



May 17, 2022

FHA Commissioner Julia Gordon
Department of Housing and Urban Development
451 7th St S.W.
Washington, D.C. 20410

Re: Clarifying the HAF foreclosure pause for reverse mortgage borrowers

Dear Commissioner Gordon:

The National Consumer Law Center and the National Reverse Mortgage Lenders Association write to jointly request that HUD clarify its recent FAQ related to a foreclosure pause for borrowers who have applied for the Homeowners Assistance Fund (HAF).

HUD released several updated FAQs related to HAF on May 6, 2022. The goal of these FAQs is to further the whole government approach to ensuring the success of the HAF program by preventing homeowners from losing their homes to foreclosure while a HAF application is under review.

Unfortunately, the FAQ related to HECMs, KA-06003, does not allow or encourage servicers to pause foreclosures based on a pending HAF application with the same clarity as the forward mortgage FAQs. The HECM FAQ states that if a borrower has applied for HAF, the mortgagee “may consider this an appropriate reason to suspend or terminate the foreclosure proceedings, under Mortgagee Letter 2015-11, **depending on state law or state HAF Program requirements.**” It continues, “If the Mortgagee terminates the foreclosure action **pursuant to state law or state HAF Program requirements,**” then the mortgagee must request an extension approval in HERMIT. These two mentions of “state law or state HAF Program requirements” create uncertainty regarding whether the servicer may suspend or terminate foreclosure proceedings in all states or only in the small number of states where termination or suspension would be required by state law or HAF program requirements. In addition, this single HECM-related FAQ does not make it clear whether a servicer may delay taking the first legal action to foreclose based on a HAF application.

Reverse mortgage servicers and consumer advocates are aligned in a desire to pause foreclosure activity when the borrower has applied for HAF. However, servicers need clear guidance from HUD in order to ensure that the holder of the loan will not be financially penalized when an insurance claim is being processed, potentially years from now. We need HUD to act quickly, as

reverse mortgage borrowers applying for HAF in states around the country are at risk of foreclosure until the guidance is clarified. We are suggesting that HUD adopt the attached revised version of FAQ 06003, which is based on the language of KA-5992 (one of the forward mortgage FAQs) but with minor adjustments to make it applicable to HECMs.

Thank you very much for your consideration of this time-sensitive request. If we can provide additional information, please contact Sarah Mancini of the National Consumer Law Center, smancini@nclc.org, or Steve Irwin of the National Reverse Mortgage Lenders Association, sirwin@dworbell.com.

Sincerely,

National Consumer Law Center,
On Behalf of Its Low-Income Clients

National Reverse Mortgage Lenders
Association

Cc: Deputy Assistant Secretary Julienne Joseph
Nathan Schultz
Matt Martin