note rate. The home might appreciate more, and the borrower or their heirs may agree to a short sale or deed in lieu of foreclosure rather than requiring a foreclosure and its consequent discounted sale price. In connection with this change, non-borrowing spouses should also be permitted to access loss mitigation.

- 4. Require a loss mitigation review and incentivize successful servicer efforts.** FHA should ensure that servicers and investors are financially incentivized to offer and approve loss mitigation, just as they are for forward FHA mortgages. FHA could allow any servicer that successfully gets the borrower to pay down their arrearage or avoid future defaults on property charges to recoup more through its ultimate insurance claim. For HECMs originated after September 19, 2017, the servicer is currently able to recover only two-thirds of any property charges it advances.<sup>74</sup> FHA could increase that reimbursement percentage gradually depending on the length of time a borrower performs on a repayment plan. Such a practice would incentivize servicers to invest in budget counseling, reminders, auto-payments, and other tools that have been shown to increase borrower success.<sup>75</sup>

Moreover, FHA should require reverse mortgage servicers to conduct a loss mitigation review before it approves a lender’s request to call the loan due and payable based on property charge default. FHA has the authority to impose a loss mitigation review, even for existing loans.<sup>76</sup> At a minimum, FHA could require a loss mitigation review for loans originated after the new policy is announced.

## Other Important Improvements FHA should make

FHA should also implement the following additional changes in its reverse mortgage program:

- 1. Create a COVID-19 Optional Delay of Due and Payable Status.** At this time, FHA has no option for reverse mortgage borrowers impacted by the pandemic that would allow them to start fresh on paying property charges without the obligation to pay the pandemic-related arrearage. For forward mortgage borrowers, FHA allows for such a fresh start by putting the arrearage at the end of the loan. FHA recently created a more flexible repayment plan for reverse mortgage borrowers impacted by the pandemic. This is helpful, but it will not work for borrowers who still cannot afford the repayment plan. FHA should allow servicers to delay calling a loan due and payable, and to rescind the due and payable status, for any borrower with a pandemic-related hardship and arrears under \$15,000, provided the borrower receives budget counseling and can afford to pay the property charges going forward.
- 2. Open up loss mitigation to non-borrowing spouses.** For non-borrowing spouses, allowing loss mitigation would remove the last remaining barrier to long-term stability in their marital home. The CFPB has recognized that successors in interest (including spouses who obtain the marital home through death or divorce) are entitled to loss mitigation, but as described below, that loss mitigation rule does not currently apply to reverse mortgages.
- 3. Stop requiring dual tracking.** Servicers should not be required to initiate foreclosure while the borrower is seeking loss mitigation. FHA's current foreclosure timelines require a servicer to initiate foreclosure within a certain amount of time after the default, even if a borrower is engaging and trying to obtain loss mitigation. Dual tracking is an unfair practice that leads to severe borrower harm, as well as unnecessary costs, because the servicer is starting the foreclosure process before determining whether a loss mitigation option will be approved. This is precisely why the CFPB prohibited dual tracking in its loss mitigation rule under the Real Estate Settlement Procedures Act—but those regulations do not apply to reverse mortgages. Below we recommend that the CFPB remove this carve-out. In the meantime, FHA should require servicers to pause the foreclosure process (and should remove the risk of financial penalties) if they are communicating with a borrower or heir about potential loss mitigation.
- 4. Work with the CFPB on a servicing communication initiative.** FHA has deep knowledge of the HECM program, and the CFPB has deep expertise on plain language text designed to be understandable to older consumers. The two agencies should work together to create plain language template letters that servicers can use to communicate with borrowers and heirs. The agencies should also inform servicers about best practices for telephone and electronic communications. The agencies should engage experts on aging as

part of this process and work to craft required servicing practices that lead to effective communication with older borrowers.

- 5. Adequately fund pre-loan, life-of-loan, and default counseling and oversee the quality of counseling.** Pre-loan counseling needs to include certain standards for efficacy. FHA should revive its “secret shopper” program from early years to verify the scope and quality of the pre-loan counseling that borrowers receive. In addition, FHA should separately and adequately fund life-of-loan counseling and high-quality, high-touch HECM default counseling. Life-of-loan counseling would involve a HUD-approved counselor periodically checking in with the borrower, starting soon after loan origination, to ensure that they understand the mortgage statements, are aware of their property charge obligations, have obtained all available property tax exemptions, and are informed of other available resources. Default counseling would specifically focus on help with budgeting and applying for loss mitigation after a property charge default. Such HECM default counseling funding should be available both to HUD-certified counseling agencies and legal services programs, given the track record of both types of agencies in engaging in ongoing representation to resolve HECM defaults.
- 6. Make targeted investments in life-of-loan housing counseling in communities of color.** Given the disparate impact of reverse mortgage foreclosures on communities of color, FHA should fund place-based counseling initiatives that would invest in preventing and resolving property charge defaults and preserving heirs’ ability to save or sell the family home. This is especially critical to preserve homeownership and wealth in Black and brown communities that have been severely impacted by the fallout from the foreclosure crisis and pandemic.
- 7. Build in additional protections for foreclosure of FHA-owned loans.** FHA’s ability to use the Single Family Mortgage Foreclosure Act to foreclose on reverse mortgages the agency owns creates added risks for borrowers and heirs of these reverse mortgages. This procedure has not been much used until now, but it is likely to be much more common now that roughly one-third of the HECM portfolio is owned by FHA. The statute allows for reverse mortgage foreclosures that do not comply with the state foreclosure statute. The fact that these homeowners receive substantially less notice and due process than they would under state law means that they have fewer opportunities to avoid foreclosure. FHA should either stop using the Act, and comply with state laws, or should build in pre-foreclosure protections including mail and in-person outreach to borrowers or heirs regarding foreclosure avoidance options. FHA should require its new servicer to undertake significant outreach regarding loss mitigation options before initiating any foreclosure process, particularly for borrowers who have not been receiving communications about property charges in default.

- 8. Expand and improve the At-Risk Extension.** FHA should remove the annual recertification process for the At-Risk Extension. Servicers could remind borrowers in the annual occupancy certification process that they should notify the servicer if they have the ability to resume paying property charges. FHA should make the initial application process easier through use of a form the doctor may fill out electronically or on paper. Moreover, FHA should consider making the At-Risk Extension available to borrowers below age 80 with critical health circumstances.

### **The CFPB should expand regulation and communication options for reverse mortgages**

The CFPB also has a role to play in maximizing the success of the reverse mortgage program and preventing unnecessary foreclosures. We recommend the following policy changes:

- 1. Include reverse mortgages in the RESPA mortgage servicing rules.** When the CFPB issued its mortgage servicing rule in 2013, reverse mortgages were carved out of most sections of the rule.

This was during a time when reverse mortgage foreclosures were few and far between, and FHA was not generally requiring foreclosures based on property charge defaults. Therefore, the Bureau may have determined that reverse mortgage borrowers did not need protections to enable them to access loss mitigation options. However, in the wake of FHA's 2015 policy change, the surge in property charge foreclosures, and the need for property charge loss mitigation that followed, this is no longer the reality. Reverse mortgage borrowers need the procedural protections of the loss mitigation rule. The Bureau should engage in a notice and comment rulemaking to expand the coverage of all relevant sections of Regulation X to include reverse mortgages.

- 2. Work with FHA on effective reverse mortgage communications.** As described above, FHA and the CFPB should collaborate on a reverse mortgage servicing communication initiative. The CFPB has deep expertise on plain language text designed to be understandable to consumers, and its Office of Older Americans has already created materials to explain reverse mortgage concepts in clear and concise language.<sup>77</sup>

#### **Top Four Recommendations for the CFPB**

1. Include reverse mortgages in the RESPA mortgage servicing rules
2. Work with FHA on effective reverse mortgage communications
3. Prioritize reverse mortgage servicer supervision and enforcement
4. Require prompt payoff statements

3. **Prioritize reverse mortgage servicer supervision and enforcement.** The CFPB has supervisory and enforcement authority over reverse mortgage servicers. It should revisit its examination protocol for HECMs to ensure that clear communication with borrowers and effective loss mitigation practices are paramount. It should bring enforcement actions when servicers are failing to act according to existing regulations.
4. **Require prompt payoff statements good through 30 days for reverse mortgage loans.** Reverse mortgage borrowers and heirs should be able to get a payoff statement within seven business days, with a payoff amount good through 30 days. This is crucial for helping heirs protect home equity through a market sale of the home. The Bureau should remove the reverse mortgage exception to its Truth in Lending Act prompt payoff rule. Moreover, the Bureau should ensure through oversight and enforcement that servicers are complying with their obligation to obtain an appraisal within 30 days of a short payoff request from the borrower or heir to facilitate and promote successful short refinances and sales.<sup>78</sup>

## 6. CONCLUSION

Reverse mortgage loans fill an important gap in the social safety net. They allow older homeowners to remain in their homes, promoting their health and wellbeing, with minimal burden to taxpayers. Without significantly increasing our spending on housing for older adults, they are by far the best option available. They also are disproportionately relied upon by homeowners of color, due to policies that have promoted segregation and disparate accumulation of wealth.

Yet the program has not fulfilled its potential. Insufficient focus on reverse mortgage servicing and limited foreclosure avoidance options have resulted in unnecessary foreclosures. Borrowers have been unable to resolve property charge defaults, and heirs have been blocked from selling or refinancing after the death of the borrower.

The need for reverse mortgages will likely grow in the coming years, with an ever-increasing number of baby boomers entering retirement in greater financial insecurity than past generations. The time to address these problems is now. Without change, the reverse mortgage product will not live up to its significant promise.

## ENDNOTES

1. 12 U.S.C.A. § 1715z-20(a)(1).
2. Federal Housing Administration, Annual Report to Congress Regarding the Financial Status of the Federal Housing Administration Mutual Mortgage Insurance Fund for Fiscal Year 2022 (“2022 MMI Fund Report”) at 113 (Nov. 15, 2022) (325,000 active HECMs, not including those assigned to FHA); email from Kasey Watson, Dep’t of Housing and Urban Dev’t, Jan. 4, 2023 (153,754 active HECMs assigned to FHA as of the end of Fiscal Year 2022).
3. Consumer Financial Protection Bureau, [Snapshot of Older Consumers and Mortgage Debt](#) at 8 (May 2014), (analyzing Census data and concluding that the percentage of homeowners age 65 and older carrying mortgage debt increased from 22% to 30%); see also Joint Center for Housing Studies of Harvard University, *Projections and Implications for Housing a Growing Population: Older Households 2015-35* (Dec. 2016).
4. [2016 Survey of Consumer Finances Chartbook](#), Fed. Reserve Bd., 837 (Sept. 20, 2017), (49.8% of families headed by someone seventy-five or older were in debt in 2016 compared to 21% in 1989; 70.1% of families headed by someone aged sixty-five to seventy-four were in debt in 2016 compared to 49.6% in 1989); see also Craig Copeland & Employee Benefit Res. Inst., *Debt of the Elderly and Near Elderly, 1992-2013* 36 EBRJ.org Notes (Jan. 2015) (the percentage of American families with heads ages fifty-five or older that had debt increased from 53.8 percent in 1992 to 65.4 percent in 2013); CFPB Snapshot 2014, *supra* note 3, at 6 (increasing percentage of older Americans owe a mortgage on their home); Emily Bradon, [Fidelity: Couples Need \\$240,000 For Retirement Health Costs](#), U.S. News & World Rep. (May 10, 2012) (a couple retiring in 2012 at age 65 would face, on average, \$240,000 for medical care and health insurance expenses over their lifetimes, up from an estimated \$160,000 in 2002).
5. See Annamaria Lusardi et al., *Debt and Financial Vulnerability on the Verge of Retirement*, NBER Working Paper No. 23664 (Aug. 2017).
6. Consumer Financial Protection Bureau, [Consumer Advisory: Don’t be misled by reverse mortgage advertising](#) (June 4, 2015).
7. Sarah Mancini and Odette Williamson, *Reversing Course: Stemming the Tide of Reverse Mortgage Foreclosures Through Effective Servicing and Loss Mitigation*, 26 *Elder Law Journal* 85, 101 (2018).
8. *Id.*
9. *Id.*
10. *Id.* at 105.
11. Dep’t of Housing and Urban Dev’t, Mortgagee Letter 2015-11 (Apr. 23, 2015). This was later modified to the lender having to request due and payable status within 30 days of the expiration of the borrower’s deadline to respond to a notice of default on property charges by Mortgagee Letter 2017-11.
12. Mancini and Williamson, *supra* note 7, at 105.
13. Integrated Financial Engineering, [Actuarial Review of the Federal Housing Administration Mutual Mortgage Insurance Fund HECM Loans For Fiscal Year 2016](#), at 19 (Nov. 15, 2016) [hereinafter FY 2016 Actuarial Review].
14. *Id.*
15. See Brian Collins, [Calls Intensify to Separate Reverse Mortgages from FHA Fund](#), Nat’l Mortgage News (Nov. 22, 2017) (citing FHA’s contention that 99% of reverse mortgage foreclosures are the result of the death of the last borrower or the borrower moving out of the home).

16. U.S. Government Accountability Office, [Reverse Mortgages: FHA's Oversight of Loan Outcomes and Servicing Needs Strengthening](#) at 19-21 (Sept. 25, 2019) (“2019 GAO Report”).
17. Stephanie Moulton and Lauren Lambie-Hanson, [Reverse Mortgage Retrospective: How Recent Policy Changes Affected Government-Insured Reverse Mortgage Originations and Performance](#), Federal Reserve Bank of Philadelphia at 3 (Nov. 2020).
18. *Id.* at 33.
19. [Using the Homeowner Assistance Fund to Prevent Reverse Mortgage Foreclosures: What Treasury and the States Can Do](#), National Consumer Law Center and National Reverse Mortgage Lenders Association (Apr. 2021).
20. See Mancini and Williamson, *supra* note 7, at 94-95.
21. *Id.* at 98-100.
22. 2022 MMI Fund report, *supra* note 2.
23. See GAO, Sept. 2019 at 24 n. 51. *Cf.* Mancini and Williamson at 120-21 (arguing that in fact FHA does have authority to require loss mitigation on existing reverse mortgage loans).
24. Mortgagee Letter 2015-11.
25. Reverse mortgages may be assigned to FHA when they reach 98% of the Maximum Claim Amount. A reverse mortgage may not be assigned to FHA if there is a property charge default, and FHA will not pay a claim greater than the Maximum Claim Amount. For that reason, reverse mortgage servicers are incentivized not to offer repayment plans to borrowers who are at or near the Maximum Claim Amount.
26. FHA Info 2022-98, [FHA Extends Temporary Partial Waivers to Its Home Equity Conversion Mortgage Loss Mitigation Policies for Senior Borrowers Impacted by COVID-19](#) (Nov. 28, 2022).
27. This limitation is waived for COVID-19 HECM Repayment Plans, pursuant to [Mortgagee Letter 2022-23](#) (Dec. 15, 2022).
28. 2019 GAO Report, *supra* note 16, at 23-26.
29. Mortgagee Letter 2015-11.
30. 2019 GAO Report, *supra* note 16, at 23-26.
31. Dep’t of Housing and Urban Dev’t, Mortgagee Letter 2016-07 (Mar. 30, 2016).
32. *Id.*
33. FHA Info 2022-98, [FHA Extends Temporary Partial Waivers to Its Home Equity Conversion Mortgage Loss Mitigation Policies for Senior Borrowers Impacted by COVID-19](#) (Nov. 28, 2022).
34. [Letter from National Consumer Law Center and National Reverse Mortgage Lenders Association to Secretary Marcia Fudge](#) (Sept. 17, 2021).
35. 2019 GAO Report, *supra* note 16, at 24 n. 51.
36. 2019 GAO Report, *supra* note 16, at 26.
37. *Id.*
38. Mortgagee Letter 2019-15 and 2021-11.
39. Mortgagee Letter 2017-11 (Aug. 24, 2017).
40. 12 U.S.C.A. § 3751 *et seq.*
41. Telephone interview with Tyler Smith, Senior Law Center, Jan. 9, 2023; email from Joanne Savage, AARP Legal Counsel for the Elderly, Feb. 9, 2022.
42. 2019 GAO Report, *supra* note 16, at 20-21.
43. The landing page for the [2019 GAO report](#) lists the GAO’s recommendations and “status” for each one. For the recommendation that FHA should take steps to improve the quality and accuracy of HECM termination data, the status is shown as “Closed – Implemented,” with a



description stating that FHA has updated how default codes and termination reasons are recorded in its system.

44. Very few HECMs go through a deed-in-lieu of foreclosure. According to one study of terminations through 2017, roughly 1% of HECMs terminated through either short sale or pre-foreclosure sale (deed-in-lieu). Jaclene Begley et al, Home Equity Conversion Mortgages: The Secondary Market Investor Experience, Journal of Housing Economics Vol. 47 (Mar. 2019).
45. Odette Williamson and Sarah Mancini, [Recommendations to Improve Servicing and Reduce Foreclosures of Federal Reverse Mortgages](#), National Consumer Law Center (Oct. 3, 2022) at 7-8.
46. Connecticut Fair Housing Center, [Report on Reverse Mortgage Servicer Web and Letter Accessibility](#).
47. 2022 MMI Fund report, *supra* note 2, at 55.
48. Mancini and Williamson, *supra* note 7, at 112-113. See also Moulton and Lambie-Hanson, *supra* note 17, at 29 (noting how the transaction costs associated with the financial assessment may shift lender marketing strategies away from borrowers who are less likely to pass the assessment and might require greater documentation).
49. Karan Kaul, Sarah Stochak, and Laurie Goodman, “[Reverse Mortgage Use Differs by Race and Ethnicity. Here’s Why it Matters](#),” Urban Institute (Feb. 20, 2020).
50. FOIA data from FHA, analyzed by the Reinvestment Fund. As shown below in Section 3, from 2001 to 2009, roughly 89% of reverse mortgage originations were in zip codes that were 75-100% Black.
51. Yanling Mayer, [HECM Loans in 2018: Borrower Demographics and Ownership Tenure](#).
52. Donald Redfoot, Ken Scholen & S. Kathi Brown, [Reverse Mortgages: Niche Product or Mainstream Financial Solution? Report on the 2006 AARP Nat’l Survey of Reverse Mortgage Shoppers](#), AARP Pub. Pol’y Inst. (Dec. 2007).
53. *Id.*
54. [2021 Profile of Older Adults](#), Administration on Community Living, at 13.
55. [Aging While Black: The Crisis Among Black Americans as they Grow Old](#), The Crisis, NAACP, June 2021.
56. [2020 Profile of African Americans Age 65 and older](#), Administration on Community Living, at 4.
57. Nick Penzenstadler and Jeff Kelly Lowenstein, “[Seniors were sold a risk-free retirement with reverse mortgages. Now they face foreclosure](#),” USA Today (Dec. 18, 2019).
58. The dataset includes insurance claims that were “claim type 21” – which includes foreclosures and deeds-in-lieu of foreclosure over this time period. As described above, the number of deeds in lieu of foreclosure on HECMs is extremely small.
59. In the BISG analysis, while the white category is non-Hispanic, the other race categories may include individuals who also identify as Hispanic.
60. 12 U.S.C. § 1715z-20(a)(1).
61. 2019 GAO Report, *supra* note 16.
62. FHA waived this restriction through December 31, 2023.
63. Mortgagee Letter 2015-11 at 7.
64. Christopher Flavelle, [Why Ian May Push Florida Real Estate Out of Reach for All but the Super Rich](#), The New York Times (Oct. 13, 2022).
65. Dep’t of Housing and Urban Development, Mortgagee Letter 2015-11 at 6 (Apr. 23, 2015).
66. See Mortgagee Letter 2015-11 regarding the 25% of surplus rule. FHA National Servicing Center high level staff communicated to NCLC that they have explained the proper

interpretation of this rule at various conferences and calls with servicers.

67. Until FHA's issuance of Mortgagee Letter 2022-23 in December 2022, someone in Ms. Reese's situation would be limited to a 39-month term. The new mortgagee letter authorizes a maximum 60-month plan for borrowers who redefault on a payment plan, but only if they had a COVID-related hardship.
68. Mortgagee Letter 2015-11.
69. [Testimony of Sarah Mancini Before the United States House Financial Services Committee](#), Subcommittee on Housing, Community Development, and Insurance (Sept. 25, 2019), at 11-17.
70. Email from Rachel Labush, Community Legal Services, with data from court records, Aug. 5, 2021 (on file with author).
71. The [Hardest Hit Fund](#) is a program established to aid families in states hit hard by the economic and housing market downturn during the foreclosure crisis. Program funds were used for foreclosure prevention and neighborhood stabilization efforts.
72. Telephone interview with Stacy Stuber, Homeownership Options Provided to the Elderly, Jan. 11, 2022.
73. J. Begley et al, *supra* note 43, showing an average 10% loss severity for loans liquidated as REO.
74. 24 C.F.R. § 206.129(d)(3).
75. Stephanie Moulton et al, [Reminders to Pay Property Tax Payments: A Field Experiment of Older Adults with Reverse Mortgages](#) at 15 (New York: SSRN, 2019) (finding that HECM borrowers who received periodic reminders to pay property taxes had a default rate 2/3 the rate of borrowers who did not receive reminders, and were less than half as likely to have a default balance of over \$2,000).
76. Mancini and Williamson, *supra* note 7, at 120-122.
77. See [https://files.consumerfinance.gov/f/documents/cfpb\\_reverse-mortgage-discussion-guide.pdf](https://files.consumerfinance.gov/f/documents/cfpb_reverse-mortgage-discussion-guide.pdf); [https://files.consumerfinance.gov/f/documents/cfpb\\_OA\\_natural\\_disaster\\_bifold.pdf](https://files.consumerfinance.gov/f/documents/cfpb_OA_natural_disaster_bifold.pdf).
78. 24 C.F.R. § 206.125(4)(b).





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