Advocates Applaud HUD’s Actions to Protect Vulnerable Widows and Widowers and Prevent Avoidable Foreclosures

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Boston – National Consumer Law Center advocates applaud the U.S. Department of Housing and Urban Development (HUD) for two recently announced policy changes that will help homeowners avoid unnecessary foreclosures. HUD’s reverse mortgage policy change, announced in Mortgagee Letter 2021-11, will allow non-borrowing spouses of reverse mortgage borrowers to remain in their home after the borrower moves into a healthcare facility. In addition, the agency removed the largest remaining roadblock to non-borrowing spouses keeping their home after the borrower dies. Non-borrowing spouses with post-2014 reverse mortgage loans will no longer have to provide proof of “good and marketable title or a legal right to remain in the home,” which often required an expensive probate filing and had pushed many spouses into foreclosure.

“HUD’s changes are a welcome relief for so many homeowners whose spouse took out a reverse mortgage, some of whom did not even realize that this loan could put them at risk of eviction and homelessness after the borrowing spouse either dies or moves into a long-term care facility,” said Sarah Mancini, staff attorney at the National Consumer Law Center.

“HUD’s new policy will help to prevent reverse mortgage foreclosures, which siphon home equity from communities of color,” said Odette Williamson, staff attorney and director of the National Consumer Law Center’s Racial Justice and Equal Economic Opportunity project. “As we work to advance greater racial equity in homeownership, policies that preserve ownership and allow for intra-family wealth transfer must be at the forefront.”

Reverse mortgage borrowers facing foreclosure are disproportionately people 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 majority white neighborhoods.

HUD also issued a statement clarifying that borrowers do not need to exit protective COVID-19 forbearance plans in order to be evaluated for options to bring their loans fully current. Instead, HUD stated that the agency’s guidelines allow borrowers to choose an evaluation before the end of forbearance. HUD issued this policy clarification in response to concerns raised by housing counselors, legal aid attorneys, and consumer advocates.

“We applaud HUD for taking quick and decisive action in response to reports of borrowers who were ready to move on from forbearance plans but who were told they could not be evaluated for options until their plans ended.” said Steve Sharpe, staff attorney at the National Consumer Law Center. “HUD’s clarification helps borrowers minimize their delinquencies, which benefits those borrowers and supports HUD’s insurance fund and its mission to promote stable housing for low- and moderate-income homeowners.

Related NCLC Resources

- Fact Sheet: Are You a Reverse Mortgage Non-Borrowing Spouse? Tips to Help You Remain in
Your Home, February 2020
- Recommendations to Improve Servicing and Reduce Foreclosures of Federal Reverse Mortgages, March 2020
- Mortgage Relief for Homeowners Affected By COVID-19, September 2020