Advocates: HUD Must Do Much More to Protect Older Reverse Mortgage Borrowers in the Coronavirus Epidemic

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WASHINGTON, D.C. – The National Consumer Law Center, Americans for Financial Reform Education Fund, and 40 other groups sent a letter today to the U.S. Department of Housing and Urban Development (HUD) seeking stronger protections for reverse mortgage borrowers in response to the COVID-19 pandemic. The agency has announced a 60-day halt on foreclosures of all FHA-insured mortgages, but this timeframe falls short in light of projections of the long-term impact of this crisis.

“HUD’s 60-day foreclosure moratorium was a crucial first step, but does anyone really believe older homeowners will have recovered from this crisis within 60 days?,” said National Consumer Law Center attorney Sarah Mancini. “Further action is needed to ensure that this older population, which is most vulnerable to the virus, will maintain stable housing and not end up facing unnecessary foreclosures.”

In commenting on HUD’s March 18, 2020 Mortgagee Letter announcing a limited 60-day moratorium of foreclosures, the groups urged HUD to take the following additional steps:

- Clarify that non-borrowing spouses have an additional 60 days for the submission of their loan through the Mortgagee Optional Election (MOE). This program allows non-borrowing spouses to avoid foreclosure when the reverse mortgage borrower has died. In September 2019 HUD had announced a March 21, 2020 deadline;
- Direct servicers not to pay property taxes on behalf of reverse mortgage borrowers if the taxing authority has provided an extension or tax foreclosure moratorium, and allow an extra six months for borrowers to pay back the funds when servicers do advance property tax payments;
- Expand access to loss mitigation for qualified homeowners by extending all deadlines related to acceptance of loss mitigation options, including the return of any loss mitigation agreements, and by allowing for new repayment plans when borrowers default during the national emergency; and
- Extend the 60-day foreclosure and eviction moratorium announced by HUD on March 18, 2020 to at least six months.

“Older Americans with reverse mortgage loans need these common-sense protections during a particularly frightening time,” said Linda Jun, senior policy counsel with Americans for Financial Reform Education Fund. “We urge HUD to take action quickly to provide this clarity and stability to reverse mortgage borrowers and lenders.”

NCLC Related Links

Covid-19 & Consumer Protections, including a list of all effective foreclosure moratoria.
Issue Brief: Recommendations to Improve Servicing and Reduce Foreclosures of Federal Reverse Mortgages (March 2020)

Testimony of NCLC attorney Sarah Mancini on reverse mortgages before the House Financial Services Committee, Subcommittee on Housing, Community Development, and Insurance (Sept. 25, 2019)