Underwriting Guide
Welcome to your Partnership with Reverse Mortgage Solutions, Inc.!

Reverse Mortgage Solutions, Inc. ("RMS") was formed in March, 2007 by a group of leading mortgage and technology executives with over 121 years of combined knowledge and experience to meet the growing demand for the servicing and private label sub-servicing of reverse mortgages.

We are pleased to provide several state-of-the-art, web-based systems to compliment our Company philosophy of superior service to our customers and Partners. As our Chairman, Bob Yeary, likes to say “We built the company in reverse”; that is, we designed and built a world class servicing and sub-servicing platform to ensure that we would have a strong, reliable framework on which to build our subsequent origination strategies and Partner relationships.

We are a proud member of:

Approved by:
RMS has developed and employs the following proprietary systems:

**RMNavigator**
RM NAVIGATOR® is a true enterprise premier Reverse Mortgage Servicing System developed specifically for the reverse mortgage industry and was a key element in the ‘STRONG’ rating RMS received from Standard & Poor's.

Designed from the ground up for reverse mortgages, the RM NAVIGATOR® system meets all of the requirements of FHA, FNMA and private investors, as well as provides “senior” customers with a user-friendly monthly accounting statement of their reverse mortgage. Custom reporting for Private Investors and Mortgage Backed Bonds can be easily accommodated. Our system operates in a totally secure and redundant environment on a SQL server.

**RMCompas**
RM Compass® is a web-based origination platform built specifically for originating reverse mortgage products including HECM and unique proprietary loan products. It provides the tools necessary to prospect and market, create, process, underwrite, close, fund and seamlessly deliver reverse mortgages to our proprietary servicing platform, RMNavigator®.

RM Compass® is available in a standalone contract based on access and services required, or included as a part of one of the access levels for the Wholesale and Correspondent channels.

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Creating the Application

In accordance with the Department of HUD passing regulations which amended Regulation X, the new RESPA 2010 changes implement the following elements which constitute “acceptance of an Application” for a HECM loan:

1. Borrower Name(s)
2. Subject Property Address
3. Social Security Number
4. Gross Monthly Income
5. Estimated Value of Subject Property
6. Date of Birth
7. Expected Principal Limit
8. Expected Interest Rate
9. Product Type and Margin (if applicable)

All Correspondent Lenders are responsible for initial and final disclosures of GFE and related documents in compliance with RESPA, as well as appropriate federal and state required disclosures.

All Wholesale Partners are responsible for initial disclosures of GFE and related documents in compliance with RESPA, as well as federal and state required disclosures. RMS will re-disclose the GFE within 3 business days of our acceptance of a complete loan file under our Level 2 or Level 3 submission options.

Please refer to www.hud.gov/respa/ for more regulatory guidance on proper disclosures.

It is acceptable for unmarried co-borrowers to complete one application (FNMA 1009).

All Reverse Mortgage applications should include an alternate contact person. The information for the alternate contact should be completed on the 1009 application or Alt Contact Disclosure. The contact person’s name, phone #, full address (PO Box is acceptable) and relationship to the borrower are required. In the event RMS is unable to reach the borrower(s) as needed, the person whose name appears as the alternate contact will be contacted for assistance in locating the borrower(s). Loan details will not be discussed with this alternate contact unless the borrower(s) authorizes such information to be released.

General Counseling Guidelines

Reverse Mortgage Counseling Overview

Independent reverse mortgage counseling, provided by a HUD-approved counseling agency, is required by RMS per the HUD guidelines for all loans unless otherwise noted in this section. Counseling must take place prior to incurring any fees that will be charged to the applicant such as a credit report fee, appraisal fee, etc. Lenders are responsible for compliance with all federal, state and local laws and regulations.
Who Must Receive Counseling

All loan applicants who will sign the mortgage note must receive reverse mortgage counseling and receive a counseling certificate, with the following exceptions and additional provisions:

1. **All Owners Shown on Property Deed**
   RMS requires that that any person who is on the deed and/or title at the time of application must be counseled, regardless of whether they live in the property, and regardless of whether they are being removed from title during the HECM transaction.

2. **Non-Borrowing Spouse**
   RMS requires that a permitted non-borrowing spouse (based upon the Non-Borrowing Spouse exception criteria) receive HECM counseling. This requirement applies whether or not the subject property is located in a community property or homestead state. Refer to Non-borrowing Spouses heading for additional requirements.

3. **Legally Competent Applicants**
   If Applicant(s) are competent but have granted Power of Attorney to another individual, both the applicant and his or her attorney-in-fact must receive counseling and both must sign a counseling certificate.

4. **Legally Incompetent Applicants**
   Legally incompetent applicants must be represented by a guardian, conservator or attorney-in-fact. Such representative must receive counseling and must sign a counseling certificate on behalf of the borrower. Counseling certificates may not be signed by a legally incompetent applicant.

See the Power of Attorney and Guardian or Conservator headings for additional requirements.

5. **Life Estates - Remaindersmen**
   If there is a life estate involved in the title to the subject property, RMS requires that persons holding a reversionary or remainder interest in the property also be counseled.

In addition to the parties listed above who must receive counseling, RMS strongly encourages that the following additional individuals seek HECM counseling:

- The contingent beneficiary(s) of a trust. A contingent beneficiary is an individual who will neither receive any benefit from the trust nor have any control over trust assets until the primary beneficiaries/HECM Borrowers are deceased.
- Children or other relatives of the Borrower who reside in the subject property (who are not also a party required to receive counseling).

**Face-to-Face and Telephone Counseling**

Except as noted in the State Specific Requirements section, counseling may be conducted via telephone; however, all applicants must be offered the option to meet face-to-face with either the loan interviewer or the counselor.

**Allowed & Prohibited Activities Prior to Counseling**

The Lender may only undertake the following permissible activities prior to the applicant(s)
receiving counseling:

- Educate the Borrower about reverse mortgages and discuss whether the potential Borrower is eligible
- Run an AVM or similar report to help determine the estimated value of the property (cannot charge to the Borrower)
- Discuss fees and the potential financial implications of reverse mortgage products
- Provide the applicant with copies of the security instrument, mortgage note and loan agreement
- Provide applicant with list of counseling agencies
- Complete the initial loan application package
- Order a title search, however, if the loan does not proceed to closing, the Borrower may not be charged for the title search.

The Lender may not order the following before counseling is completed:

- credit report
- appraisal
- flood certification
- FHA case number

The Lender may only proceed once counseling is complete, as evidenced by receipt of the counseling certificate signed & dated by all Applicants and/or their representatives and the Counselor.

Any fees charged to, or collected from, the Borrower must be waived or refunded if they were incurred prior to counseling.

The date the certificate is signed by the Applicant(s) is used to determine the counseling completion date (not the date the counseling occurred). If the Borrower, Co-borrower, representative and/or counselor sign the certificate(s) on different dates, the latest signature date will be considered the counseling completion date.

Other Prohibited Practices

- Lenders may not:
  - Steer, direct, recommend, or otherwise encourage an applicant to seek the services of any one particular counseling agency
  - Contact a counselor or counseling agency to refer a client; discuss a client's personal information, including the timing or scheduling of counseling; or request information regarding the topics covered in a counseling session

- Counselors may not:
  - Provide information on the specific prices charged by any individual lender
  - Promote, represent, recommend, or speak for any specific lender
  - Market their services to the Lending industry

Counseling Fee

Counseling agencies may charge a fee for reverse mortgage counseling. The fee is generally $125, but may be higher in certain circumstances. RMS reserves the right to require additional documentation to justify higher fees charged. If counseling for related parties such as spouses and children take place separately from the counseling session for the applicant(s), the fee may be charged per session provided the total fees are disclosed on the Good Faith Estimate. The
counseling agency must make a determination about an applicant’s ability to pay and an applicant must not be turned away because of an inability to pay and the agency may not withhold counseling or the certificate based on failure to pay. The Borrower may pay the fee at the time of counseling or request that it be paid through loan proceeds at closing.

Lenders may not pay counseling agencies, directly or indirectly, for reverse mortgage counseling services through either a lump-sum payment or on a case-by-case basis.

Counseling Agencies

Lenders are required to provide every Borrower with a list of no fewer than 14 HUD-approved counseling agencies that can provide HECM counseling, 5 of which must be in the local area and/or state of the prospective Borrower with at least one agency located within a reasonable driving distance for the purpose of face-to-face counseling.
National Intermediaries as of November 2013

National Foundation for Credit Counseling  (866) 698-6322
Money Management International  (877) 908-2227
Consumer Credit Counseling Svc of Atlanta  (866) 616-3716
National Council on Aging  (800) 510-0301
ClearPoint Financial Solutions  (877) 877-1995
Springboard  (800) 947-3752
HomeFree  (301) 891-8423
Greenpath  (888) 860-4167
Neighborhood Reinvestment Corporation  (888) 990-4326

State Specific Requirements

North Carolina: For loans closed in the Lender’s name, face-to-face counseling is required—telephone counseling is not permitted, unless the Lender is exempt from the requirement due to federal pre-emption.

In Massachusetts, counseling must be conducted by a mortgage counseling program which has been approved by the Massachusetts Executive Office of Elder Affairs. The counseling agency must meet both HUD-approval and Massachusetts state approval requirements. A list of approved counseling programs in Massachusetts may be found at: http://www.mass.gov/?pageID=elderterminal&L=2&L0=Home&L1=Housing&sid=Elders&b=terminalcont ent&f=reverse_mortgage_counselors&csid=Elders.

In California, the list of at least 5 agencies provided to applicants must include at least 2 agencies that provide telephone counseling. If the borrower did not receive face to face counseling, the CA Addendum to Certificate of Counseling is required.

In Minnesota, the Borrower(s) must be counseled prior to Lender’s acceptance of a final and complete application by an independent counseling agency whose address is in the state of Minnesota.

In Tennessee and Vermont, counseling must be completed before an application may be taken.

In South Carolina, The Advisability of Counseling Notice needs to be given to the Borrower(s) upon initial contact from the Borrower(s).

In Rhode Island, the loan may not be processed, other than ordering an automated valuation model and a preliminary title search until HECM counseling has been completed. In addition, the RI department of Elderly Affairs Statement regarding the Advisability and Ability of Independent Counseling and Information Services must be given to the Borrower(s).
Counseling Certificate

Upon completion of the counseling session(s), the counseling agency will issue a counseling certificate.

The counselor must generate a Certificate of HECM Counseling (HUD Form 92902) through FHA Connection. Certificates that are not produced through FHA Connection are not acceptable.

The certificate must contain:

- Address of the subject property
- Name of the counselor
- Name of the counseling agency
- Employer Identification Number (EIN) of the agency
- Certificate number (in the upper right hand corner)

The certificate must be signed and dated by all applicants and/or their representative as well as the counselor.

Loan processing activities may begin only after counseling is completed as evidenced by the fully executed certificate. A copy of the signed certificate, delivered via fax or e-mail, is acceptable to begin loan processing.

The initial loan application must be signed within 180 days from at least one Applicant’s signature date on the certificate. The loan need not be closed prior to this date.

- The original or certified copy of the counseling certificate (signed and dated by the counselor and all potential Borrowers and/or their representatives) must be included with every loan submission.
- Ensure that potential Borrowers have not incurred any financial obligation until after receipt of the counseling certificate and the Borrower reaffirms intention to continue with the application.

Certificate Expiration Date

- The initial application must be taken before the counseling certificate expires (it is not necessary for a loan to close before the certificate expires).
- If the certificate has expired, the Borrower may not waive the additional counseling session, even if they believe that a second session would not be useful.
- If the certificate has multiple borrowers, as long as at least one Borrower’s signature on the certificate is within the 180-day expiration period, we may consider the counseling certificate as being valid for all Borrowers on the loan.

Update Counseling in RMCompass®

RMCompass® should be updated when the Counseling Certificate is received. Counseling Agencies and Counselors can be selected from the drop-down lists, or added on the Counseling & FHA screen in the Processing tab in the Toolkit.

Input the signed dates, and attach a copy of the Counseling Certificate if not already done.

GFE and Related Disclosures

A GFE must be provided to a Borrower within business 3 days of receiving a complete Application. Pursuant to the prevailing RESPA Guidelines instituted in January 2010, a HECM
Application is considered complete if the following information is received by the Originator and the Applicant has indicated an intent to proceed:

- Borrower’s Name
- Borrower’s Monthly Income
- Borrower’s SSN
- Borrower’s Date of Birth or Age
- Property Address
- Estimated Property Value
- Proposed Loan Amount
- HECM Product Type
- Interest Rate

Initial fee templates are set-up at the time the RMCompass® system is configured. RMS uses an APR chart approved by our counsel which will be the default settings. For loans which are NOT closing in the name of RMS, Company Administrators are encouraged to seek guidance from their own legal and/or compliance departments to set up the APR flag defaults based on your interpretation of federal regulations. Certain HUD-1 fees can be edited based on the user’s level of access (controlled by your Company Administrator).

**Ordering Application Documents**

When the data entry is complete, the application documents can be created by selecting the “Order Services” link in the Originator Toolkit in RMCompass®.

At the Order Services screen select Application Documents.

**Note:** HECM Calc documents, the GFE and TIL must be added to the application order by selecting “Include Attachments”. Select “Execute” and the order will be transmitted to BayDocs for fulfillment of the doc order. These are key application package documents containing calculations which are RMS-specific and are required to provide the Applicant(s) a compliant final Application Package.

**Required Application Documents**

While we prefer that our Partners utilize RMCompass® as their primary Loan Origination System to streamline and maximize our support of the entire loan process, we do accept Application documents generated by other systems. However, the following listed Application documents are required to be included in ALL submission packages to RMS:

1. 1009
2. HUD 92900-A, pages 1 and 2
3. Loan Comparison/Scenarios
4. Amortization Schedule
5. Counseling Fee Disclosure
6. Good Faith Estimate (GFE)
7. Required Providers Disclosure
8. GFE Acknowledgment
9. Suggested Settlement Service Provider List
10. TALC (Total Annual Loan Cost)
11. TIL (Truth-in-Lending) (Fixed Rate)
12. List of HUD-Approved Counseling Agencies
13. Alternative Contact Information Sheet
14. Patriot Act Disclosure
15. Face-to-Face Meeting Disclosure and Election Form
16. Important Terms Disclosure
17. Servicing Disclosure Statement
18. Borrower Certification and Authorization
19. Tax & Insurance Disclosure
20. Notifications & Disclosures (5-page document – RMS proprietary form)
21. Acknowledgement for Electronic Communication
22. Notice to Non-Borrowing Spouse or Resident (if applicable)
23. Ownership Interest Certification (if applicable)
24. State-Specific Disclosures (Partner is responsible for complete, accurate state disclosures)
25. Anti-Churning Disclosure (HECM to HECM Only)
26. All necessary Borrower documents

**Note:** This list is subject to change from time to time by RMS, and is not all-inclusive depending on specific Borrower situations, state requirements and property types.

**Good Faith Estimate Re-disclosures**

Current policy requires that in the event of any valid changed circumstance all lenders must re-disclose to the Borrower the result of the change and the effect on the Borrower’s loan application. Processors are responsible for insuring that any re-disclosure is handled in accordance with federal regulations. Closers should perform an additional audit prior to closing to assure that all fees are properly disclosed.

1. Partners should complete the Valid Change Circumstance (VCC) worksheet and submit for approval to the appropriate internal authority.

**Loan Package Submission**

**Setup Processing**

The primary function of Setup Processing is to acknowledge receipt of each submission package and prepare the file for underwriting. Setup processing represents the first operational review of the submission package and constitutes a pre-audit review of the file for all non-risk components. Before submitting the loan application package to Underwriting, ensure that all applicable disclosures have been completed, all exhibits are included, and all parties to the transaction have signed and dated where applicable.

**Step-by-Step Process**

- Processor reviews the physical package for completed forms and signatures and updates RMCompass® software if necessary.
- Processor reviews GFE for compliance and re-disclosure if necessary.
• Processor review Counseling Certificate
• Processor orders services
• Primary Required Services:
  ▪ USPS Address Validation
  ▪ FHAC Services
  ▪ Tri-merge Credit Reports
  ▪ Flood Certificates
  ▪ Appraisals
  ▪ Preliminary Title Commitments
  ▪ Lien Payoffs
  ▪ Hazard Insurance
  ▪ Processor reviews services as they are received and requests changes where necessary to provide underwriting a correct and complete report.
  ▪ If “Valid Change Circumstance” occurs processor will re-disclose GFE.
  ▪ NMLS
  ▪ MERS

Review of these primary services while cursory in nature is intended to provide Underwriting with a complete picture of the Borrower and collateral in an effort to expedite the underwriting process.

Borrower letters of explanation must be signed and dated by the Borrower; certain circumstances may warrant a handwritten letter of explanation from the Borrower at the discretion of the Underwriter.

Many circumstances can be resolved by phone calls by the Loan Originator or the Processor, in which case a signed and dated Processor’s Cert may be acceptable.

**Note:** It is important to highlight unique circumstances in files for underwriting review by notating on the Submission Checklist/Stacking Order, and/or by updating the Message Center in RMCompass® or Notes screen in Reverse Vision.

**Submission Checklist**

All applications submitted for processing and/or underwriting should follow the stacking order below with those items collected from the Borrower integrated into the application documents produced by RMCompass® or Reverse Vision.

**Reviewing the File from the Originator**
(See also Suspended Files, below)

✓ Review the Application Information Sheet for unique circumstances.
✓ Review file for signatures and all required documents.
✓ Review I.D., S.S., and other collected Borrower docs for legibility and consistent information.
✓ Review counseling certificate for date and counselor signature.
✓ Review RMCompass®/Reverse Vision to ensure all pertinent data has been entered and/or updated.

**Suspended Files**

Files which do not contain acceptable proof of social security and/or date of birth, or which lack a
counseling certificate signed by a licensed HUD Counselor cannot be processed for underwriting and will be “suspended”. Processors should contact the originator to notify of the pended status and provide solutions where possible to change the file to active status. Ultimately it is the responsibility of the originator to provide a full and complete file for processing. Setup processing’s roles do not include storing files for originators.

A preliminary title commitment is the only service that can be ordered prior to the date the borrower signs the counseling certificate.

Identification Exhibits

All Borrowers must be 62 years of age within 60 days of the application and must be at least 62 years of age at the time of closing. The following list provides examples of what are considered acceptable social security and date of birth exhibits for Borrowers. The list below is not all inclusive. It is at the discretion of the underwriter to decide the acceptability of a document. To avoid potential delays, ensure that all exhibits submitted are clear (avoid too light/dark, blurry, hand altered, etc) and legible. Evidence of Date of Birth must be current (i.e. may not be expired) at the time of Underwriting.

Examples of Acceptable SSN Exhibits

• Social Security Card issued by the government (not plastic or metal)
• Social Security Awards Letter
• Printouts from the Social Security Administration (acknowledged by SSA if applicable)
• Medicare card with any of the following codes: A, J1, J2, J3, J4, LM, M, M1, T, TA
• Military ID
• Driver’s License
• Passport
• State- issued ID Card

Examples of Acceptable DOB Exhibits

• State-issued driver’s license or ID card
• Certificates of birth
• Passports
• Letter from the Social Security Administration (acknowledged by SSA if applicable)
• Certificate of United States Naturalization (form N-550 or N-570)
File Set-Up and Ordering Required Services

USPS (Verify for St., Blvd., Ave., etc.)


In order to confirm the correct address for every loan submission, you must confirm each Borrower’s address on the United States Post Office website. To avoid confusion regarding residency, notify processing/underwriting if the Borrowers’ mailing address is different than their street address and provide an explanation.

Borrower Principal Residence

The subject property must be the principal residence of each Borrower, which is defined as the dwelling where the Borrower maintains his or her permanent place of abode with residency of a minimum of 183 days per calendar year. Following are key elements of our underwriting policy:

- A person may have only one principal residence at any one time.
- The property will be considered to be the principal residence of any Borrower who is temporarily or permanently in a health care institution as long as the property is the principal residence of at least one other borrower who is not in a health care institution.
- RMS must be able to conclude that the subject property is the Borrower’s current principal residence. Supporting documentation may be requested at the Underwriter’s discretion where doubt exists.
- For Traditional HECM and HECM to HECM transactions, all Borrowers must occupy the property at the time of application and closing, subject to the health care institution exception above.
- Satisfactory chain of title documentation must be provided. In cases where the chain of title indicates recent transfers among family members or other non-arm's length transactions, additional documentation may be required, such as proof of uninterrupted occupancy by the HECM Applicant.
- RMS will not generally approve payoff of any mortgage lien(s) on which the Applicant is not the mortgagor on the existing debt; exceptions may be reviewed on an individual basis.
- For purchase transactions, the Borrower(s) must occupy the property within 60 days of closing. In addition, if the Borrower’s current principal residence is the security property for a HECM, that loan must be paid in full prior to closing the new purchase transaction – the Borrower may not have more than one outstanding FHA loan at any time under HUD regulations.
- RMS’s seasoning policy is in accordance with HUD guidelines; however, if the Borrower(s) have held title to the subject property for less than 90 days at the time of application, a desk review of the appraisal may be required at Underwriter’s discretion.

**Occupancy Issues**

There may be circumstances where occupancy is in question in a loan file. Each loan file may have specific factors that affect the occupancy issue and each loan file should be addressed individually for this purpose. For instances where occupancy is in question we may require additional documentation to support the loan file. The final decision on what documentation is acceptable will be the responsibility of the underwriter.

Examples of discrepancies that can indicate an occupancy issue are: (list is not all inclusive)

- Property address on 1009 does not agree with the Credit Report and/or True Alert
- Multiple Address associations on the Credit Report/True Alert
- Driver’s License does not agree with the property address on the 1009
- Borrower owns more than one property
- Subject Property does not indicate Homestead and borrower owns other property that is listed as Homestead

If occupancy is an issue and additional documentation is required, we will require documentation from the list below:

Provide **ONE** of the following:

- Copy of borrower’s driver’s license (if recently changed may require alternative documentation)
- Copy of SS award letter or copy of SS check if not direct deposited
- Copy of borrower’s bank statement where SS funds are direct deposited
- Proof of Homestead for subject property

**And** provide **TWO** of the following:

- Copy of borrower’s voided check
- Copy of borrower’s mortgage statement
Copy of borrower’s auto insurance policy page
Copy of borrower’s homeowner’s insurance policy page
Copy of borrower’s credit card statements
Copy of borrower’s voter registration card
Copy of borrower’s cable/phone bill

Please note: The Underwriter reserves the right to ask for additional documentation and/or explanation regarding owner occupancy of subject property.

FHA Connection

FHA Connection is an internet-based system that allows FHA approved lenders access to FHA’s systems for the purpose of originating, processing and servicing HECM loans. If you are not currently registered with FHA Connection you will need to register prior to processing a HECM loan.

To register, please visit: https://entp.hud.gov/clas/index.cfm

Establishing an FHA Case #

NOTE: For Level 2 and Level 3 Partners (Sponsored TPO’s), please complete the FHA Case Assignment Request form and follow instructions on the form for submission to RMS. RMS will obtain the case # on your behalf, and send you the FHAC print screen reflecting the case # within 24 hours. All Case Assignment requests should be emailed to CaseAssignsEast@RMPath.com or CaseAssignsWest@RMPath.com.
Overview

Use **Case Number Assignment** to establish a case in HUD’s origination system and assign an FHA case number. Updates can be made to a nonendorsed case with an assigned FHA case number using the **Case Number Assignment Update** page. For an endorsed case, a view-only **Case Number Assignment Results** page is available.

The three **Case Number Assignment** options are: **Establish a New Case**, **Update an Existing Case**, and **Holds Tracking**.

FHA Connection Resources for Establishing a Case #

**What I Need to Know (WINK)**...

**WINK** is an FHA Connection tool designed to assist you in successful Single Family loan origination. These online tutorials are available on several **Origination** menus (e.g., **Case Processing**). For helpful tips, fast facts, and troubleshooting aids, click next to the related menu option, e.g., **Insurance Application**.

![Figure 1. WINK Modules on the Case Processing Page](image)
FHA has specific information on how to establish a case # at the following website:

CAIVRS

The Credit Alert Interactive Voice Response System (CAIVRS) is a Federal interagency database that contains the following:

- Delinquent debt information from the Departments of Housing and Urban Development, Agriculture, Education, and Veterans Affairs and the Small Business Administration.
- Lien judgment information from the Department of Justice.

CAIVRS Authorization is used to access CAIVRS and determine if a potential borrower has a Federal debt that is currently in default or foreclosure or has had a claim paid by the reporting agency within the last three years. Federally approved lenders must use CAIVRS to prescreen all applicants for Federally insured loans, except for FHA streamline refinance cases. CAIVRS provides up to ten sets of information for each borrower. A unique Authorization Number is issued each time a borrower is checked in CAIVRS (this is also referred to as the Confirmation Code).

FHA claim information is reported to CAIVRS for 36 months after a claim is paid. If the borrower has a delinquent Federal debt or has had a claim paid on a Federally insured loan, use the telephone referral number provided by CAIVRS to contact the office responsible for the reported debt.

If the CAIVRS message is erroneous with respect to an FHA insured loan, use the telephone referral number provided by CAIVRS to contact the appropriate HUD Homeownership Center (HOC) for instructions or documentation to support the borrower's eligibility. Contact the Credit Alert Coordinator at the HOC if there is a Social Security Number error. For an erroneous message reported by another Federal agency, contact the agency at the phone number provided by CAIVRS.

Each file submitted to RMS for underwriting must include a CAIVRS print out for each Borrower on the loan. The CAIVRS report may not be older than 90 days at the time of underwriting and 120 days at closing.

To run a CAIVRS search, follow these steps:

1) Go to https://entp.hud.gov/clas/index.cfm and login to FHA Connection
2) Click on Single Family FHA
3) Click on Single Family Origination
4) Click on Case Processing
5) Click on CAIVRS Authorization
6) On the CAIVRS Authorization page, select the type of identification for the borrower from the SSN/TIN Indicator drop-down list in the Borrower field.
7) Type the borrower’s ID in the SSN/TIN Number boxes. You can use the Tab key to go to the next box.
8) Repeat steps 1-2 for each co-borrower, entering the information in the appropriate Co-borrower fields. Otherwise, be sure N/A is selected on the SSN/TIN Indicator drop-down list for each co-borrower not included.
9) Type the unique 10-character ID assigned to the lender by the agency (and program) in the Lender ID field. For example, for an FHA Single Family insured loan, type the FHA ID of the Title II lender.
   a. Note: The lender must be authorized for the agency (and program) selected and the Lender ID must match the selection.
10) From the drop-down list in the **Agency** field, select the agency (and program) through which the borrower is seeking a loan.
11) Click **Send** - If processing was successful, the **CAIVRS Authorization Results** page appears with a **Success** message near the top of the page stating: **CAIVRS Authorization Successfully Completed**.
12) Print the screen that shows the results of your search.

If there is any Federal debt in default or foreclosure, or if there has been a claim paid by the reporting agency within the last three (3) years, the Applicant is not eligible for a HECM. Government agencies include but are not limited to Federal Agencies, the Department of Education and the Veteran’s Administration.

See also **Foreclosures** section of this Guide for additional information.

**EPLS and LDP**

The Excluded Parties List System (EPLS) and Limited Denial of Participation (LDP) are web-based systems that identify parties excluded from receiving federal contracts and certain types of federal financial and non-financial assistance and benefits. These systems help to determine if a potential Borrower is eligible for a reverse mortgage. Files submitted to underwriting must include search results printouts from both of these programs.

For EPLS searches, proceed with the following steps:

1) Go to [https://www.sam.gov/portal/public/SAM/](https://www.sam.gov/portal/public/SAM/)
2) Click on ‘Search Records’ field
3) In the search field, enter the name you wish to search.
4) Click on **Search** at the bottom of the page;
5) Print the screen that shows the results of your search.

For LDP searches, proceed with the following steps:

1) Go to [https://www5.hud.gov/Ecpcis/main/ECPCIS_List](https://www5.hud.gov/Ecpcis/main/ECPCIS_List);
2) In the search field, enter the name you wish to search. For individuals, enter Last name, First Name (i.e. Smith, John); for contractors, just enter the company name (partial names are ok - i.e. Mr. Bugs);
3) Click on Search by Name;
4) Print the screen that shows the results of your search.

An Applicant who is suspended, debarred, or otherwise excluded from participation in the HUD’s programs is not eligible for a HECM. If the name of any party to the transaction appears on either list, the application is not eligible for mortgage insurance, and RMS will decline the application.

**Please note:** We require a search of the EPLS and LDP databases for **all individuals** or companies who are involved in the HECM loan transaction.

*This includes all Lender staff handling the loan file including loan originator, processor, underwriter, and closer/funder.*
Credit Reports and Documentation

A tri-merge credit report which includes a public record search is required with every submission. In addition, a fraud check such as Tru-Alert must be included.

Credit Reports can be ordered from the Kroll Factual Data website among others:


- A single report is acceptable for married couples. Non-married multiple Borrowers require individual credit reports.
- In the case of a non-borrowing spouse, a separate credit report must be obtained. See also Non-borrowing Spouses of this Guide for additional requirements.
- A credit report is valid for 120 days.
- The credit report must evidence the correct borrower name, date of birth and social security number.
- Any additional social security numbers linked to our borrower(s) on the credit report must be researched.

Child Support

- Liens for delinquent child support will have to be paid in full or subordinated to the HECM loan if they are a lien against the property. If the child support lien is a federal lien, it must be paid in full/satisfied at or prior to closing.

Outstanding Mortgages

- All outstanding mortgages must be paid off on the property being used as collateral for the reverse mortgage. If there is a mortgage on another property, you must obtain proof or documentation, which can be a copy of the deed, mortgage coupon book, letter from the mortgage company, or any other documentation acceptable to the Underwriter.
- If there are any liens less than a year old on the credit report, the title company must confirm that this lien is not against the home. (This is because some counties are behind in their recording.)
- For Traditional HECM’s, the Borrower may be currently delinquent on another mortgage and
may not need to be brought current prior to closing at Underwriter discretion; however, they will need to provide a Letter of Explanation to explain the circumstances behind the delinquency. For HECM for purchase loans, the Borrower must bring the other mortgage current prior to closing.

**Tax Liens**

All Federal tax liens and those secured by our subject property must be paid off at closing, or a Certificate of Release provided unless a satisfactory repayment plan is made between the borrower and the agency owed and is verified in writing. A current payoff statement must be provided if the lien is to be paid in the HECM closing. See also Delinquent Federal Debt section below.

- If a repayment plan has been established, RMS will require written proof that the plan is in place for at least 6 months and that the payments are current.
- If the delinquent obligation is a lien on title, a subordination agreement to subordinate the lien to the first and second HECM liens is required.
- If the IRS will not provide an acceptable subordination agreement, the federal tax lien must be paid in full at closing.
- If the debt is to be paid in closing with the HECM proceeds, a payoff statement and HUD-1 showing the disbursement is required as proof that the federal debt has been satisfied.

Federal tax liens showing as open on credit must be paid in full at closing or proof of release is required. Acceptable documentation to confirm release is limited to the following:

- Certificate of Release Form 668(z)
- Zero demand from issuing authority AND credit supplement showing lien status as released
- Statement on letterhead from the issuing federal authority confirming no balance due AND credit supplement showing lien status as released. The letter must include the following references:
  - Borrower Name
  - Borrower SSN or Tax Id
  - Tax Filing Year(s) referenced
  - Docket / Serial Number of Original Lien Filing
  - Statement confirming lien has been satisfied in full and released
  - Signature of issuing authority representative
  - Name, title and contact information for party signing on behalf of issuing authority

**Student Loans**

All delinquent student loans must be brought current, paid off or otherwise satisfied, or a satisfactory written repayment plan must be in place between the Applicant and the Federal agency owed the debt. If a repayment plan has been established, RMS will require written proof that the plan is in place for at least 6 months and that the payments are current. If the loan is to be paid off at closing, a current pay-off statement must be provided in the submission file. If there is a deferral agreement in place, a copy must be provided. See also Delinquent Federal Debt section below.

**Bankruptcies**

**Chapter 7 or Chapter 11 Bankruptcies** must be discharged or dismissed.
- If the credit report says that the bankruptcy was dismissed or discharged over a year ago, no additional documents are required.
If it was dismissed or discharged less than a year ago, or if the credit report does not show a dismissal, a court order signed by the judge or a credit supplement evidencing the discharge/dismissal may be submitted as proof of the discharge or dismissal.

Chapter 13 Bankruptcies have 2 options:

- The Borrower may pay the bankruptcy off at the closing. Obtain a payoff letter from the bankruptcy trustee.
- The Borrower may continue with the bankruptcy and the reverse mortgage.
  - The Borrower still has to pay off any liens against the property, and any federal debt.
  - Obtain a written permission from the court signed by the judge, indicating that the lender may continue with the reverse mortgage without paying off the bankruptcy.
  - When obtaining the permission, make sure that it specifies that the mortgage will be an adjustable rate reverse mortgage, if applicable.
  - Ask the court not to specify a rate. Approval should either be at “current market rates” or the current index plus a stated percentage. (E.g. LIBOR plus 3.25%)
  - Otherwise, if the rate allowed by the court is less than the current rate at closing, we cannot close the loan.
- In the state of California: The trustee approval must include the court decree to lift the automatic stay to permit the recording of the security instruments for borrowers currently in Chapter 13 bankruptcy.

**RMS must have the Trustee Payoff letter or the statement from the judge prior to closing.**

**Foreclosures**

We will close any loan in foreclosure, as long as it meets the other loan requirements. The status of the foreclosure does not matter, **as long as the foreclosure is not complete**. We will RUSH underwrite a file in foreclosure. Please notify Intake at SubmissionsEast@RMPath.com or SubmissionsWest@RMPath.com prior to sending the file, and indicate RUSH in the file comments. Include proof of foreclosure. Also, add a comment indicating that the Borrowers are in foreclosure, and include the date of the scheduled foreclosure sale.

**Previous Mortgage Foreclosure**

A borrower whose previous principal residence or other real property was foreclosed on, had a short sale completed or has given a deed-in-lieu of foreclosure within the previous three years on a Government loan is not eligible for a new FHA-insured mortgage. However, if the foreclosure/deed-in-lieu or short sale was on a Conventional loan and was the result of documented extenuating circumstances that were beyond the control of the borrower, the borrower may be eligible for a HECM loan at Underwriter discretion.

**Please note:** The minimum 3-year period ends on the Closing date of the new loan, and starts on:
- the date the claim was paid for a government loan; or
- the date the foreclosure was completed for a non-governmental loan

**Short Sales**

A borrower is not eligible for a new FHA-insured mortgage, including HECM, if he/she pursued a short sale agreement on his/her principal residence simply to take advantage of declining market conditions, and purchase a similar or superior property within a reasonable commuting distance at a reduced price as compared to current market value.
**Borrower Current at the time of Short Sale**

A borrower is considered eligible for a new FHA-insured mortgage if all mortgage payments on the prior mortgage were made within the month due for the 12-month period preceding the short sale.

**Borrower in Default at the time of Short Sale**

A borrower in default on his/her mortgage at the time of the short sale (or pre-foreclosure sale) is not eligible for a new FHA-insured mortgage for three years from the date of the pre-foreclosure sale.

**Exception:** RMS will consider exceptions based on extenuating circumstances as detailed above in Previous Mortgage Foreclosure.

**Note:** A borrower who sold his/her property under FHA’s pre-foreclosure sale program is not eligible for a new FHA-insured mortgage from the date that FHA paid the claim associated with the pre-foreclosure sale.

**Judgments**

- Judgments must be paid off at closing if they are a lien against the property securing the reverse mortgage.
- The title company can verify liens and judgments on the property.
- Proof of the status of all judgments is required. The underwriter may require evidence of satisfaction or payment arrangements.

**Delinquent Federal Debt**

If the borrower is presently delinquent on any Federal debt (e.g. VA-guaranteed mortgage, HUD Section 312 Rehabilitation loan or Title I loan, Federal student loan, Small Business Administration loan, delinquent Federal taxes, etc.) or has a lien, including taxes, placed against his or her property for a debt owed to the United States, the borrower is not eligible until the delinquent account is brought current, paid or otherwise satisfied, or a satisfactory repayment plan is made between the borrower and the Federal agency owed and is verified in writing. The Borrower may pay off any delinquent Federal debt with HECM proceeds regardless if it is a lien on title.

- Any delinquent Federal debts or liens against the real estate must not be in excess of the mortgagor’s net principal limit, unless the mortgagor has a separate source of funds from which to draw and pay those debts.
- If a repayment plan has been established, RMS will require written proof that the plan is in place for at least 6 months and that the payments are current.
- If the delinquent obligation is a lien on title, a subordination agreement to subordinate the lien to the first and second HECM liens is required
- If the IRS will not provide an acceptable subordination agreement, the federal tax lien must be paid in full at closing.
- If the debt is to be paid in closing with the HECM proceeds, a payoff statement and HUD-1 showing the disbursement is required as proof that the federal debt has been satisfied.
- Acceptable documentation to confirm release is limited to the following:
  - Certificate of Release Form 668(z)
  - Zero demand from issuing authority AND credit supplement showing lien status as released
  - Statement on letterhead from the issuing federal authority confirming no balance due AND credit supplement showing lien status as released. The letter must include the following references:
Flood Certification

Flood Certificates can be ordered from a number of sources, including Kroll Factual Data and CoreLogic at the following website:

https://www.floodcert.com/classic.do

Flood Zone Mapping and Community Participation

All Flood Certificates should have the National Flood Insurance Program (NFIP) map number and date completed (see example below).
When an area has not been mapped, or if NFIP is not available, the following chart may be used to verify if a property is eligible:

<table>
<thead>
<tr>
<th>Mapping (Refer to Box 1, 2, 5)</th>
<th>Flood Zone (Refer to Box 4)</th>
<th>NFIP Participation (Refer to C1 and C2)</th>
<th>Property Eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapped</td>
<td>In a flood zone</td>
<td>NFIP Available</td>
<td>Eligible</td>
</tr>
<tr>
<td>Mapped</td>
<td>In a flood zone</td>
<td>NFIP NOT Available</td>
<td>Ineligible</td>
</tr>
<tr>
<td>Mapped</td>
<td>NOT in a flood zone</td>
<td>NFIP NOT Available</td>
<td>Eligible</td>
</tr>
<tr>
<td>Not Mapped</td>
<td>Undetermined</td>
<td>NFIP Available</td>
<td>Lender Discretion</td>
</tr>
</tbody>
</table>
| Not Mapped                     | Undetermined                | NFIP NOT Available                     | • **Manufactured:** Ineligible  
|                                |                             |                                        | • **Stick-built:** Lender discretion |

The Underwriter will review the flood zone and flood insurance availability sections on every flood certificate. If the property is located within a SFHA and the National Insurance Program (NFIP) is not available within the community, the property is not eligible. If the chart above indicates "Lender Discretion" the underwriter will review the area for local bodies of water, annual rain fall, last flood, and availability of NFIP coverage to determine if the property is eligible.

Flood certification must be for **Life-of-Loan** coverage and reflect RMS as Lender if closing in our name. Our servicing address as:

Reverse Mortgage Solutions, Inc.  
2727 Spring Creek Road  
Spring, TX  77373

If property is in a special flood hazard area, indicated by Flood Zones containing the letters “A” or “V”, flood insurance is required. Please see **Flood Insurance** section for additional information.
Preliminary Title Commitment

Each submission package must include a preliminary title commitment. RMS may approve one or more Title providers. Premier Reverse Closings is an RMS preferred vendor and orders may be made on their website located at:

https://www.prclosings.com/clientlogin/onlineServices.cfm

**PLEASE NOTE:**

All L3 Sponsored Originators must utilize Title/Settlement Agents from our Approved Provider list within 30 days of submitting their first loan to RMS for underwriting.

All L5 Correspondents operating under a Principal/Authorized Agent relationship must utilize Title/Settlement Agents from our Approved Provider list OR submit a request to add a preferred vendor to our Approved Provider list within 30 days of submitting their first loan to RMS for underwriting.

Data from the preliminary title commitment should be entered into RMCompass® software. Title should provide commitments in a format that allows for processors to “copy and paste” legal descriptions directly into RMCompass® to avoid typographical errors.

We require a title commitment that includes the following:

- **Date of issue:**
  - The Date of Issue must not be older than 120 days at the time of closing.

- **Correct proposed insurance amount:**
  - The minimum amount of title insurance coverage required is the maximum claim amount.

- **Correct proposed insured:**
  - The proposed insured should be Reverse Mortgage Solutions, Inc. ISAOA/ATIMA unless the Wholesale Partner closes in their own name.

- **Correct vesting:**
  - Vesting must be in the borrower(s) name only/ Copy of most recent Warranty Deed/Quit
Claim/Grant Deed may need to be provided by Title to insure the current vesting of subject property. See also Vesting heading below.

- **Property address**
- **Legal description of the property**
  - The legal description must match the legal description on the Appraisal.
- **Tax search**
  - Tax Certificate must be current and indicate correct name/address
- **Liens & Judgments**
  - All liens on title must be paid off, or a satisfactory Subordination Agreement must be provided. See also Subordination Section.
- **Outstanding mortgages**

The title commitment is considered expired after 120 days. The vendor must issue a new and updated title commitment before clear to close will be issued.

**Vesting**

Vesting should be in fee simple or leasehold and include only those eligible for and part of the reverse mortgage transaction. Any non-Borrowers must be removed from title.

- If we are removing anyone from title, the title company must verify the final vesting and provide us with a draft of the corrective vesting document.
- If vesting shows a Living Trusts, or Life Estates, please read the appropriate heading.
- If vesting shows a deceased spouse, please refer to the Death Certificates heading.
- Check for Non-borrowing Spouses and refer to that heading if applicable. This applies whether the spouse is on title or not.
- Homes vested in a Family Limited Partnership are not accepted.

**Address**

Property address and legal description must match the Appraisal, Case # Assignment, USPS and Hazard/Flood Insurance Policies.

- Check for Leaseholds, Condominiums and Co-ops, and Planned Unit Development – PUD.
- Additional lots or acreage on the title that was not included on the appraisal should be removed from title. If the additional lots or acreage cannot be divided, an excessive land certification must be executed. Please see also the Rural, Agricultural and Excess Acreage heading.

**Taxes, Liens and Payoffs**

- All taxes, liens, judgments, and outstanding mortgages listed on the title must be paid off or removed from title commitment at closing. The only exception is a lien that is to be subordinated. For more information, see Subordination and Credit Reports and Documentation headings.
- Updated payoffs for all items to be paid at closing are required prior to final approval
  - Projected funding date should be within the effective dates of the payoff letter.
  - If the payoff statement has expired, we will require a letter from the closing agent acknowledging acceptance of the per diem, and stating that they will be responsible for any payoff deficiency if there is a shortfall.
  - The payoff amount should be calculated at least 10 days past the expected funding date.
At a minimum, taxes due within the next 60 days must be paid prior to or at closing. The settlement agent and/or Borrower may choose to collect payment for additional taxes at their discretion. If the title shows an existing HECM loan, see **HECM to HECM Refinance Transaction** heading.

If Borrower currently has a property tax deferral through the local taxing authority, the deferral program must be cancelled, and cannot be reinstated. All outstanding amounts due must be paid off in closing.

**Surveys**

We require survey coverage at closing on every loan. This means that we will never allow any survey exceptions to remain on the final title policy. In most states, the title company will automatically provide this coverage without a survey. Typically, Borrowers in Texas, Florida and New Mexico will need a survey in order to obtain survey coverage. Even in Texas, Florida, and New Mexico new surveys are not always necessary. In some cases, the Borrowers may have an old survey on file, and the title company will accept the old survey. In other cases, title companies will provide survey coverage without requiring a new survey. The title company is the final authority determining whether to approve survey coverage without a new survey.

All pertinent data from title commitments must be entered into RMCompass® to facilitate the Underwriting, Closing and Funding processes. Title & Settlement screens contain critical data necessary to produce final loan documents and closing instructions, including:

- Final vesting
- Legal description, or short legal
- Title Company
- Settlement Agent (if different from Title Agent)
- Trustee Information, if applicable

**Note:** If the subject property is in a Deed of Trust state, a Trustee is required for proper completion of the security instrument. This should be entered in the set-up area by the Company Administrator, but if missing can be entered at the loan level in Borrower Contacts.

**Special Title and Vesting Circumstances**

**Leaseholds**

Property held under a lease is eligible for an FHA reverse mortgage if the lease meets HUD guidelines.

A leasehold occurs when the land is not owned by the Borrower but by another party under a lease agreement. The underwriter will review the lease to ensure that it meets FHA guidelines:

**Leasehold Requirements:**

1. A copy of the full lease agreement is required and all information contained in the lease must be legible
2. The lease must be no less than 99 years and renewable or have a remaining term not less than 50 years past the 100th birthday of the youngest borrower.
3. The borrower(s) is the lessee on the ground lease
4. The lease may not contain restrictions of assignability Leases may not contain restrictions of assignability such as assignment by way of mortgage or assignment to or by the Federal Housing Administration or Department of Veterans Affairs or upon foreclosure, nor withhold consent for assignment because of the assignee’s national origin, race, color or creed so long as the leasehold is covered by an insured mortgage or a mortgage held by the Secretary or so long as the Secretary owns the leasehold.
5. The lease must permit the property to be mortgaged and must not conflict with the term of the mortgage
6. The mortgage is secured by the borrower’s ownership of the subject property, including the leasehold interest in the ground lease.
7. The lease must provide that ownership of both the fee simple title and the leasehold estate by the same owner will not affect a merger of such estates while either estate is encumbered by a mortgage, without the written consent of the mortgagee.
8. The leasehold agreement does not include any default provision that could result in forfeiture or termination of the lease, except for nonpayment of the ground lease rents.
9. The mortgagee must have a right to correct defaults within 120 days from receipt of notice to terminate the lease because of such default, or such further time as may be necessary to complete foreclosure.
10. The agreement provides that the borrowers pay taxes, and insurance, if applicable, toward the land any improvements.
11. There is no first right of refusal.
12. The leasehold is in full force and effect and is not subject to any prior lien or encumbrance by which the leasehold could be terminated or subjected to any charge or penalty.
13. The lease (including all amendments) is recorded and no party is in any way in breach of any provision of the lease or amendment.
14. The lease must provide protection of the mortgagee’s interest in the event of a property condemnation.
15. The lease must allow for an option to purchase.
   a. The lease must permit lessee or assigns to purchase fee simple title from lessor or assigns with 30 day written notice.
   b. The lease must permit purchase at a price not to exceed the original valuation of the lease fee.
   c. Buyer and seller may agree that this right shall not be exercised during the first 5 years of the lease term. (For exceptions see Section 6-31 – HUD Handbook 4150.1, Rev. 1 – Chapter 6).

**Ground Rent**

Ground rent is established in the local market place however the annual rental may not exceed the lesser of either of the following:

1. 12% of the site value.
2. The mortgage interest rate at the time of underwriting, less 2%, X the site value.

Ground Rent may increase periodically subject to the following:

- Rent may not be increase for the first 3 years of the lease term and subsequent rent increases
- May occur not more than once every 12 months.
Increase must be stated in the lease document in exact dollar amounts.
Establishment of future rentals by negotiation or by formula is not permitted.
Increases in any 12 month period may equal no more than 2% of HUD’s original site valuation, but at no time may annual ground rental exceed 12% of HUD’s original site valuation. (See 4150.1 Chapter 6 – paragraph 32 for example)

Leaseholds that do not meet above requirements

1. A leasehold addendum/amendment should be prepared by title to eliminate or amend any deficiencies. The borrowers and ground rent owners must sign the addendum/amendment and we must have evidence of recordation of the updated lease with any amendments/addendums.
   a. Note: The lease and all amendments must be recorded prior to closing.
2. The leasehold must be bought out and the final title policy should reflect the buyout of the leasehold and evidenced by a Fee Simple Warranty Deed.
   a. Note: All buyouts must be completed and recorded prior to closing. The preliminary title commitment and appraisal must reflect fee simple.

Leasehold Appraisals

The value of the property is established as though it were owned in fee simple and unencumbered by a lease. The value of the leased fee is then determined and deducted from the estimated value of the unencumbered property. The resulting difference is accepted as the value of the leasehold estate. The appraiser must be provide with a copy of the lease agreement which details the terms, conditions and restrictions of the ground lease and they must comment on any effect the terms of the lease have on value and marketability.

1. The appraiser must first arrive at an estimate of value for the subject property in fee simple.
2. Therefore any leasehold estate comps provided must have an adjustment adding back the leased fee to the sales price to arrive at the fee simple value. This will require the appraiser to check the annual ground rent for each leasehold comparable.
3. Once the fee simple value is determined the leased fee is determined by the annual rent divided by the capitalization rate and deducted from the fee simple value this determines the value of the leasehold estate.
4. The appraiser enters the value of the leased fee on the back of the URAR in the COST section by lining out the words “ESTIMATED SITE VALUE” AND WRITING IN “LEASED FEE.” The value in fee simple is still shown below on the line for “INDICATED VALUE BY SALES APPROACH” and just below on the line for “Final Reconciliation of Appraisal.” The appraiser should write in “SUBJECT ON LEASED LAND WITH ANNUAL RENT OF $_____ CAPITALIZED AT ____% = $______ Leased Fee.” Under “Reconciliation” on the line for final estimate the word “Market” should be lined out and replaced with the word “leasehold” so it reads, “I estimate the value of the Leasehold Estate as defined of the subject property” and the value of the Leasehold Estate shown at the end of that line. (See 4150.1 Chapter 6 paragraph 33 for further details or samples depending on length of term)

Life Estates

A property held in a life estate is eligible for an FHA reverse mortgage.

A life estate is an interest in real property allowing the owner of the life estate to use the
property during his or her lifetime. On the death of the owner of the life estate, his or her rights in the property cease, leaving a fee simple title to the property in the holders of the future interest in the property.

- The Borrower and all holders of any future interest in the property must execute the deeds at closing. Holders of future interest do not execute the note or loan agreement.

Please note: RMS requires that all remaindermen and persons holding a reversionary interest in the property be counseled. The remainder/reversionary interest must be an individual and may not be a trust or LLC.

**Subordination**

Subordination means that a lender is taking third position to the HECM loan (behind RMS and HUD). HUD has been very clear regarding the creation of a new financial obligation in relation to the reverse mortgage transaction. Such transactions are NOT allowed. Existing liens against the subject property, excluding first mortgage liens, may be subordinated provided they meet the following requirements:

- If the proceeds from the HECM are sufficient to cover the payoff of a forward loan, the borrower must satisfy the lien either by using the HECM proceeds to pay it in full or obtaining a satisfaction from the Lender.
- The customer cannot take out a lien in order to cover short funds at closing.
- Title must evidence the lien was recorded prior to application.
  - Recently recorded liens may be subject to further restrictions.
- The current lender must be willing to subordinate to the third lien position behind the Lender (RMS) and HUD.
- The borrower may not subordinate a mortgage or deed of trust that is currently in first lien position.
- The borrower may not subordinate a revolving line of credit.
- RMS may require the borrower to satisfy unpaid or local court-ordered judgments before closing at the underwriter’s discretion.
- Liens against the subject property that resulted from outstanding state or local court judgments must be satisfied and removed, or subordinated to the HECM first and second liens at closing.
- Federal judgments or debts must be paid in full before closing, or have a satisfactory repayment plan, even if they are not attached to the subject property.

**Subordination Agreement**

Subordination Agreements require Underwriter Approval prior to closing.

Two subordination agreements must be prepared by the current lender evidencing 150% of the maximum claim amount. One of these subordinates to the reverse mortgage lender, and the other subordinates to U.S. Department of Housing and Urban Development (HUD). The original subordination agreements must be recorded by the current lender or recorded at closing by the title company. A copy of the recorded Agreements must be kept in the file.

**Death Certificates**

A certified copy of the death certificate is required if someone with ownership interest on the property (and named on the title) is deceased and needs to be removed from the title. This includes any person named in a trust who is deceased.
Each state has different laws about removing deceased persons from title. An affidavit of death may also be required, based on state requirements. The title company must confirm that the deceased party can be removed from title at the closing without probate.

Non-borrowing Spouses

Effective with applications taken on or after November 1, 2013, Reverse Mortgage Solutions, Inc. will no longer close, fund or purchase loans that have a Non-Borrowing Spouse.

Exceptions to this rule are limited to:

1. Non-Borrowing Spouses who have never been on title and do not have any community property rights to the property OR
2. Non-Borrowing Spouses who can prove they do not occupy the property and do not have any community property rights to the property.

If the loan qualifies for one of the above exceptions, all other Non-Borrowing Spouse Guidelines will apply.

Non-Borrowing Spouses are not eligible for HECM for Purchase transactions (above exceptions do not apply).

Note: For borrowers in Puerto Rico, RMS will only accept Non-Borrowing spouse transactions when the Non-Borrowing spouse has never been on the title to the home AND where the primary borrower has a prenuptial agreement in place that specifies that the non-borrowing spouse has no interest/rights in the property and the property is the sole possession of the primary borrower.

Underwriting Guidelines for NBS Exceptions:

If an exception is granted, RMS requires the following from a non-borrowing spouse:

- All non-borrowing spouses must be counseled
- A separate credit report is required on all non-borrowing spouses
- The Borrower and non-borrowing spouse must sign the "Notice to Non-Borrowing Spouse or Resident" disclosure, preferably at application stage.
  - The Notice to Non-Borrowing Spouse or Resident replaces all previous forms, including the Homestead Advisory and Divestiture of Interest forms.
  - In signing this form, the non borrowing spouse acknowledges that he/she is aware of the possibility they may be required to vacate the property in the event of the Borrower's death or inability to occupy the property.
- Because each state's laws are different, (e.g., with some states having community property laws and others having homestead laws) the title company will be the definitive source regarding any and all state specific documents that must be executed. The proper documents must be executed at closing to ensure that any rights of the non-borrowing spouse have been properly extinguished.
  - Typically this will mean that the spouse will have to sign the Deed or Mortgage documents, Notice of Rescission and Truth-in- Lending form at closing.
  - Closing Instructions should include requirements for the Title Company to prepare the necessary state specific documents to be executed at closing.

Important: If any instrument extinguishing the non-borrowing spouse's interest is required to be
recorded under applicable state law, the instrument must be recorded before the new Mortgage or Deed of Trust is recorded.

**Legally Separated Spouses**

- HUD guidelines do not state whether or not a HECM loan can be made if the Borrower and his or her spouse are legally separated. Until HUD clarifies this, a notarized written statement from the non-resident spouse should be obtained covering the following points:
  - That the parties are separated and have been since [the period should be no less than 1 year] and their separation is permanent.
  - That the parties do not share marital or community property and live separate and apart.
  - That the non-resident spouse does not live in the proposed security property and has no claim to such property.
    - Additional documentation may be required to support not-occupant status at the Underwriter’s discretion
  - That the non-resident spouse acknowledges that the proposed security property is the separate property of the resident spouse.
  - That the non-resident spouse acknowledges and consents to the proposed reverse mortgage transaction.

- We will continue to require the Notice to Non-Borrowing Spouse or Resident Disclosure from the non-resident spouse.
- If the interest on the non-resident spouse has been properly extinguished the counseling requirement may be waived, at the discretion of the DE underwriter.

**Power of Attorney**

A Power of Attorney has the right to sign for and make decisions for the Borrower.

**POA Document**

The power of attorney documents must meet certain requirements:

- Durable (continues in effect if the Borrower becomes incompetent)
  - Note: Power of attorney in the state of Louisiana is automatically durable as per the state civil code.
- Give the right to encumber the property
- Executed by a competent Borrower
- Executed by the Borrower prior to the date of application
- Can be revocable or irrevocable; however if revocable, the POA must:
  1. provide a specific expiration date that is at least 90 days after closing, or
  2. state that it is revocable only by a written revocation recorded in the real property records of the subject county and the closing agent has confirmed that no such revocation has been recorded
- The title company must confirm in writing that they will be able to close the transaction using this power of attorney and that the POA paperwork meets state guidelines.
- RMS requires the Attorney-in-Fact to execute a POA Affidavit.

**Application, Counseling & Competency**

- The Loan Officer must confirm the POA’s identity and Social Security Number using the Patriot Act Disclosure. This document must be signed by the party verifying identity.
- The Power of Attorney (POA) must attend counseling.
If the Borrower is competent, the Borrower must
- Sign the initial application (1009) and HUD 92900(a)
- Attend counseling and sign the counseling certificate
- Provide a letter of explanation indicating the reason they are having the POA sign on their behalf

If the Borrower is using a POA at Closing, but did not at application, the Borrower must:
- Provide a letter of explanation indicating the reason they are now using the POA.
- Depending on explanation, other conditions may apply

If the Borrower is incompetent:
- The POA must provide proof that the Borrower is incompetent. This is typically a doctor’s letter explaining the nature of the incompetency and when it began.
- The Borrower must have executed the power of attorney when the Borrower was still competent.

Cases where the Borrower is competent to understand the loan, but is physically unable to attend counseling, will be decided on a case-by-case basis by the underwriter. Whenever possible, the Borrower will be required to attend counseling. TTD counseling is available for deaf Borrowers.

If a power of attorney is present at the counseling session, the person’s name designated as the client's POA must be included on the form HUD-92902, Certificate of HECM Counseling, and the POA must sign the certificate.

**EPLS & LDP**
The EPLS and LDP lists must be checked for the Attorney-in-Fact, just as for the Borrower. Please see EPLS and LDP section for instructions.

**Signing**
- The power of attorney must sign all loan documents and attend counseling and the closing.
- On the application and closing documents, the POA’s signature must follow the guidelines laid out in the POA document. A typical example:
  - “[Borrower’s full name] by [POA’s full name] as Attorney in Fact.” That is, “Jane Smith by John Doe as Attorney in Fact”

**At Closing**
At closing, the Attorney in Fact must certify that the Borrower is alive and that the power of attorney is in effect.

**Guardian or Conservator**
A Guardian (called a Conservator in some states) is appointed by a court to protect the Borrower’s interest because the Borrower has become incompetent and has not written a durable Power of Attorney.

**Guardianship Document**
The following documents must be included in the file if the Borrower has a guardian:
- A copy of the court order appointing the person as guardian or conservator.
- A court order to state that the court approves the loan transaction for a HECM reverse mortgage.
  - The words “reverse mortgage” and/or “adjustable rate, negative amortized loan” must be included in the court order
The court order must be signed by the judge.
The court order should not include any interest rate or loan amount.
  • If an interest rate is listed, it must be stated as an "initial rate" noting that it is an adjustable rate for a negative amortized loan.
  • If a loan amount is listed, it must not be less than the proposed recorded deed amount, which equals one and a half times the maximum claim amount.

If the property is in a trust, the court order will also need to authorize the trustee to act on behalf of the trust.
The title company must confirm in writing that they will be able to close the transaction using the Conservator or Guardianship paperwork.

**Application, Counseling & Competency**
The Loan Officer must confirm the Guardian/Conservator’s identity using the Patriot Act Disclosure form.
The Guardian/Conservator must attend counseling.
Since the Borrower is incompetent, he or she does not have to attend counseling.

**EPLS and LDP**
EPLS and LDP must be checked for the Guardian/Conservator, just as for the Borrower. Please see EPLS and LDP section for instructions.

**Signing Documents**
On the application and closing documents, the guardian's or conservator's signature must follow the guidelines laid out in the Guardianship Documents. A typical example: “[Borrower's full name] by [Guardian's full name] as [Guardian/Conservator].”

That is, “Jane Smith by John Doe as Guardian” Or, “John Smith by Jane Jones as Conservator”

**Living Trusts**

**General Trust Guidelines**

- HUD will insure HECMs on property held in the name of an inter vivos or “living” trust.
- Trusts must meet the following guidelines:
  - It is RMS policy to never suggest or recommend removal of the Borrower’s property from a trust.
  - If the trust does not meet RMS requirements, the Borrower should only be told in what way the trust does not meet RMS requirements.
  - If the home is put back into a trust after closing, the trust must meet the same requirements that it must meet before closing.
  - A Trust Acknowledgment is required on all transactions closing in a trust acknowledging the reverse mortgage lien is being placed on the subject property in trust.
    - If the Borrowers are removing the property from the trust, they will need to sign the Trust Acknowledgment stating that they understand this.
- The trust must be recorded and accurately shown in the vesting on the title commitment.
- Hazard Insurance should be in the Borrower’s name or in the same name in which the title is vested.
- Under the HECM program, all Borrowers must be Beneficiaries of the trust. The Borrower(s) may or may not be Trustee(s) of the trust; however, if they are, they must sign the required documents as both Borrower and Trustee. See Trust Items Signed at
Closing for specific detail.

**Revocable Trusts**

A revocable trust is one that:
- An individual created during his or her lifetime,
- Becomes effective during its creator’s lifetime, and
- Can be changed or cancelled by its creator at any time, for any reason, during that individual’s lifetime.

Note: The revocability of some trusts may change on the death of one Borrower.

**Irrevocable Trusts**

An irrevocable trust cannot be changed or cancelled once it is set up without the consent of the beneficiary. An irrevocable trust is an arrangement in which the grantor permanently departs with the ownership and control of the property.

**Land Trusts**

A land trust provides a unique form of ownership of real property. In an Illinois land trust, the legal and equitable title lies with the trustee and the beneficiary retains what is referred to as a personal property interest. The beneficiary has the exclusive power to direct or control the trustee in dealing with the title and the exclusive control of the management, operation, renting and selling of the trust property together with the exclusive rights to the proceeds from the property. The only power the trustee has in relation to the land is the power to convey title; the trustee can only use this power when properly authorized by the beneficiary.

Please see Trust Approval section for RMS recommended vendors for Trust Review & Approval services for all three (3) types of trusts.

**Beneficiaries**

The Borrowers must be the primary beneficiaries of the trust. They cannot be the residual or alternate beneficiaries. For more information, consult your local counsel. Special legal opinions may be required for Illinois or Florida Land Trusts.

**Obtain a Copy of the Trust**

- The trustee is under a fiduciary responsibility to hold and manage the trust assets for the beneficiary. The trustee’s responsibilities are set out in a trust agreement.
- A complete copy of the “Declaration of Trust” or “Trust Agreement” must be submitted to the underwriter and the title company with all amendments and schedules.
- California loans:
  - California Probate Code Section 18100.5 provides a means by which the trustee(s) of a trust can provide a certification of trust in lieu of an actual copy of a trust agreement to a third party who is contemplating entering into a transaction with the trust.

**Trust Approval**

- For all reverse mortgage products, the eligibility of a property held by trust is subject to review and approval of the trust by a qualified attorney AND the title company. An attorney’s opinion letter must be submitted to RMS prior to the loan being approved for final closing documents and/or purchase.
- RMS recommends the following vendors for Trust Review and Approval:
For Revocable Trusts:
Gregg & Valby, PC
legalreview@gregg-valby.com
1700 West Loop South, Suite 200
Houston, Texas 77027
800-688-1006

For Irrevocable Trusts:
Paul Lovegrove, Esq.
Attorney Trust Review
plovegrove@lovegrovelaw.com
631-669-4370

For Land Trusts
Law Offices of Solomon & Leadley
320 East Indian Trail
Aurora, IL 60505
Office: 630-892-7788
lendertrustreview@gmail.com

The processor will submit the trust to title company with the title order.
If the trust is acceptable to the title company, the title company will issue a special title endorsement.
If the title company (or if necessary, RMS outside legal counsel) does not approve the trust, then the loan is not eligible for approval to close and/or purchase by RMS.

**Trust Items Signed at Closing**

The Borrower(s) may or may not be the trustee(s) of the trust.
The Trustee(s) must sign the Notes, Mortgage Deeds and all riders at closing but do not execute the Loan Agreement. The Trustee(s) must also sign the Notice of Right to Cancel and the TIL document.
The Borrowers must sign the Note, Mortgage Deeds and all other loan documents. If the Borrower(s) and the trustees(s) are one and the same, they must execute the Mortgage Deeds as both (Trustee and Borrower).
The Trust Acknowledgment must be executed at closing for all loans closing in a trust or if the Borrower(s) are transferring the property out of a trust.

**Trusts with POAs or Conservators**

If the Borrower wants to use a Power of Attorney in combination with a trust, the closing agent must approve the use of a POA with a trust. Additional requirements apply for a POA – please refer to Power of Attorney heading.
On conservator trusts, the loan must be acknowledged by the courts. Other requirements for conservators may apply. See Guardian or Conservator heading.

**Signature by Mark**

Signing documents with a mark or ‘X’ is a permitted practice in all 50 states. Typically, it is done because of a physical impairment, not a mental one (If there is a mental impairment, and the borrower is not competent, then only a POA could act for the borrower). This topic is an element of contract law, and contract law is a feature of state law, not federal. Thus, there is no universal
standard that applies to all 50 states. The only common elements we know of that are universal are: 1) the borrower must personally appear before the notary, 2) properly identify him or herself, and 3) be able to understand and communicate with the notary to ensure that the signature is a free, competent act.

States may impose additional burdens on notaries (special notary clauses, certificates or special forms, etc.), but that’s incumbent on your settlement agent and/or notary to know. It’s one of the things they get paid to do, namely ensure that documents are properly executed under their state’s law.

RMS requires that if a borrower is signing with a mark, two witnesses are required. A single, notarized affidavit with two witnesses is acceptable to cover the entire application package, but two witnesses must execute all closing documents.

Special Property Guidelines

**Planned Unit Development – PUD**

A PUD is a community that requires the homeowner to pay a mandatory fee for the maintenance and use of common areas.

- At closing, the Borrower will sign an additional form called the PUD rider.
- Check the title commitment to be sure that the development is not recorded as a condominium instead of a PUD. If it is, see **Condominiums** and Co-ops heading.
- The title company should confirm there are no unpaid dues or assessments.
- If the roads are private, the association should include a certification that they own and maintain the roads.

**Condominiums and Co-ops**

**Definitions**

A condominium, or “condo,” is a type of joint real estate where each housing unit is individually owned and all residents collectively own the common areas of the building. Owners may have exclusive use of certain limited common areas. Common areas can include grounds, lobbies, elevators, hallways, surrounding property, and recreational facilities.

A co-op is a co-operatively owned apartment building. Instead of owning real property, the Borrowers own a long-term lease and the right to sole and exclusive use of a dwelling for an indefinite period.

**Co-Ops**

Co-ops are not currently acceptable under the FHA HECM program. Although Congress has approved the authority, HUD has not yet released guidelines.

**General Condo Guidelines**

**Eligible Projects**

Condominium units are eligible for financing by RMS when the following conditions are met:

- The project appears on FHA’s list of projects with an “Approved” HUD Review and Approved Process status. FHA Approved Condominiums list can be found at:
Note: Units in projects not on FHA’s approved project list are not eligible.

- The project must be comprised of at least 2 units.
- The project must continue to comply with the following FHA requirements:
  - Investor Ownership: No more than 10 percent of the units may be owned by one investor. This limitation also applies to developers/builders that subsequently rent vacant and unsold units. For condominium projects with ten or fewer units, no single entity may own more than one unit within the project; all units, common elements, and facilities within the project must be 100 percent complete.
  - Delinquent Home Owners Association Dues: No more than 15 percent of the total units can be in arrears (more than 60 days past due) of their condominium association fee payments.
  - Owner-Occupancy Rate: At least 50 percent of the units in a project must be owner-occupied or sold to owners who intend to occupy the units.
  - FHA Concentration Rate: Projects may have no more than 50 percent of the total units encumbered with FHA insurance.
  - The project must be covered by hazard, flood, liability and fidelity coverage, as applicable, meeting the requirements for condominium insurance.

- FHA will display the concentration information for each approved condominium development on the approved condominium listing, which can be found on both FHA Connection and on the public website at www.hud.gov. The concentration level will be based on case numbers assigned on units in a project; FHA will not issue new case numbers once the maximum concentration level (plus a small tolerance to accommodate some fall-out) has been reached in any particular development.

The following documentation is required for verification of project eligibility:

- Screen print of Condo Project Maintenance Results from FHA Connection showing approval
Homeowner’s Association Questionnaire must completed by the homeowner’s association or management agent. The Borrower may not be charged a fee for obtaining information from the association or agent.

Condominium appraisal report (Form 1073), with all information provided including remaining economic life. For site condominiums, the appraisal may be reported on Form 1004.

Homeowners Association must provide a copy of the blanket insurance policy declarations page to show that they have the correct coverage.

- The declarations page must be for the master policy that covers all of the buildings in the condo association.
- Condo coverage must include full replacement coverage for the buildings and liability of $1,000,000
- The condo coverage is usually handled by the homeowners’ association. A certificate of insurance is issued in the Borrower’s name with the unit number shown on the certificate, and the mortgagee clause.
- HO-6 (Walls-in) coverage is required if the master policy does not cover unit interior improvements or betterment
  - When required, HO-6 coverage must be 20% of appraised value.

Copy of flood coverage, if applicable

Please note: HUD requires the Lender to recertify that the project complies with HUD Guidelines each and every time a loan is made even if the project is on the approved list.

Detached (Site) Condominiums

For single family detached dwellings that are part of a condominium project (site condos), project approval is not required. However, the property must be classified as a condominium and a condominium rider to the security instrument is required. The appraisal should be reported on Fannie Mae Form 1073.
Delinquent HOA Dues/Superior Lien

When the subject property is a condominium or PUD unit located in a jurisdiction in which delinquent homeowner’s dues and assessments may become a lien that is superior to the first mortgage, confirmation that the dues and assessments are current at the time of loan funding or purchase will be required.

In cases where there are delinquent dues or assessments, the past due amount must be paid prior to closing and the Borrower must provide a written explanation for the delinquency and confirmation that the dues will be paid in a timely manner in the future. For closed loan purchase transactions, RMS will consider such loans on a case-by-case basis.

In order to be eligible for a reverse mortgage, the condo must meet these requirements:
- Remember to check the Title Commitment for Recreational Leases. These are no longer acceptable for FHA loans.
- If a termite inspection is required, and the Borrower is part of a Homeowner’s Association with an existing termite contract, that company should provide the report. See Termite Guidelines heading.

Condominium Appraisals

- Appraisals for condos must be on the 1073 appraisal format.
- Check to be sure appraiser has supplied remaining economic life.
- Additional required information includes:
  - The project’s amenities (land, parking, pool, etc.)
  - The condo building (number of floors, units, elevators, etc.)
  - Occupancy
  - Budget and fees
- Sales comparisons should also be condos

Right of First Refusal Permitted for Condos in HECM Program

A right of first refusal is usually present in “senior living communities,” such as those that prohibit occupants who are younger than a certain age. These associations have the right to buy the home (or refuse to buy it) before it is offered for sale to someone else. These condo associations usually are not accepted on an FHA loan.

For the HECM loan only, HUD has removed this restriction, and homes in a “right of first refusal” association are eligible for the HECM loan.

Recreational Leases for Condos

A Recreational Lease is a lease of the common areas (club house, pool, tennis courts, etc.) held by an outside party. RMS will not accept recreational leases of any kind as HUD will not insure a loan with a recreational lease provision.

Accessory Dwelling Units (ADUs)

The accessory unit is defined as a habitable living unit added to, created within, or detached from a single-family dwelling that provides the basic requirements for living, sleeping, eating, cooking, and sanitation. Accessory Dwelling Units (ADUs) are commonly understood to be a separate additional living unit, including separate kitchen, sleeping, and bathroom facilities, attached or detached from the primary residential unit, on a single-family lot. ADUs are subordinate in size, location, and appearance to the primary unit and may or may not have separate means of ingress or
Attached units, contained within a single-family home, known variously as "mother-in-law apartments," are the most common type of accessory dwelling unit. Accessory units usually involve the renovation of a garage, basement, or small addition to a single-family home.

The determination of whether or not an ADU is a second dwelling unit is to be made by the appraiser and indicated in the site analysis section of the report where zoning, highest and best use, and legal use are addressed. The fact that an ADU is rented or generates income should not categorically result in a determination that the property contains two dwelling units.

**FHA Criteria**

"Accessory dwelling unit" means a subordinate dwelling unit may or may not be incorporated within, or detached from a single-family structure. Accessory units may not be subdivided or otherwise segregated in ownership from the primary residence structure. Some accessory units may predate the adoption of local zoning ordinance and may therefore be classified as legal nonconforming units.

**Utility Service Requirements**

An accessory apartment must be connected to the utilities (except telephone, television and cable) of the dwelling unit and may or may not have separate services.

**Please note:** A 2-4 unit dwelling, with an accessory unit is ineligible for FHA financing.

**Modular Homes**

If the home is a modular home, not a manufactured home, these manufactured home guidelines do not apply. A modular home is different from a manufactured home.

In a modular home, the trailer is not a structural part of the home; weight is supported by exterior foundation walls and there is an official state label indicating acceptance under the state program. Modular construction is also a factory-built home, but is treated the same as a stick-built home for underwriting purposes. The underwriter will require documentation that the property is a modular home. If proved to be a modular home, there are no other requirements.

**Manufactured Homes**

Changes to manufactured housing requirements for new and existing construction were made by the Housing and Economic Recovery Act of 2008 (Public Law 110-289, approved July 30, 2008) (HERA). Manufactured housing is eligible for HECM financing and for Federal Housing Administration (FHA) mortgage insurance under Title II of the National Housing Act. At this time RMS, Inc. will NOT offer loans for the purchase of new manufactured homes under the HECM program. More information on FHA Insurance for Manufactured Housing under the Title II program can be found in HUD Handbooks 4150.2 Chapter 8; HUD Handbook 4145.1, Rev-2, Section 3-4 and Appendix 11; and Permanent Foundations Guide for Manufactured Housing, (HUD-7584), Mortgagee Letter 2009-16, and most recently by HUD’s new ManuFACTured Housing Newsletter located at [http://portal.hud.gov/hudportal/documents/hudoc?id=facts3.pdf](http://portal.hud.gov/hudportal/documents/hudoc?id=facts3.pdf)
Manufactured housing is eligible for HECM financing with RMS considering all of the following items are satisfied prior to loan closing:

- **Manufactured homes must:**
  - Not be a single-wide mobile home
  - Be built and remain on a permanent chassis
  - Have axles and tongue removed
  - Have permanent utilities installed
  - Have any/all additions compliant with county and HUD requirements

- **Built after 6/15/1976:** A manufactured home must be built after June 15, 1976, and bear an affixed “HUD tag” on each section to be eligible for purchase by RMS. The appraiser should verify the location and wording on the tag(s). **No exceptions are allowed.**

- **Square footage:** A manufactured home must have a floor area of not less than 400 square feet. **Please Note:** At least 2 comps must be provided with similar square footage.

- **Foundation:** The unit must be designed to be used as a dwelling with a permanent foundation built to FHA criteria. The foundation must be inspected by a licensed engineer or registered architect to confirm that it meets the guidelines in the Sept. 1996 PERMANENT FOUNDATION GUIDE FOR MANUFACTURED HOUSING, HUD-007487 and HUD Handbook 4145.1 Rev 2.
  - If a permanent foundation is to be constructed under an existing eligible unit, the unit may be **jacked-up or under pinned** in order to install a new foundation.
  - The Engineer’s Certification on Foundation Compliance with the PFGMH must be:
    - a) completed by a licensed professional engineer or registered architect, who is licensed/registered in the state where the manufactured home is located; and
    - b) site specific and contain the engineer’s or registered architect’s signature, seal, and/or state license/certification number. In states where seals are issued, the seal must be on the certification.
    - c) no more than six (6) months old at the time of effective date of the appraisal
An Engineer’s Certification on Foundation Compliance is not required in the loan file or insuring binder for a HECM to HECM Refinance, provided that no modifications have been made to the foundation or structure from the date of the effective certification.

- **Perimeter Enclosures:** The space beneath manufactured homes must be properly enclosed. The perimeter enclosure shall be a continuous wall (whether bearing or non-load bearing) that separates the crawl space from backfill, and keeps out vermin and water. The enclosure must be adequately secured to the perimeter of the unit and allow for proper ventilation of the crawl space. Accordingly, for:
  
  a) **New Construction:**
  - The space beneath the home shall be enclosed by a continuous foundation-type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure.
  - The enclosure shall be adequately secured to the perimeter of the home and be constructed of materials that conform, accordingly, to HUD Minimum Property Standards (MPS) (such as: concrete, masonry, or treated wood) and the PFGMH for foundations.

  b) **Existing Construction:**
  - If the perimeter enclosure is non-load bearing skirting comprised of lightweight material, there must be adequate backing (such as: concrete, masonry, or treated wood) to permanently attach and support or reinforce the skirting.

- **Single installation:** The manufactured unit must not have been installed or occupied previously at any other site or location. Manufactured units may be moved only from the manufacturer’s or dealer’s lot to the site on which the unit will be insured, and must have been permanently installed. The underwriter will look for any signs from either the appraisal report or other documentation that indicates it has been moved more than once.

- **Appraisal for Manufactured Homes:**
  - Appraisals for manufactured homes must be on the 1004c format for manufactured homes.
  - Major differences from other appraisals include:
    - At least 2 comps must be manufactured (even if outside neighborhood)
    - Spaces to fill in required HUD data as discussed above
    - Spaces to discuss additional modifications and improvements

- **Manufactured Homes in Condo Projects:** Under authority granted by enactment of HERA, individual manufactured housing units in condominium projects are now eligible for FHA insurance. Until updated guidance on the processing of condominium project approvals is published, manufactured housing condominium project approval is subject to the requirements of HUD Handbook 4150.1, Chapter 11. The Spot Loan Approval process as defined in Mortgagee Letter 1996-41 is not applicable. All manufactured housing project approval requests must be processed by the Homeownership Center that has geographical authority over the property to be insured. RMS may impose a pricing adjustment – contact Capital Markets for details.

- **HUD Seal:** All manufactured homes must have an affixed HUD label (tag) or data plate located on the outside of the home. If the home is a multi-wide unit, each unit must have a
label. In some instances, the units may not be sequentially numbered. Appraisers are to list the manufactured unit’s label number(s) on the appraisal report in one of the comment sections, preferably on the front page under "Additional Features".

All transportable sections of manufactured homes built in the U.S. after June 15, 1976 are labeled. The label is the manufacturer's certification that the home section is built in accordance with the U.S. Department of Housing and Urban Development's Construction and Safety Standards in effect on the date the home was manufactured. HUD Standards include Body and Frame Requirements, Thermal Protection, Plumbing, Electrical, Fire Safety, and other aspects of the home.

Each Certification Label has a unique label number and is two inches (2") by four inches (4") in size. The label number consists of three letters followed by a number of six or more digits. The three letters designate the Production Inspection Primary Inspection Agencies (PIPA) that issued the Certification Label to the manufacturer.

The Certification Label is permanently affixed to the exterior of each transportable section. The label is located one foot (1') up and away from the left rear corner (facing forward; the tow bar end indicates the front of the section).

The Certification Label number can become necessary when placing the home in a manufactured home community, or may be demanded by insurance underwriters or by lenders when the home is purchased or refinanced. However, over the life of the home, the Certification Label is sometimes inadvertently removed. This could have occurred when the home was sited, installed on a foundation, re-sided, or for other legitimate reasons. HUD does not reissue lost or missing labels once the home has been sold. In these cases, Certification
Label Verification can be provided.

This verification is issued by IBTS, HUD’s contractor, and is acceptable in lieu of a replacement label. Labeling information for all homes built under the Federal Program since June 15, 1976 is maintained by IBTS.

Please Note: If the tag is missing, the appraiser should find the HUD data plate in the interior of the home. It will usually be in one of three places: on or near the main electrical panel, in a kitchen cabinet, or in a bedroom closet.

- **Classified as Real Property**: The manufactured home must be classified as real property (i.e. the DMV title must be relinquished), and generally taxed as such. Contact title if you are not sure if the manufactured home is classified as real or personal property for the state in which it is located.
  - If the manufactured home is not taxed as real property; condition for clarification of which option will be provided (recording a title elimination OR 116.5 endorsement). The underwriter should enter the appropriate PTC condition in Compass.
  - If the title reflects the title elimination has already been recorded on the manufactured home, no additional PTF conditions will be required.

- **Flood Zone**: Manufactured Homes located in a flood zone or partially within a flood zone are ineligible.

**Insurance**

**Hazard Insurance**

Each submission package must include a proof of insurance. Refer to either the Application Information Form in the submission package or the “proof of insurance” collected from the Borrower(s) for agent contact information and policy number. If the loan is closing in the name of RMS, all declaration pages must contain the following mortgagee clause prior to closing:

**Reverse Mortgage Solutions, Inc.**
**ISAOA/ATIMA**
**P.O. Box 690230**
**San Antonio, TX 78269**

All declarations pages must include evidence of payment status. Property insurance for a home mortgage must show the property is protected against loss or damage from fire and other perils covered by the standard extended coverage endorsement.

The definition of a standard extended coverage endorsement is:

Extension of coverage available under the standard fire policy: The standard policy only covers the perils of fire and lightning. The endorsement covers riot, riot attending a strike, civil commotion, smoke, aircraft and vehicle damage, windstorm, hail, and explosion.

*Property insurance must include protection against loss or damage from fire or other hazards covered by the standard extended coverage endorsements for the life of the loan. The coverage should provide replacement cost or else provisions for inflation adjustments. Hazard binders or policies that limit or exclude coverage in whole or in part from windstorm, hail*
damages, or other perils normally in an extended coverage endorsement are not acceptable.

In Puerto Rico, Earthquake Coverage is required. It is generally a part of the standard Hazard policy and cannot be excluded from the policy.

General Coverage Requirements:

- The policy must be effective at time of closing and be paid through 60 days past the funding date, unless restricted by state law.
- The following items must be clearly and consistently indicated: Borrower’s name, effective date, coverage amount, correct address, and mortgagee clause.
- The hazard insurance must be greater than or equal to one of the following replacement amounts:
  - Guaranteed replacement cost on the dwelling
  - Estimated Cost New
  - Appraised Value minus the Site Value
- If a policy includes provisions for inflation adjustments, we will accept this providing:
  - The increase is enough to bring the coverage to the required amount
- If the Borrowers are paying for the increase in hazard insurance at the closing, we will typically collect a full year’s hazard insurance payment UNLESS the hazard insurance company states in writing that a smaller payment is acceptable.

Deductible: Unless a higher maximum deductible amount is required by state law, the maximum allowable deductible is 5% of the face amount of the insurance policy.

Additional Requirements for Condo & PUD master policies:
The policy must cover all of the general and limited common elements that are normally included in coverage including fixtures, building service equipment, and common personal property and supplies belonging to the homeowner's association. Commercial and general liability coverage for condominiums must be at least $1 million for bodily injury and property damage per single occurrence. Please also see Condominiums and Co-ops section.

Flood Insurance

The flood certification determines whether flood insurance is needed, and if so, whether flood insurance is available. Note: If the community related to the property does not participate in the National Flood Insurance Program (NFIP) the property may not be eligible. See Flood Zone Mapping
For properties in Flood Zones containing the letters “A” or “V”:

- If the Borrowers do not currently have flood insurance, a new policy must be obtained.
- If the Borrowers must get new insurance, or increase the existing coverage, the “Notice to a Borrower in a Special Flood Hazard Zone” must be signed by the Borrower at least ten days prior to loan closing.
- Adequate proof of insurance is required before the loan is cleared to close.
- The Borrower must provide a copy of the declarations page showing the appropriate insurance coverage.

For properties in Flood Zone D:

- RMS does not currently require flood insurance; however, Borrowers are strongly encouraged to obtain a flood insurance policy.

Additional Requirements:

- If the loan is closing in the name of RMS, the mortgagee clause must reflect the following loss payee endorsement:

  Reverse Mortgage Solutions, Inc.
  ISAOA/ATIMA P.O.
  Box 690230
  San Antonio, TX 78269

- Flood insurance must be effective at the date of closing, and must be good through 60 days after the closing.
- If the community in which the property is situated is participating in the National Flood Insurance Program, flood insurance should generally be in the form of the standard policy issued under the National Flood Insurance Program. The coverage should be of the type that provides for claims to be settled on a replacement cost basis or includes provisions for inflation adjustments in lieu of settling claims on a replacement cost basis. Policies must meet the NFIP requirements, such as those issued by licensed property and casualty insurance companies that are authorized to participate in the NFIP's "Write Your Own" program.

Coverage:

- Maximum Claim amount
- Appraisal’s Total Estimated Cost New. (This number should be in line with 100% of the insurable value of the improvements as established by the property insurer.) OR
- The maximum insurance available under the appropriate National Flood Insurance Program (NFIP). (Current maximum is $250,000 or $250,000 per unit for Condo and PUD master policies.)

Deductible: Unless a higher maximum deductible amount is required by state law, the maximum allowable deductible is $5,000. For a condominium or PUD master policy the maximum allowable deductible is $25,000. Flood insurance is required if the mortgage is to cover property that:
  - Is located in an area designated by the Federal Emergency Management Agency (FEMA) as a flood plain area having special flood hazards
• Is otherwise determined by the commissioner to be subject to a flood hazard

- **Manufactured homes located in or partially in a flood zone are ineligible.** All Manufactured Home must include a statement in the file from the appraiser that: "The finished grade elevation beneath the manufactured home or, if a basement is used, the lowest finished exterior grade adjacent to the perimeter enclosure, shall be at or above the 100-year return frequency flood elevation”.

- **Condo & PUD master policies** must cover all of the general and limited common elements that are normally included in coverage including fixtures, building service equipment, and common personal property and supplies belonging to the homeowner’s association.

- **Coastal Barrier Resource Act (CBRA)**

  Effective March, 2011, FHA will not insure properties located within designated coastal barriers in accordance with the CBRA. Underwriters should carefully review appraisal comments on properties in the states below to ensure properties are not located in a Coastal Barrier Resource System (CBRS); if not satisfied that the appraisal was completed accurately, underwriters are directed to check the CBRS website to confirm property is not in a CBRS: [http://www.fws.gov/habitatconservation/coastal_barrier.htm](http://www.fws.gov/habitatconservation/coastal_barrier.htm)

  The CBRA covers properties in *portions of* the following states:

<table>
<thead>
<tr>
<th>ALABAMA</th>
<th>MASSACHUSETTS</th>
<th>PUERTO RICO</th>
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<tbody>
<tr>
<td>CONNECTICUT</td>
<td>MICHIGAN</td>
<td>RHODE ISLAND</td>
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<td>DELAWARE</td>
<td>MISSISSIPPI</td>
<td>SOUTH CAROLINA</td>
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<td>FLORIDA</td>
<td>MINNESOTA</td>
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<td>GEORGIA</td>
<td>NEW JERSEY</td>
<td>U.S. VIRGIN ISLANDS</td>
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<td>LOUISIANA</td>
<td>NEW YORK</td>
<td>VIRGINIA</td>
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<td>MAINE</td>
<td>NORTH CAROLINA</td>
<td>WISCONSIN</td>
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<td>MARYLAND</td>
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- **RMS will reject any property located in a designated CBRS.**

- Please refer to **Quick Reference Flood Zone Requirements** below (Appendix to HUD Mortgagee Letter [2010-43](#))

<table>
<thead>
<tr>
<th>Life-of-Loan Flood Zone Determination</th>
<th>New &amp; Proposed Construction</th>
<th>Existing Construction</th>
<th>Manufactured Homes</th>
<th>Condos</th>
<th>All Other Properties</th>
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<tr>
<td>Property located within Coastal Barrier Resource System (Protected Areas)</td>
<td>Required</td>
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<tr>
<td>Property located within Special Flood Hazard Area (SFHA)</td>
<td>Property Not Eligible for FHA Insurance</td>
<td>Adequate Flood Insurance for term of loan (if insurance under NFIP not)</td>
<td>Property Not Eligible for FHA Insurance</td>
<td>Adequate Flood Insurance for term of loan (if insurance under NFIP not)</td>
<td>Adequate Flood Insurance for term of loan (if insurance under NFIP not)</td>
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<tr>
<td>Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR)</td>
<td>Property Eligible for FHA Insurance</td>
<td>No Flood Insurance Required</td>
<td>Property Eligible for FHA Insurance</td>
<td>No Flood Insurance Required</td>
<td>No Flood Insurance Required</td>
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<td>Or</td>
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<tr>
<td>FEMA National Flood Insurance Program (NFIP) Evaluation Certificate (FEMA Form 81-31)</td>
<td>Property Eligible for FHA Insurance. Flood Insurance Required (if property remains in SFHA)</td>
<td>Flood Insurance Required (if property remains in SFHA)</td>
<td>RMS will not lend on a manufactured home with a subject property located in a flood zone or partially within a flood zone.</td>
<td>Flood Insurance Required (if property remains in SFHA)</td>
<td>Flood Insurance Required (if property remains in SFHA)</td>
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</table>
Appraisal Review

In accordance with HUD Mortgagee Letter 2009-28, RMS will accept one or more Appraisal Management Companies (AMC) to provide appraisal reports. All AMC’s (and appraisers assigned by same) must be on RMS’ Approved List. Our Approved AMC List is subject to change at any time. Please refer to our current Approved Appraiser List.

RMS highly recommends employing our Appraisal QC Review Guidance when choosing an AMC and ordering appraisals.

**PLEASE NOTE:**

All L3 Sponsored Originators must utilize Appraisal Management Companies from our Approved Provider list within 30 days of submitting their first loan to RMS for underwriting.

All L5 Correspondents operating under a Principal/Authorized Agent relationship must utilize Appraisal Management Companies from our Approved Provider list OR submit a request to add a preferred vendor to our Approved Provider list within 30 days of submitting their first loan to RMS for underwriting.

All appraisals of properties that are to be secured by FHA-insured mortgages must be reported on one of the following forms based on property type:

- **Uniform Resident Appraisal Report** for all 1 unit single family dwellings, including a PUD (Fannie Mae Form 1004)
- **Manufactured Home Appraisal Report** for all manufactured homes (Fannie Mae Form 1004C)
- **Individual Condominium Unit Appraisal Report** for all individual condominium units (Fannie Mae Form 1073)
- **Small Residential Income Property Appraisal Report** for all 2-4 unit dwellings (Fannie Mae Form 1025)

**Key Appraisal Requirements**

- Occupancy must reflect OWNER – if property is non-owner occupied, RMS will reject the loan
- If the property is a PUD, please refer to additional requirements under that heading
- Subject property must not be currently for sale
- Present Land Use should not reflect a current change underway to non-residential use
- Non-residential use must be subordinate to the property’s residential use and character and may not exceed 25% of the total floor space.
  - Properties that are primarily commercial in nature (e.g. bed and breakfast, boarding house, large commercial enterprises exceeding 25% of floor space) are ineligible.

**SITE**

- **Zoning** classifications must match Residential zoning and must allow for the number of units. If there is zoning, Zoning Compliance must be “Legal”. If it is “Legal non-conforming” we will need either appraiser confirmation that the property can be rebuilt (appraiser must list have confirmation was obtained) or we will need a letter from the zoning board stating that the home can be rebuilt if completely destroyed. We **may** also require the Borrower to
sign a “Hold Harmless” agreement at the closing saying that they understand that if the home is destroyed, home insurance payments will be paid first to satisfy the lien. If zoning is illegal, the file will be rejected. If there is no zoning, the file will be accepted as long as the home is in a residential area (rather than a commercial area).

- **Highest and Best Use** must be “Present Use”. For example, if the Borrowers live in a small house in the midst of a group of skyscrapers, that is not the highest and best use of the property, and we will probably reject it.
- If there is a well on the property, please refer to the Private Well heading.
- **Site hazards and nuisances** affecting the subject property must be noted by the appraiser if they potentially endanger the health and safety of the occupants and/or the structural integrity or marketability of the property. The hazards include, but are not limited to soil contamination; operating and abandoned oil and gas wells; abandoned wells; slush pits; heavy traffic; airport noise and hazards; runway clear zones/clear zones; proximity to high pressure gas, liquid petroleum pipe lines or other volatile and explosive products; high-voltage transmission lines; radio/TV transmission towers; excessive smoke, fumes, odors and stationary storage tanks containing flammable or explosive material. Other hazards that must be assessed include potential damage from soil or other differential ground movements, subsidence, ground water, inadequate surface drainage, flood, erosion, excessive noise, defective lead base paint and other hazards on or off the site.

**IMPROVEMENTS**

- Single family one to four unit homes are acceptable for the HECM loan. If the home has more than 1 ½ units, the appraiser must use the Small Residential Income Form (1025).
  - A half-unit is a unit that is subordinate in size and design to the main unit, such as a basement apartment in a residential home. 1½ units are allowed; appraiser should use the single-family form (1004). 2½, 3½, and 4½ units are not allowed.
- If the foundation shows evidence of infestation, dampness, or settlement, the appraiser should condition for repairs.
- **Heating**:
  - Check for oil heaters, space heaters, wood stoves, and unusual sources of heat.
  - All homes must have heat, except in counties in tropical areas (Southern Florida and Hawaii). See HUD updated listing for specific counties.
- Barred bedroom windows and only one window per room must have an emergency release mechanism.
- Appraiser must list repairs in Condition of Property, and repeat the repair information in the Comments on page 3.
- If the property is an unusual home (such as a log home or an extremely modern home) the appraiser should find additional comps (even if they are out of state). RMS requires the appraiser to also complete the Cost Approach Section.

**SALES COMPARISON APPROACH**

- The appraiser must provide at least three comparables less than one year old.
- Home must be 100% complete at time of inspection and a Certificate of Occupancy is required if the home is newly constructed.

**COST APPROACH**

- The estimated remaining life of the property must be shown. The remaining life must be at least 30 years or longer. (This is only likely to be a problem with manufactured homes)
- If the Estimated Site Value exceeds 35% if the home value, appraiser must comment on
whether that is typical for the area.
➢ To assist in calculating the hazard insurance coverage, the appraiser must complete the entire Cost Approach section or provide the site value or estimated cost new.

PLANNED UNIT DEVELOPMENT
➢ Check to make sure that the Borrower is current on their dues to the PUD (title search should show this).
➢ Check to see if roads are marked as public. If not, please refer to
➢ Private Roads and Shared Driveways heading.

ATTACHMENTS
Home may not be listed as for sale, under contract, or active listing; check the photographs for signs in yard. If appraisal indicates home is currently listed for sale, the underwriter will condition for the home to be removed as an active listing. No condition is necessary if the appraiser indicates the home was “recently” listed for sale, however the Underwriter may request additional occupancy verification from the Borrower. The Borrower cannot list the property for sale after the HECM application has been taken.

RE-USE OF APPRAISALS
Appraisals that were used to close a previous FHA loan cannot be re-used, even if they are less than four months old. Each new FHA loan requires a new appraisal.

SECOND APPRAISALS
RMS will not accept second appraisals from a different appraiser unless the original appraisal has expired. In that instance, BOTH appraisals must be submitted in the loan file.

EXPIRATION OF APPRAISALS – VALIDITY PERIOD
Appraisals expire after 120 days (not 4 months!). The term of the appraisal begins on the day the home is inspected by the FHA-approved appraiser and this date appears on the URAR.
The table below lists validity periods based on the type of property being appraised.

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<tr>
<th>If the...</th>
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<th>Then the appraisal validity period is...</th>
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<tr>
<td>property is existing, proposed or under</td>
<td>appraisal <strong>is not</strong> updated using the</td>
<td>120 days for the original appraisal plus a 30 day</td>
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<td>construction</td>
<td>Appraisal Update and/or Completion Report</td>
<td>extension.</td>
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<td><strong>Important:</strong> The 30 day extension period cannot</td>
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<td>be used for cases where the original appraisal</td>
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<td>has been updated using the Appraisal Update</td>
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<td></td>
<td></td>
<td>and/or Completion Report.</td>
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<td>A loan utilizing D/E extension must be closed</td>
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<td>within 150 days from the effective date of the</td>
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<td>appraisal report.</td>
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<tr>
<td>property is existing, proposed or under</td>
<td>appraisal <strong>is</strong> updated using the</td>
<td>240 days, and consists of</td>
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<tr>
<td>construction</td>
<td>Appraisal Update and/or Completion Report if a</td>
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<td></td>
<td>loan has not closed</td>
<td>• 120 days for the original appraisal, plus</td>
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<tr>
<td>Property is HUD Real</td>
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<td>• 120 days for the Appraisal Update Report.</td>
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<td>Estate Owned (REO)</td>
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<td><strong>Important:</strong> A loan utilizing loans that have</td>
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<td>not closed within the 240 day appraisal validity</td>
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<td>period.</td>
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Note: If the buyer is financing the purchase with an FHA-insured mortgage, a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or the lender must order a new appraisal or an appraisal update to support the mortgage transaction.

Please refer to HUD 4155.2 4.4.n for more information.
DECLINING HOUSING MARKETS

There is an increased potential for the overstatement of property values in appraisal reports for properties located in declining market areas. Additional due diligence is required in reviewing the appraisal and assessing the collateral that secures the mortgage loan.

Strong indicators of a declining market include:

- A high foreclosure rate
- A large concentration of homes for sale in the area
- Marketing time of more than 6 months
- A lack of recent sales or listings to support the value of the subject additional information is required from the appraiser:
  - Comparables must include at least one pending sale and one active listing. If a pending sale is not available, an additional listing may be substituted.
  - Comparable sales should be no older than 90 days. If it is necessary to use older sales, adequate adjustments for time must be made.
  - The number of days on the market must be included for all comparables – closed sales, pending sales and listings. For closed sales, the sales price to list price ratio should be shown.
  - Comments from the appraiser regarding the decline in values in the area and how the decline was considered in estimating the value of the subject. The appraiser should also comment on whether there is a high concentration of foreclosure sales in the area.
- FNMA Form 1004MC (Market Conditions Addendum) is required to be submitted with all appraisals.

The age of the appraisal should be considered. Older appraisals may require updates from the appraiser including updated comparables.

Please Note: Review appraisals may be required at the discretion of RMS.

Effective date and actual appraised value should be updated in RMCompass® or Reverse Vision along with:

- Signature Date
- Property Type
- Appraiser Name
- HOA Name, if any

Variances in “actual appraised value” and “estimated value” may require re-disclosure of the Good Faith Estimate.
Appraisal Logging

For all Level 3 and Level 5 Partners, RMS Fulfillment Center will log the appraisal in FHA Connection. Level 4 Partners are responsible for logging the appraisal on each loan delivered to RMS.

FHAC has specific information on how to log your appraisal at the following website:  

Lenders are responsible for ensuring that the appraiser who actually conducted the appraisal is correctly identified in FHA Connection (FHAC). Lenders who fail to ensure that FHAC reflects the correct name will be subject to administrative sanctions.

Repairs

Repair Policy Overview

Property deficiencies are identified by an appraiser, inspector, or termite company. The underwriter decides which of these problems must be repaired.

Termite reports are handled separately from other repairs. Please see the Termite and Pest Inspections heading in this Guide. Required repairs are usually only those necessary to protect the health and safety of the occupants or the soundness/security of the structure. All required repairs must be addressed before the loan is cleared to close, either by planning a set-aside, or by showing that repairs are complete and inspected. Encourage Borrowers to complete repairs prior to closing when possible, and send us an inspection to show the repairs are complete.

For the repair set-aside, send one contractor's bid, selected and approved by the Borrower, prior to closing.

- The Loan Originator is responsible for helping the Borrower choose a contractor. Provide a list of contractors to choose from; do not recommend a particular contractor.
- Appraiser's estimates may be accepted at the Underwriter's discretion; however, the set-aside amount required will be higher.
- Please refer to the Repair Set-asides heading for calculating amounts. The RMS Servicing Department will administer the repairs and make sure that they are completed and inspected after closing. A repair administration fee is included in the repair set-aside. The administration fee is the greater of $50 or 1.5% of the funds used for repairs.
- The disbursement method is at the discretion of the RMS Servicing Department. After closing, the Servicing Department administers the repairs and disburses funds to the borrower and contractor as appropriate. The Borrower orders the repairs directly from the contractor. The repairs must be completed within six (6) months after the closing.
Which Repairs Must Be Completed

Repairs needed to complete voluntary remodel will be treated the same as required for deferred maintenance. The Underwriter decides which repairs will be required, on a case-by-case basis.

Examples of repairs that WILL be required:

- Inadequate exits from bedrooms to exterior of home
- Leaking or worn out roofs (if 3 or more layers of shingles are leaking or worn out, all existing shingles must be removed before re-roofing)
- Evidence of structural problems (such as foundation damage caused by excessive settlement)
- Defective paint surfaces in homes constructed pre-1978.
  - If the damage to the paint is minor, repairs are not required unless there is a child under the age of seven years residing in the property.
- Defective exterior paint surfaces in any home, regardless of the age of the home, where the finish is otherwise unprotected.

Examples of repairs that MAY be waived:

- Missing handrails
- Cracked or damaged exit doors that are otherwise operable
- Cracked window glass
- Defective paint surfaces in homes constructed after 1978
- Minor plumbing leaks (such as leaky faucets)
- Defective floor finish or covering (worn through the finish, badly soiled carpeting)
- Evidence of previous (non-active) termite damage where there is no evidence of un-repaired structural damage
- Rotten or worn out counter tops
- Damaged plaster, sheetrock or other wall and ceiling materials in homes constructed after 1978
- Poor workmanship
- Trip hazards (cracked or partially heaving sidewalks, poorly installed carpeting)
- Crawl space filled with debris and trash
- Lack of an all weather driveway surface

Repairs that MUST be completed prior to closing:

In some cases, RMS will not approve a repair set-aside. This is usually due to the urgent nature of the repairs, or possible the high cost. These are typically health and/or safety issues.

Examples include:

- Broken or inoperable exterior windows
- Active Termite Infestation
- Inadequate exits in case of fire
- Roof leaks
- House must be jacked up to repair foundation
- Well and septic don’t meet FHA requirements
- Sparking, smoking, unconnected, frayed electrical wiring
- Evidence of sink holes or slush pits
- Easements for “high-pressure” gas or oil lines
- Evidence of soil contamination
- Property cannot be legally accessed by road or right-of-way
Rev 

(See also Site Hazards and Nuisances under Key Appraisal Requirements heading and Termite Guidelines)

Repair Set-asides

Sometimes a repair set-aside is not feasible because the repairs are too expensive as related to the home’s value.

**Limits on repair cost when establishing a set-a-side:**

- If the bid is less than or equal to 15% of the maximum claim amount, a repair set-aside may be established for repairs.
- If the bid is more than 15% of the maximum claim amount, then repairs must be completed prior to closing to bring the total repair set-aside down to 15%.
  - Example: Max claim is $100,000, and the repair bid is $17,000 (17% of $100,000). $2,000 in repairs must be done and inspected for clearance, so that the resulting pre-closing repair bid is $15,000 (15%) and a repair set-aside may be established for the remaining repairs.
- If required repairs are estimated to cost more than 30% of the Maximum claim amount, the Valuation Branch of the local HUD office should review the property to determine if it is acceptable. A property should not be rejected by an appraiser.

**Contractor Qualifications**

- All repairs must be performed by an engineer, licensed contractor, or qualified professional.
- We **may** accept an appraiser’s estimate for minor repairs at the discretion of the Underwriter. Simply including the estimate in the file is not enough. You must tell us specifically that you plan to use an appraiser’s estimate; otherwise, we will condition for a contractor’s bid.
- A contractor’s bid is required for structural and foundation repair issues. Soil pollution issues require an EPA inspector.
- Even if you are escrowing for repairs, the Borrower must select a contractor before you can get a clear to close.
- If you assist a Borrower in selecting a contractor, give the Borrower a minimum of three (3) contractor names.
- Contractors should be licensed in the states in which they operate (if the state requires licensing). Electricians and plumbers must always be licensed. This website lists state requirements: [http://www.contractors-license.org/index.html](http://www.contractors-license.org/index.html)
- All contractors should be qualified to perform the type of work being contracted for, such as electrical, plumbing, foundation, etc.
- A Borrower may perform his or her own work. However:
  - At least one bid is required to estimate the cost of the repair project for the set-aside account.
  - The repairs must be minor in nature and the homeowner must be deemed capable to complete the repairs as determined by the Underwriter or the Servicing Department. To perform electrical or plumbing work estimated to be more than $200, the homeowner must be licensed.
**Contractor Estimate (Bid) Requirements**

- Send only one bid for each repair. We will not choose between two bids. When assisting the Borrowers with obtaining a bid, give them a list of at least 3 contractors. Do not recommend a particular contractor. Bids must be legible and must include:
  - Contractor’s telephone number
  - Clearly stated required repair items (itemized)
  - Total Cost for job

If the bid is for structural damage, the bid must say whether or not the house will need to be jacked up or supported to do the work. If it must be jacked up or supported, the bid must say whether or not it is safe for the Borrower to remain in the house during the repairs. When a structure requires jacking or supporting, the repairs must be completed prior to closing. The underwriter must determine if the structural, foundation, or soil pollution risk is acceptable to approve the loan.

**Repair Set Aside Calculation**

- Prior to closing, the Borrower must select the contractor who will be performing the repair work.
- We calculate the repair set-aside based on the bid selected. This should be the same contractor who will perform the work.
- Repair set-aside calculations range from 150% to 300% of the bid.
- When we calculate the repair set-aside, we include a compliance inspection fee of $120 for each of two (2) inspections estimated to be required, for a total of $240.
- We require repairs to be completed within six (6) months of closing.
- If the repairs are completed without using all the funds in the set-aside, we will refund the remaining funds to the Borrower or put into a line of credit (if ARM loan).
- If the cost of the repairs exceeds the amount initially set aside for repairs, the Borrower must still have the required repairs completed. He or she may draw against any available Line of Credit (if applicable) to cover the excess cost, or send funds directly to our Servicing Division. This procedure might require a recalculation of the Borrower’s payment plan if the Borrower is set up on an ARM loan and a Line of Credit is accessed.
- Repair set-aside requirements are calculated using the following formulas:

<table>
<thead>
<tr>
<th>Contractor Bid Amount</th>
<th>Formula to Establish Repair Set-Aside Account</th>
<th>Minimum Set-Aside Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100 and above</td>
<td>Contractor’s bid amount multiplied by 1.5 times (150%), plus $240.00 Inspection Fee, plus the greater of $50.00 or one and one half-percent (1.5%) of the repair estimate. OR Appraiser’s estimated amount multiplied by 3 times (300%), plus $240.00 Inspection Fee, plus the greater of $50.00 or one and one half-percent (1.5%) of the repair estimate.</td>
<td>The greater of $1,000 or the result of the formula as shown</td>
</tr>
</tbody>
</table>

- Exception: In cases where the loan proceeds are tight, such as a loan foreclosure payoff, the Underwriter may modify these requirements in order for the loan to close.
**Inspection of Repairs:**

If your Borrower is completing repairs before closing, a qualified individual must inspect the repairs before you can get a clear-to-close. If the repairs are completed after closing, then the property must be inspected before we will disburse all of the funds to pay for completed repairs. If the repair was identified by the appraiser, then in most cases that same appraiser should be able to inspect it. Other repairs, such as those identified by inspectors or termite companies, may require a HUD inspector, a professionally licensed, bonded, registered engineer, licensed home inspector or appropriately registered/licensed tradesperson. In some cases a statement from the termite company or other licensed professional certifying completion of the work may be accepted, but only when a statement from the Borrower is also received stating that the repairs have been satisfactorily completed. Only in instances of minor repairs can the DE Underwriter waive the inspection by an appraiser or other professional and accept a mortgagee’s certification of completion of such repairs. These minor repairs must involve:

- No technical skills
- No structural skills
- No knowledge of building, construction or any sub-contractor trades

In these cases we would require a picture and a mortgagee certification using HUD-92051. The homeowner cannot perform the inspection.

The following people must use the Compliance Inspection Report, HUD-92051 in conjunction with a required inspection of repairs:

- Appraisers
- Fee inspectors

**Termite Guidelines**

Following HUD’s recommendations, we require termite reports only when they are required by the appraiser, or when the underwriter determines that a termite inspection is warranted. When a report is required, only structures that are given value must be inspected. If applicable, the termite letter should be on the state-approved form:

- If a state has its own form, it will include the words “State Mandated.”
- We are aware of the following states with their own forms: AL, AZ, CA, FL, GA, LA, MS, NC, SC, TX, and WA (This list is not all-inclusive.)
- On the CA report, only the repairs listed in Section 1 are required unless the underwriter determines otherwise
- Otherwise, use the Wood Destroying Insect Inspection Report (NPMA-33)
- Termite letters are valid for 90 days only
- If the Borrower has an existing contract with a termite company, that company should provide the report. If the Borrower is part of a Homeowner’s Association with an existing termite contract, that company should provide the termite report.

**Termite Infestation**

If the report lists active infestation, treatment and/or repairs may be required as below:

- Any signs of infestation must be treated and cleared prior to closing.
- Escrow may NOT be established for treatment if there is active infestation.
- Treatment should be done using an EPA accepted system
**Treatment Prior to Closing**

- The Borrower should obtain the termite clearance report showing completed treatment
- The Borrower may pay the termite company from the loan proceeds at closing - payment must be disclosed on the HUD-1

**Termite Damage**

All structural damage (and Section 1 items on California termite reports) must be repaired. Cosmetic repairs are not required at UW Discretion. Structural damage must be repaired prior to closing. In most areas of the country, the following inspectors may determine whether the damage is structural:

- the termite company’s inspector, or
- an approved fee compliance inspector, or
- a qualified home building inspector, or
- an engineer with expertise in structural related matter, or
- if the appraiser requests an inspection by a foundation expert rather than an engineer, this is acceptable

The professional who will perform the inspection must determine the degree of damage and recommend corrective action as necessary.

**HECM for Purchase Transaction**

Definition:

“A real estate purchase and title to the property is transferred to the HECM mortgagor; the mortgagor will occupy the property as his/her principal residence and, at the time of closing, the HECM first and second liens will be the only liens against the property.”

**Funding Sources (Assets) Verification**

Lenders will be required to verify the source of all funds prior to closing; supporting documentation must be provided in the loan submission.

Funds will be applied:

- to satisfy the difference between the HECM principal limit and the sale price for the property
- plus any HECM loan related fees that are not financed into the loan
- minus the amount of the earnest deposit

HECM mortgagors may choose to provide a larger investment amount in order to retain a portion of the available HECM proceeds for future draws.

The monetary investment requirement can also be met by the use of approved funding sources as defined in HUD Handbook 4155.1 REV-5, section 2-10, with the exception of the following funding sources which may **not** be used:

- Cash on Hand
- Credit Card Advances
- Sweat Equity
- Trade Equity
- Rent Credit

RMS requires 2 months bank statements or a 60-day transaction history for all sources of fund to close. Any large deposits must be sourced.

**Note:** Cash or its equivalent, in whole or in part, from the following parties is *unacceptable*, before, during or after loan closing:

- The seller or any other person or entity that financially benefits from the transactions, or
- Any third party that is reimbursed, directly or indirectly, by any of the parties described in the previous bullet

FHA prohibits seller contributions (also known as “seller concessions”), the use of loan discount points, interest rate buy downs, closing cost down payment assistance, builder incentives, gifts or personal property given by the seller or any other party involved in the transaction. This includes customary charges that are normally paid on behalf of the Borrower by the seller.

Any personal property conveying with the sale must be given a 3rd party valuation and subtracted from the purchase price or items must be removed from the contract. Exceptions include fridge, oven, range, dishwasher or any item that would cause damage to remove.

If the Borrower is receiving a gift for the down payment, see the **Gift Letters** section of this guide for specific requirements.

**Gap Financing**

HECM Borrowers may not obtain a bridge loan (also known as “gap financing”) or engage in other interim financing methods to meet the monetary investment requirement or payment of closing costs needed to complete the purchase transaction. This restriction includes, but is not limited to:

- Subordinate liens
- Personal loans
- Loan discount points
- Interest rate buy downs
- Closing cost assistance
- Builder incentives
- Gifts or personal property given by the seller or interested parties related to the transaction (i.e. real estate agents, builder, etc.)
- Cash withdrawals from credit cards
- Seller financing
- Any other lending commitment that cannot be paid off (satisfied) at closing

**Maximum Claim Amount Calculation**

For purchase mortgages only, the Maximum Claim Amount will be the lesser of:

- the final appraised value (as determined by the DE Underwriter);
- sales price; or
- FHA HECM National Mortgage Limit
Occupancy Verification by Lender

The HECM Borrower has 60 days to occupy the dwelling. The Borrower and seller will execute an Occupancy Certification at closing which will reflect the agreed upon date for physical occupancy of the property by the Borrower. RMS Post Closing Department and/or Servicing Department will confirm occupancy, by inspection, and document results in RMCompass® or Navigator®.

Principal Residence

When prospective mortgagors under the HECM for Purchase program intend to retain their existing home as a rental property or list their existing home for sale, lenders must ensure the mortgagors have sufficient income to:

- Maintain the costs associated with the new home financed with the HECM for purchase (i.e. taxes, insurance, maintenance)
- Satisfy the monetary investments for the HECM for purchase transaction; and,
- Continue to make the mortgage payment (if applicable) and tax/insurance payments on the mortgage of their existing home

The intent of this guidance is to prevent the practice known as “buy and bail” where the homebuyer purchases a more affordable dwelling with the intention to cease making payments on the previous mortgage. This guidance applies solely to a principal residence being vacated in favor of another principal residence and is not applicable to existing rental properties found on a tri-merged credit report and confirmed by tax returns (Schedule E of IRA 1040).

Repairs

All repair items noted in the appraisal and/or termite inspection must be completed prior to closing. Repair set-asides are not allowed on the HECM for Purchase program.

Eligible Property Types

Only the following owner occupied properties types are eligible for FHA insurance under the HECM Purchase Program:

- Properties where construction is completed (as defined in ML 2007-06) as evidenced by issuance of a Certificate of Occupancy (CO) or its equivalent which has been issued by the appropriate local authority. See also New Construction section below.
- 2 to 4-family dwelling unit – Borrower must occupy one unit as owner-occupant
- Real estate must be held in Fee Simple or Leasehold
- On November 5, 2013, Proposition No. 5 (S.J.R. 18) was passed by voters to allow HECM for Purchase loans in the state of Texas. Unfortunately, FHA will need to finalize documentation in order to make this program available in the state of Texas; therefore, at this time, RMS will not accept H4P loans in the state of Texas. RMS will monitor HUD’s progress and provide updates as HECM for Purchase becomes available.

New Construction

HUD will allow HECM for Purchase on properties where construction is completed (as defined in ML 2007-06) as evidenced by issuance of a Certificate of Occupancy (CO) or its equivalent which has been issued by the appropriate local authority.
- CO must be issued prior to the Application (FNMA 1009) date.
- A ‘temporary’ certificate of occupancy or a ‘subject to’ certificate of occupancy is not acceptable.
- Unless not required by state law, states listed as moderate to heavy for termite infestation per HUD (see map on HUD Website), will also require the following form(s) for properties built within one year prior to application:
  - ‘Subterranean Termite Protection Builder’s Guarantee’ (Form NPMA-99A)
    - If the Builder indicates ‘Pest Control Company Applied Treatment’ by checking Box 1 of the form, the ‘New Construction Subterranean Termite Service Record’ (form NPMA-99B) will also be required.
  - If the subject property is in a state where the forms are not required, the file must clearly indicate forms NPMA-99A and NPMA-99B are not required by state law.

**Property Flipping (Seasoning)**

Property Flipping is a practice whereby a property is resold a short period of time after it is purchased by the seller for a considerable profit with an artificially inflated value, often abetted by a lender’s collusion with the appraiser. Prospective mortgagors should be alert to efforts to coerce them into obtaining a reverse mortgage as part of a purchase contract obligation, or purchasing a distressed home in need of substantial repairs but being sold at or above market rate, or schemes involving temporary rental arrangements. HECM Lenders must take steps to ensure that:

- Only current owners of record may sell properties that will be financed using FHA-insurance mortgages;
- Any re-sale of a property may not occur 90 or fewer days from the last sale date (exceptions to the 90 day restriction can be found in ML 2006-14) to be eligible for FHA financing; and,
- For re-sales that occur between 91 and 180 days, where the new sales price exceeds 100% of the previous sales price, FHA requires additional documentation validating the property’s value including, but not limited to, a second appraisal.
- If the Lender suspects the senior has become a victim to a Property Flipping scam, the Processing and Underwriting Division of the local HOC should be contacted. Complaints may be reported to HUD’s Inspector General Hotline at:
  
  HUD Office of Inspector General Hotline, GFI  
  451 7th Street, SW  
  Washington, DC 20410  
  1-800-347-3735
File Review and Condition Clearing

Underwriting

Underwriting is primarily responsible for collateral risk analysis. Underwriters review fully processed files, ensuring that they are compliant with HUD, Reverse Mortgage Solutions, Inc. and any applicable investor policies and guidelines. Risk associated with the property, title, competency and repair of the property are of particular importance. Many resources are employed by RMS Underwriters to ensure a high quality file including but not limited to:

HUD Handbooks: 4235.1 Rev 5; 4150.1 & .2, HUD Appraisal Protocol – Appendix D

HUD Mortgagee Letters
http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/
http://www.hud.gov/offices/hsg/sfh/hecm/hecmml.cfm

24 CFR Parts 203 and 206
http://ecfr.gpoaccess.gov/cgi/t/textidx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr203_main_02.tpl
http://ecfr.gpoaccess.gov/cgi/t/textidx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr206_main_02.tpl

All Regs
http://www.allregs.com/home/default.aspx

RMS Lender Alerts (attached and issued separately from time to time)

While underwriters are responsible for the audit of the entire submission package, special attention is given to vesting (Title) and collateral valuation (Appraisal). Underwriting constitutes the second and primary review of the submission package. All risk based components of the submission package are the responsibility of the underwriter.

The standard underwriting processes include but are not limited to the following:

- General Document Review (signatures and forms)
- Vesting (matching Borrower with vested owner)
- Collateral Matching (confirming encumbered property)
- Collateral Valuation (Appraisal Evaluation)
- Collateral Compliance (Repair Status)
- Compliance (stipulating required conditions)
- Endorsement (assuring insurability)
- Problem Solving
- File Denial – complete adverse action form and notify Originator
Underwriters are encouraged to utilize the RMS U/W Guidance Worksheet Underwriters should review and update all data within the RMCompass® or Reverse Vision software for accuracy.

Special Underwriting Topics

The following items are common underwriting issues found in reverse mortgages. While lengthy, this list is not all-inclusive.

HECM to HECM Refinance Transaction

Overview

The HECM Refinance is for Borrowers who have an existing HECM loan and wish to refinance. This only applies to Borrowers who have an existing HECM loan; Borrowers who have another kind of existing reverse mortgage loan (HomeKeeper or proprietary product) will obtain a HECM loan under the usual guidelines. Under a true HECM-to-HECM Refi, the Borrower pays a lower MIP (Mortgage Insurance Premium). Care must be taken to ensure that Borrowers will receive enough money from the refinance to compensate for the additional origination fees. The industry has taken a hard line against “churning” HECM mortgages, and RMS is cognizant to remain above scrutiny in this regard.

Other Servicers

Borrowers with loans serviced by entities other than RMS are eligible for our HECM-to-HECM Refinance program. We will require the same information for all loans. Payoffs from other servicers should include all required information including the required default information.

Steps to Originating and Processing a HECM Refinance

Unless stated otherwise, all requirements are the same as for other HECM loans.

- If possible, obtain the following items from the Borrower:
  - Prior HECM Case Number
  - Prior HECM loan number
  - Last mortgage statement
- The Borrowers must sign these additional forms at application:
  - Anti-Churning Disclosure
- Obtain the information about the existing HECM Loan:
  - Obtain the Refinance Information Worksheet and fax it to the servicer. Attach the Refinance General Authorization Form to your faxed request.
- Benefit to Borrower must be demonstrated
  - The increase in Principal Limit to the Borrower must exceed 5x the closing costs. Any POC items, such as appraisals paid up front, will also be included in the benefit-cost ratio. If the accrual rate (MIP + Initial Rate) is increasing from the current HECM, lender/broker credits may not be included to offset the cost in the calculation. If the accrual rate is decreasing from the current HECM then lender/broker credits can be used to offset costs in the calculation.
- Defaults
  - If the Borrowers are in default (for example, if they have not completed repairs in a timely fashion, or if they have failed to pay their property taxes or insurance) it must be cleared prior to closing.
  - If the default is not cleared, the loan cannot be closed and must be denied.
  - Past default status does not prevent a HECM to HECM Refinance if such defaults have been cured.
Borrowers who are currently in default may not cure the default by obtaining a traditional HECM loan and paying the full MIP.

- Counseling
  - Under certain strict conditions, Borrower(s) may opt out of counseling. Please refer to Mortgagee Letter 2009-21 and any other recent HUD guidance for requirements. For loans closing in RMS’ name, RMS requires that all borrowers be counseled regardless if they qualify for HUD’s opt-out rule.

Multi-Family Properties

Definition

- The number of units on a property is usually defined by the number of kitchens. 1 to 4 units are acceptable on HECM loans
- 1½ unit properties have a single-family unit, with another unit that is subordinate in size and design, such as a carriage house or basement apartment. These are appraised using the single-family appraisal form. See also Accessory Dwelling Units (ADUs) section.
- 2 ½, 3 ½, and 4 ½ units are not allowed on HECM loans.

General Guidelines

If the appraiser indicates that the property is multifamily, then the following requirements apply:

- Case number must have correct number of units
- Property may not exceed four (4) units
- Borrower must sign “Hotel/Transient Use Certification” HUD 92561 certifying that they are not using the property as a hotel. The form can be signed at closing.
- We will still calculate loan proceeds using the HECM National Mortgage Limit.
- Unlike other FHA multi-family homes, the Borrower must remain in the home for the life of the loan.

Multi-family Appraisals

- Appraiser must use the 1025 Small Residential Home format.
- Major differences include:
  - Sales comparable section remains, but comps must be multi-family.
  - New Comparable Rental Data section uses different comps (if possible) to show potential income from renting units.
  - Subject Rent Schedule section shows how much rent each unit is taking in.

Private Wells, Community Wells and Septic

General Guidelines for Well & Septic

- Unusual sewage disposal systems (cesspools, etc.) are acceptable if they are allowed by county guidelines.
- All wells must be drilled wells at least 20 feet deep with a casing - dug wells are unacceptable unless a complete survey conducted by an engineer is delivered to the lender and appraiser
- Wells fed by springs, lakes, rivers or cisterns are not allowed by FHA; however, RMS will accept them as an acceptable water source provided there is a HUD Waiver in the file from the appropriate HOC Center.
- Wells must meet state and local standards, and may not be less than 50 feet from any source of pollution. HUD requires well tests under certain circumstances (such as corroded plumbing,
unusual taste or odors), or nearby hazards (such as dry-cleaners or intensive agriculture).

- The appraiser does not automatically have to list the distances between the well, septic tank, property line, etc. However, the appraiser should comment if the well appears to be too close to a potential source of contamination.
- If the appraiser is unable to identify location of well and/or septic and their compliance with HUD guidelines a survey will be required to disclose locations and compliance.
- More than four houses cannot use the same shared well.
- The Borrowers must submit a copy of a state or county permit or license for community wells.

**Tests:**

Typically, the underwriter will only require a test if it is specifically recommended by the appraiser. All test samples should be taken by a state-certified private laboratory or their designee in accordance with the State drinking water regulations. If the water is not potable, the Borrowers may not escrow for the installation of a new well (it must be done prior to closing).

**Public Utility Hook-ups**

The appraiser must state whether public water and sewer are available. If public utilities are available, hook up is required, with exceptions as stated below.

- The underwriter may waive this requirement with a written statement from the Borrower requesting a waiver and a copy of the contractor bid to show that it exceeds 3% of the home’s value.
- Costs would also include connection charges, trenching to bring in the line, and permits.

**Wells**

The appraiser is not required to include onsite sketches of the well, septic, drain field, or property lines. The appraiser is, however, required to address in the report if distances appear to be such that there could be potential for contamination. The appraiser is to also note any adverse site conditions which might warrant further inspections.

**Private Well**

If the appraiser calls for a water test or the underwriter deems one necessary, at a minimum, the water must be tested for e-coli, coliforms, nitrates, nitrites, lead, and total nitrate/nitrite. Some states mandate additional testing before the water testing lab will issue a report.

The water testing report is to be within six months of the appraisal report, reflect the property address where water sampling was obtained, and clearly show that the water is safe, potable drinking water. If the property is connected to public water, but has a well which is only used for irrigation purposes, no water testing is necessary.

**Shared Well**

- Shared wells may serve existing properties which cannot feasibly be connected to an acceptable public or community water system.
- A shared well must have a valve on each dwelling service line as it leaves the well and may not service more than four (4) living units or properties.
- There must be a recorded shared well agreement which must be binding upon signatory parties and their successors in title and the agreement must be approvable by the local authority.
- A flow test is required to demonstrate that the shared well is capable of providing a continuing
supply of water to involved dwelling units so that each existing property simultaneously will be assured at least three gallons per minute (five gallons per minute for proposed construction) over a continuous four-hour period.

The well itself may have a lesser yield if pressurized storage is provided in an amount that will make 720 gallons of water available to each connected existing dwelling or 1,200 gallons of water available to each proposed dwelling during a continuous four-hour period.)

Community Well

Community water systems are owned, operated and maintained by a private corporation or a non-profit property owners association. Home owners pay the association for their water. The operating entity maintains the records, water tests, and operating permit issued by the state. At a minimum, a copy of the valid, current operating permit is required. Further testing of community wells is not usually necessary.

Hauled Water

Hauled water is not permitted by HUD and therefore unacceptable on properties securing loans submitted to RMS.

Septic

The appraiser should specify if the property is serviced by a septic system. The appraiser is required to note on the appraisal if he detects any problems with the system (i.e. odor, standing water, etc). If problems are detected, typically a current pumping and inspection of the system by the local authority having jurisdiction will be necessary, or if it is customary in the area or mandated by local or state regulations.

If public sewer is available to the site, the home owner must connect unless the cost to do so exceeds 3% of the property value. Costs include connection charges, trenching to bring in the line, and permits. The Direct Endorsement underwriter is the final authority on whether the homeowner needs to connect to the public system.

For additional information, please refer to Mortgagee Letter 2002-25

Gift Letters

From time-to-time a Borrower will need to bring in cash to close the transaction. The funds must be seasoned and documented. If the funds are gifted, the transfer of the funds from the donor to the Borrower must be documented.

Acceptable procedures include:

- Obtaining a copy of the donor's withdrawal slip or cancelled check, along with the Borrower's deposit slip bank statement showing the deposit to the Borrower's account. The giftor will have to provide the most recent account statement for the source of all gift funds provided.

- In cases where the donor provides the funds in the form of a cashier's check, provide evidence that the funds used to purchase the cashier's check came from the donor. A withdrawal slip, specifically showing the donor's account number from which the funds were obtained, along with a copy of the cashier's check and the most recent statement prior to the withdrawal from the giftor to source the funds.

- The loan file must also contain a gift letter specifying the following items:
• The dollar amount  
• The name of the donor  
• The donor’s signature  
• The donor’s address  
• The donor’s telephone number  
• The donor’s relationship to the Borrower  
• The names of the Borrowers and their signatures  
• That no repayment is required

**Note:** In the case of a HECM Purchase transaction, the funds cannot have been made available to the Borrower or donor from any person or entity with an interest in the sale of the property.

### Rural, Agricultural and Excess Acreage

Rural properties and excess land conditions are challenging to assess due to the subjectivity of the area. FHA manual states that land is considered excess if:

- It is larger than what is typical in the neighborhood, and;
- It is capable of a separate use

FHA does not lend on property that is not considered typical for the neighborhood. FHA requires any acreage or lots not included in the value to be removed from the title. The only exception is if the lot cannot be subdivided, in which case a letter from the local authority would be required. The appraiser should describe the land considered in excess, but not value it; lots that are taxed separately must be excluded from the appraisal and title report.

The Underwriter will assess if the property can be subdivided, or is capable of a separate use. The comparable sales on the appraisal need to be similar to the subject property acreage. The Underwriter is the final authority on properties in excess of five (5) acres. **Additionally, the land cannot be income producing (commercial or agricultural use).**

**Characteristics to look for in the neighborhood are as follows:**

- Rural neighborhoods generally have larger geographic boundaries
- It is common for rural neighborhoods to be less than 25% built-up
- Rural neighborhoods may have slower growth rates than urban properties
- Rural neighborhoods may have marketing times exceeding 6 months

**Zoning Compliance** - It is common for rural residences to have no zoning or to be zoned agricultural. These properties are generally acceptable as long as the property is predominantly residential in nature. The use must be permissible under the zoning, represent the highest and best use, and be typical for the subject's marketing area.

**Utilities** – It is common for rural sites to have fewer public amenities such as utilities, roads, site improvements, public water and sewer. The appraiser is required to comment on public water and sewer hookup availability if applicable.

**Site** - Since the sites for rural residences often vary, underwriting will review the per acre value reflected in the Cost Approach portion of the appraisal. Comparable sales should be reasonably consistent with the subject's per acre value. Sometimes the topography, views, sloping land, etc may affect the per acre value. As a result, adjustments may vary from site to site.
Private Roads and Shared Driveways

Each property must be provided with vehicular and pedestrian access by a public or private road. If the property is serviced by a private road, then the road must meet the following criteria:

- Must be protected by permanent recorded easement or ingress/egress shown on deed
- If the legal description does not include an easement for ingress and egress to the subject property, we require a Shared Driveway Agreement drawn by the borrower’s attorney
- Maintenance agreements are no longer required

Inspections

Termite and Pest Inspections

FHA no longer requires automatic inspections for wood destroying insects/organisms unless mandated by state law. Each appraiser, however, may call for an inspection based on his/her on-site visual inspection of the property. It is also at the underwriter’s discretion to require an inspection if comments within the report deem it necessary.

Roof Inspections

The appraiser may call for a roof certification. This condition can be met by an inspection by a licensed roofer with appropriate verbiage indicating if there is a minimum remaining roof life of 2 years or more. If less than 2 years remaining life, an estimate will need to be provided to repair/replace the roof.

Furnace and Woodstove Inspections

ALL habitable rooms must receive sufficient heat. (Exception: Homes located in climates where the lack of heat is "typical" for the market area and does not adversely affect the marketability of the property.)

Dwellings with wood burning stoves (or solar systems) as a primary heat source must have permanently installed conventional heating systems that can maintain at least 50 degrees Fahrenheit in all living areas and those containing plumbing systems. These systems must be installed in accordance with the manufacturer’s recommendations.

The appraiser or the underwriter may require a furnace or wood stove inspection. If so, a licensed HVAC technician is to perform the inspection and issue a certification stating the furnace or wood stove is installed to code, and operating correctly. If the unit is faulty, an estimate will be required to repair the furnace or wood stove. In either case, we do require the initial furnace or wood stove inspection report. In some states the local gas or electric company will inspect a furnace at no charge.

Unused Oil Tanks

If there is an unused oil tank located on the subject property, proper removal or abandonment is required. The appraiser should indicate the location of the tank and require evidence the tank has been removed or properly abandoned. Generally, the local jurisdictions have established requirements. If not, recommendations issued by state policy must be followed.

Conditions Clearing Processing

Review prior-to-doc exhibits and clear conditions accordingly. Contact the originator, customer or
vendors for assistance in the event exhibits are missing or inadequate. Once all prior-to-doc conditions are collected, the file is returned to underwriting where the conditions are either cleared or amended.

Step-by-Step Process

- Address all prior-to-doc conditions established by Underwriter
- Review completed services and documentation for accuracy and relevance to specific condition
- Liaise with title/escrow to secure a clear title commitment
- Re-submit file to Underwriter for approval
- Prepare and complete pre-close worksheet
- Re-disclose GFE and TIL if required
- Transfer file to closing group

Closing

The primary function of the Closing Department is to prepare final closing documents for the Borrowers to sign. Closers act as liaisons between the originator and the closing agent (title, escrow or attorney). The department will ensure that vesting matches title, liens are paid at close, and that the disclosed fees are legitimate and compliant with FHA guidelines. Closers will utilize the Closing Review section of Compass to validate calculations and insure prior to funding conditions are made a part of the final closing instructions to title.

General Closing Guidelines

RESCISSION

- Under NO circumstances will RMS waive the Borrower’s Right to Cancel. This is prescribed by Federal law for the Borrower’s protection. Reg Z covering Right of Rescission does not apply to purchase transactions, except in rare circumstances where there may be a line of credit established also (ARM loans only)
- The 3-day rescission period includes weekdays and Saturdays, but does NOT include Sundays and legal Federal holidays.
  - RMS will not purchase, close or fund a loan on Sunday or a Federal Holiday (Federal Holiday exceptions are: Martin Luther King, Jr. Day, President’s Day, Columbus Day and Veterans Day)

MERS

- If a Correspondent Partner is currently registering their loans with MERS, we will accept a TOB (Transfer of Beneficial Rights) and TOS (Transfer of Servicing Rights) batches in MERS. Please contact the Director handling your account they will provide contact information for the batch confirmation. **RMS MERS # is 1007487.**

Closing Review

- Review files for accurate vesting, confirm first lien position
- Prepare and send fee sheets to escrow/title
- Coordinate signing with originator, title and Borrowers
- Review completed fee sheets and draw closing instructions and final HUD-1
- Order final documents
- Communicate with Settlement Agent to ensure timely closing
- Audit final, signed loan documents and any PTF conditions
- Transfer closed file to Funding group

Vesting should be verified along with all other closing fields that can be accessed for review.
HUD-1 Settlement Statement

It is the RMS, Inc. policy that the HUD-1 Settlement Statement, prepared by the Settlement Agent, is signed by the customer at closing. The HUD-1 Settlement Statement must be approved prior to the documents being released.

Standard Loan Fees

- Origination: 2% of the first $200,000 of the maximum claim amount and 1% over $200,000 up to a maximum of $6,000*
- MIP is 0.5% or 2.5% of maximum claim; depending on whether the borrower is above the initial disbursement limit as described in Mortgagee Letter 2013-27.
- For a HECM to HECM refinance, the initial MIP is the difference of the MIP paid on the original HECM and the MIP calculated on the new HECM.
- Repair Admin Fee: 1.5% of the bid amount with a minimum of $50.00, if applicable
- Document Prep Fee: $125 ($225 if Texas)

*Please note: Not all RMS Products or Partner Levels allow charging Origination Fees.

If RMS handles processing for an L2 or L3 Wholesale Partner, the following fees apply:

- Flood Certification $11.00
- Credit Report $23.75

Document Preparation Fee

Reverse Mortgage Solutions, Inc. utilizes BAYDOCS document preparation service to provide reverse mortgage loan documents. Document preparation fee is charged to the Borrower on line 801 as part of the Loan Origination Charges. The standard fee to BayDocs is $125.00, with a fee of $225 in the state of Texas.

Allowable Closing Costs

HECM transactions are subject to FHA’s requirements on allowable closing costs.

Non – Allowable Fees

The following fees commonly seen on many forward mortgages are considered FHA non-allowable fees to charge the Borrower on HECM loans. Although the below list is not all inclusive, HUD deems the fees listed below as services which should be provided as part of the escrow/settlement or origination charges — i.e. the cost of doing business.

- Wire Fees
- E-mail/ Download Fees
- Tax Service Fees
- Loan Tie In/ Packaging Fees
- Tracking Fees (For Re-conveyances)
- Fax/Copy Fees
- Imaging Fees
- Post Closing Fees
- Processing Fees
- Corporation Assignment Recording Fee

Guidance on HUD-approved Closing Costs guidelines can be found by visiting: [http://www hud.gov/offices/hsg/sfh/ref/sfhp2-15.cfm](http://www hud.gov/offices/hsg/sfh/ref/sfhp2-15.cfm)
Requesting Loan Documents

**Note:** Please do not schedule a closing date/time less than 48 hours from document request.

Once date and time of closing have been established the closer will order final documents. After a final review of the closing documents, the document package will be released via email to the settlement agent for signing.

Signed final loan documents should be submitted to funding along with any prior-to-funding conditions which were gathered at the closing table.
### Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>203b Limit</td>
<td>The maximum loan amount set by HUD/FHA for each county in the nation; limits the amount of a home’s value which can be used to determine borrower’s principal limit</td>
</tr>
<tr>
<td>Acceleration Clause</td>
<td>The part of a contract that says when a loan may be declared due &amp; payable</td>
</tr>
<tr>
<td>AARP</td>
<td>American Association of Retired Persons – a national organization providing information on services and programs for older adults</td>
</tr>
<tr>
<td>Actuarial Risk</td>
<td>Uncertainty about how long the Borrower will live</td>
</tr>
<tr>
<td>Adjustable Rate</td>
<td>An interest rate that changes based on a published market-rate index</td>
</tr>
<tr>
<td>Amortization Schedule</td>
<td>A calculation of a loan amount multiplied times that interest rate for a set period of time to calculate the payout on a loan</td>
</tr>
<tr>
<td>APR</td>
<td>Annual Percentage Rate which is a measure of the cost of a loan expressed as a yearly percentage rate</td>
</tr>
<tr>
<td>Appraisal</td>
<td>An estimate of the value of a home in a fair market; also known as market value</td>
</tr>
<tr>
<td>Appreciation</td>
<td>The increase in a home’s value</td>
</tr>
<tr>
<td>Adjustable Rate</td>
<td>An interest rate that changes, based on changes in a published market-rate index</td>
</tr>
<tr>
<td>Adjusted Property Value</td>
<td>the lesser of the appraised value of a property and the Lending Limit; this value is used in calculating the Borrower's Principal Limit</td>
</tr>
<tr>
<td>Annuity</td>
<td>A periodic cash payment for a fixed term, usually from an insurance product</td>
</tr>
<tr>
<td>ARM</td>
<td>Adjustable Rate Mortgage</td>
</tr>
<tr>
<td>Appraisal</td>
<td>An estimate of a home’s market value</td>
</tr>
<tr>
<td>Appreciation</td>
<td>An increase in a home’s value</td>
</tr>
<tr>
<td>AVM</td>
<td>Automated Valuation Model which is a computer model used to estimate the current market value of a home using property records and various analyses of a home and its neighborhood</td>
</tr>
<tr>
<td>Cap</td>
<td>A limit on the amount an adjustable rate mortgage may go up or down during a specified time period, expressed as maximums for each adjustment period and the total for the life of the loan</td>
</tr>
<tr>
<td>CHUMS</td>
<td>Computerized Home Underwriting Management System, AKA FHA Connection</td>
</tr>
<tr>
<td>Closing</td>
<td>A meeting where loan documents are signed, including the note and deed of trust</td>
</tr>
<tr>
<td>Condemnation</td>
<td>A court action saying a property is unfit for use</td>
</tr>
<tr>
<td>CoreLogic®</td>
<td>Vendor which supplies Automated Valuation Models</td>
</tr>
<tr>
<td>Counseling</td>
<td>A requirement of all Borrowers seeking a reverse mortgage; HECM counseling agencies are authorized by the U.S. Dept. of HUD</td>
</tr>
<tr>
<td>County Limit</td>
<td>The maximum lending limit that is placed on a specific county by HUD/FHA</td>
</tr>
<tr>
<td>Credit Line</td>
<td>An account that lets a Borrower decide when and how much money to take out of a revolving mortgage loan account</td>
</tr>
<tr>
<td>CRA</td>
<td>Community Reinvestment Act – mandates that regulated financial institutions serve the credit needs of the communities in which they are chartered</td>
</tr>
</tbody>
</table>
Default: A breach or non-performance of the terms of a loan. Defaults under a reverse mortgage may include failure to repay after a repayment notice has been issued, failure to maintain property or complete required repairs, or failure to pay property taxes and/or hazard insurance premiums.

ECOA: Equal Credit Opportunity Act, also known as Regulation B – prohibits discrimination against consumers on the basis of race, color, religion, national origin, sex, marital status or age.

Depreciation: The decrease in a home’s value.

Eminent Domain: The right of way of a government to take private property for public use; for example, taking private land to build a highway.

EPLS: Excluded Parties List System; Provides a comprehensive list of individuals and firms excluded by government agencies from participating in gov’t programs.

Expected Interest Rate: Rate used to determine the amount of money available to a HECM borrower.

Fair Credit Reporting Act: Federal law that regulates the collection, dissemination and use of consumer information, including consumer credit information.

Fair Debt Collections Practices Act: U.S. Statute under the Consumer Credit Protection Act passed to eliminate abusive practices in the collection of consumer debts and provide consumers with rights and an avenue for disputing inaccuracies.

Fair Housing Act: Protects buyers and renters from discrimination by sellers and landlords.

Fannie Mae: A government-sponsored private company that operates to buy and sell mortgage loans.

FHA: Federal Housing Administration, the branch of the U.S. Department of HUD which insures the Home Equity Conversion Mortgage (HECM).

Fee Simple: An estate in real property by which the owner has the greatest power over the title, being an absolute estate.

Fixed monthly advance: Payments of the same amount that are made to a Borrower each month.

Float-down Lock: The better of two rates at closing that will yield an increase in Borrower funds.

Home Equity: The value of a home, less any money owed on it.

HECM: Home Equity Conversion Mortgage, which is a reverse mortgage offered by HUD-approved mortgage lenders and is insured through the Federal Housing Administration (FHA).

HMDA: Home Mortgage Disclosure Act – Provides that mortgage loan data be made public to help governments distribute investments and identify financial institutions that are discriminatory or not serving their communities.

HUD: U.S. Department of Housing and Urban Development.

Index: The basis for setting an adjustable rate mortgage loan.

Initial interest rate: The rate that is first charged on a HECM loan balance at closing; tied to the index on an adjustable rate mortgage loan.

LDP: Limited Denial of Participation; A database utilized to check violations of suspension and debarment actions through the Dept of Enforcement Center.

Leasehold: Land or property held under a lease.
Leftover equity: The sale price of a home minus the total amount owed on it and the cost of selling it; the amount the homeowner or heirs would realize when the home is sold and the loan is paid off

Lending limit: The maximum portion of the home’s value that can be used when calculating the Principal Limit; varies by county as set by HUD/FHA

LIBOR: London Interbank Offered Rate – an index used for determining the initial, expected and current interest rates on an ARM loan

Life estate: An estate in real property for the life of a living person. The estate will ultimately revert back to a grantor or third party

Line of Credit: See Credit Line

Living Trust: A type of trust created for the purpose of holding ownership to an individual’s assets during the person’s lifetime, and for distributing those assets after death

Loan Advances: Payments made to a Borrower or to another party on behalf of a Borrower

Loan Balance: The amount owed, including principal & interest; capped in a reverse mortgage by the value of the home when the loan is repaid

LTV: Loan To Value is the amount of the loan divided by the total value of the home

Lump Sum: An amount of money that is given in a single loan advance at closing

Margin: The amount added to an interest rate to determine the initial, expected and current rates on a HECM ARM loan

Maturity: When a loan must be repaid; when it become due and payable

Maximum Claim Amt: The lesser of a home’s appraised value and the maximum loan amount that can be insured by FHA for single family residences in a given county

MIP: See Mortgage Insurance Premium

Model Specifications: Rules recommended by AARP for analyzing and comparing reverse mortgages

Modified Tenure: A type of payment plan comprised of a combination of tenure payments and a line of credit

Modified Term: A type of payment plan comprised of a combination of term payments and a line of credit

Mortgage: A legal document making a home available for collateral to repay a debt

Mortgage Insurance Premium: The premium paid to HUD/FHA for required mortgage insurance, whereby the government guarantees the lender against Borrower default; also, insures the Borrower has access to their funds if the lender goes out of business

Net Principal Limit: Amount of money available to the Borrower at any time over the life of the loan. Equal to the Principal Limit less 1) payments to Borrower, 2) financed closing costs, 3) servicing fee allocation, 4) any set-asides and plus 5) any partial repayments

Non-Recourse Mortgage: A home loan in which the Borrower generally cannot owe more than the home’s value at the time the loan is repaid or called due

Origination: The process of setting up a mortgage, including preparing loan documents

Origination Fee: A one-time fee paid to the lender at the time the loan closes
Payment Plan: A plan selected by the Borrower which dictates how they would like to receive loan proceeds

Power of Attorney: A legal document authorizing one person to act on behalf of another; other documentation may be required to perfect POA

Primary Residence: Residence which the owner/Borrower physically occupies and uses as his/her home for at least 6 months and 1 day per year

Principal Limit (Gross): The total borrowing power available to the Borrower at HECM loan origination

PUD: Planned Unit Development – real estate project in which each unit owner has title to a residential lot and additional ownership in common areas

Repair Rider: Clause in a reverse mortgage loan agreement that requires a homeowner to make home repairs or improvements as a condition of closing the loan

RESPA: Real Estate Settlement Procedures Act – governs ethical origination practices and insures consumers are provided complete information about the cost of a mortgage loan; GFE requirements & standards fall under this act

Reverse Mortgage: A loan that provides homeowners, age 62 & older, with an equity advance in the form of a monthly payment, lump sum or line of credit which requires no repayment until the Borrower permanently moves, sells the home or passes away

Right of Rescission: A Borrower’s right to cancel a home loan transaction within 3 business days of the closing (signing of loan documents)

Servicing: Administering loan after closing/funding, such as maintaining loan records, sending statements and collecting payments

Servicing Fee: A fixed dollar amount paid to the servicing lender to cover administrative costs

Set-aside: Funds for specified uses that are netted out when determining the Borrower’s Principal Limit

T-Bill or T-Rate: Rate for U.S. Treasury Securities; an index used to determine the expected, initial and current interest rates

Tenure: Payment plan that offers equal monthly payments for as long as the Borrower lives in the home

Term: Payment plan that offers equal monthly payments to the Borrower for a fixed period of time

Total Annual Loan Cost (TALC): The projected annual average cost of a reverse mortgage (expressed as an interest rate) including all itemized costs. TALC includes interest rate, origination & servicing fees, insurance premiums, charges for inspections and appraisals, and all other closing costs.
APPENDIX A – HOW TO ORDER BOOKLETS

“When Your Home Is On the Line”

This booklet must be given to the Borrower at time of application.

This booklet can now be printed from RMS Compass with your application package or you can order from any mortgage forms company such as:

VMP Mortgage Forms 1-800-521-7291 (Publication # @ VMP is 483)

“Money from Home”

Publication # CT066
Fannie Mae Distribution Center
P.O. Box 341
Annapolis, MD 20701
Ph# 800-471-5554
Fax# 301-604-0148
Or order online at:


“Home Made Money”

Can download online or order online at:

http://www.aarp.org/revmort-basics/Articles/a2003-04-07-homemademoney.html
### APPENDIX B - HOME OWNERSHIP CENTERS

**Santa Ana HOC**
Santa Ana Federal Building
34 Civic Center Plaza Room # 1715
Santa Ana, CA 92701-4558
800-CALL-FHA

**Atlanta HOC**
Five Points Plaza
40 Marietta Street 5th Floor
Atlanta, GA 30303-3388
800-CALL-FHA

**Philadelphia HOC**
100 Penn Square East
Philadelphia, PA 19107
800-CALL-FHA

**Denver HOC**
1670 Broadway
Denver, CO 80202-4801
800-CALL-FHA

Arizona, Oregon, California, Washington, Idaho, Hawaii, Nevada, Alaska

Georgia, Indiana, Alabama, Illinois, Florida, N. Carolina, Caribbean, Mississippi, Kentucky, S. Carolina, Tennessee, Virgin Islands

Michigan, Connecticut, Massachusetts, Ohio, New York, Vermont, Delaware, Maryland, Rhode Island, Virginia, Maine, New Hampshire, Pennsylvania, W. Virginia, New Jersey, DC

Arkansas, Louisiana, New Mexico, S. Dakota, Wyoming, Colorado, Minnesota, Nebraska, Montana, Oklahoma, Wisconsin, Texas, Iowa, lowa, Missouri, N. Dakota, Utah, Kansas

### COUNSELING NETWORK

<table>
<thead>
<tr>
<th>Service</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Foundation of Credit Counselors (NFCC)</td>
<td>1-866-698-6322</td>
</tr>
<tr>
<td>Money Management International (MMI)</td>
<td>1-877-908-2227</td>
</tr>
<tr>
<td>Consumer Credit Counseling Svc of Atlanta</td>
<td>1-866-616-3716</td>
</tr>
<tr>
<td>National Council on Aging</td>
<td>1-800-510-0301</td>
</tr>
<tr>
<td>ClearPoint Financial Solutions</td>
<td>1-877-877-1995</td>
</tr>
<tr>
<td>Spring Board</td>
<td>1-800-947-3752</td>
</tr>
<tr>
<td>Home Free</td>
<td>1-301-891-8423</td>
</tr>
<tr>
<td>Greenpath</td>
<td>1-888-860-4167</td>
</tr>
<tr>
<td>Neighborhood Reinvestment Corporation</td>
<td>1-888-990-4326</td>
</tr>
</tbody>
</table>
APPENDIX C - HELPFUL WEBSITES

FHA Home Equity Conversion Mortgage (HECM) Manual
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/h4235.1

HUD Mortgagee Letters (all mortgagee letters issued by year)

HUD Clips (HUD library for reference manuals and forms)
http://www.hudclips.org/

Contractor’s Licenses Reference Site (check to see if contractor/company is valid)
http://www.contractors-license.org/

CAIVRS FAQ and Assistance (help for a CAIVRS hit)
http://www.hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm

EPA Safe Water Information (Environmental Protection Agency with info on water standards)
http://www.epa.gov/safewater/

HUD Approved Condo Projects

USPS Zip Code Lookup (lookup zip code for a property)
http://www.usps.com/zip4

National Reverse Mortgage Lender Association (NRMLA)
http://www.nrmlaonline.org

AARP
http://www.aarp.org/revmort

HUD LIST OF HECM COUNSELORS BY STATE
http://www.hud.gov/offices/hsg/sfh/hecms/hecmlist.cfm
APPENDIX D – RESOURCES

UNDERWRITING RESOURCES

HUD Handbook 4150.1:  

HUD Handbook 4150.2:  
http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/hsg/4150.2/index.cfm

HUD Handbook 4910.1:  

HUD Handbook 4235.1:  

All REGS:  
http://www.allregs.com/home/default.aspx

HUD Mortgagee Letters:  
http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/


SERVICING RESOURCES

HUD Handbook 4330.1:  

HUD Handbook 4235.1:  

HUD CFR 24:  
http://www.access.gpo.gov/nara/cfr/waisidx_02/24cfr206_02.htm