



FINANCE *of* AMERICA
– R E V E R S E –

HECM Underwriting Manual

Revised October 2023

What's New?

Topic	Updated
Counseling	October 4 th , 2023
Hazard Insurance	October 4 th , 2023
Flood Insurance	October 4 th , 2023
Mandatory Obligations	October 4 th , 2023
Previously Denied Loans	October 4 th , 2023
Occupancy	October 4 th , 2023
Loan Application	October 4 th , 2023
HECM-to-HECM Refinances	October 4 th , 2023
Massachusetts Disclosure and Timing Requirements	October 4 th , 2023
Properties Owned Less Than 12 Months	October 4 th , 2023
Neighborhood Hazards and Nuisances	October 4 th , 2023
Property Charges	October 4 th , 2023
Identification Verification Sources	October 12 th , 2023
Mortgagee Clauses	October 12 th , 2023
FHA Appraisal Forms	October 12 th , 2023
Non-Borrowing Owner	October 12 th , 2023
Hazard Insurance	October 13 th , 2023
Income from Dissipated Proceeds	October 19 th , 2023
Rental Income - Accessory Dwelling Units	October 25 th , 2023



Underwriting Manual

Revised October 2023

M-S231118

Contents	
Application Topics.....	8
Demographic Information Addendum.....	9
Electronic Signature Requirements	14
Face-to-Face Interviews.....	16
HECM Borrower Eligibility.....	17
Identification Verification Sources.....	18
Loan Application	21
Non-Traditional Borrower Signature Requirements	23
Switching from One FAR Product to Another FAR Product.....	24
Appraisal Topics	25
Accessory Dwelling Units (ADU)	26
Agriculture and Excess Land	27
Appraisal Expirations and Extensions	28
Appraisal Ordering.....	29
Appraisals.....	31
Appraiser Independence.....	34
Attic and Crawl Space	36
Changing Markets	37
Common, Party, or Lot Line Walls	38
Co-operative Unit (“Co-op”)	39
Defective Conditions.....	40
Dispute Appraisal/Second Appraisal.....	41
ECOA and AIR Appraisal Delivery.....	42
ECOA Appraisal Delivery Requirements	46
ECOA Delivery Matrix.....	48
Environmental and Other Hazards	49
FHA Appraisal Forms.....	50
Foundations	51
Hazards.....	52
HECM Second Appraisal Process	53
Kitchen Removal	54
Land Subsidence and Sinkholes	55
Manufactured and Modular Homes	56
Marijuana.....	60
Mechanical Components and Utilities.....	61
Neighborhood Hazards and Nuisances.....	63
New Construction	67
Non-Residential Business Use.....	68
Oil and Mineral Rights.....	69
Pool Covers	70



Power Lines 71

Private Roads and Shared Driveways 72

Property Types 73

Repairs 76

Roof 78

Services and Facilities 79

Site Analysis 80

Small Residential Income Producing (2-4 Unit) Appraisals..... 83

Streets 84

Subject Property Acceptability 85

Unique Properties 86

Ventilation..... 87

Water Supply and Sewage Systems..... 88

Wood and Structural Components: Termites..... 92

Borrower Requirements 93

 Age of the Borrower 94

 Citizenship and Immigration Status..... 95

Closing..... 96

 Closing Costs – Allowable Under FHA Regulations..... 97

 Notary 99

Condominiums..... 100

 Current FHA-Approved Condo Project 101

 FHA Single Unit Approval (SUA) 102

 Site Condominiums 103

 Unapproved Condominium (HRAP Process) Required Documentation..... 104

Credit..... 105

 Credit..... 106

 Credit Report Analysis..... 109

 HECM Bankruptcy 115

Counseling..... 117

 Counseling..... 118

COVID Topics..... 124

 COVID Topics..... 125

Death Certificates 127

 Death Certificates 128

Disaster Area Requirements 129

 Disaster Area Requirements 130

FHA, FHA Connection, Government Lists 133

 ADP Codes..... 134

 CAIVRS..... 135

 Case Number Contact Points 137

 Case Number Transfers..... 138

 FHA Loan Limits..... 139

 LDP and SAM..... 140



Financial Assessment 141

 Calculate Taxes on Income 142

 Compensating Factors/Extenuating Circumstances 144

 Foreign Income 146

 Foster Care Income 147

 Income from Dissipated Assets 148

 Income from Dissipated Proceeds 150

 Late Payments 151

 Liability Table 152

 Property Charges 153

 Rental Income – Accessory Dwelling Units 155

 Rental Income Calculations 157

 Retirement, Pension, Annuity Income 159

 Social Security Income Calculations 161

 State Tax Liens 166

 Third Party Verification 167

Flood Certificates 168

 Flood Certificates 169

 Flood Zone Requirements 171

Fraud Detection 172

 Red Flags: Elder Abuse 173

 Red Flags: Underwriting Escalation 174

Funds to Close 175

 Funds to Close 176

Guardianship or Conservator 179

 Guardianship or Conservator 180

Insurance 181

 Flood Insurance 182

 Hazard Insurance 185

Loan Comparison Requirements 187

 HECM Loan Comparison Requirements 188

Loan Terms 189

 LIBOR to CMT Transition for HECM ARMs 190

 Line of Credit Payments 192

 Minimum Loan Balance 193

 Modified Term/Tenure Line of Credit 194

Mandatory Obligations 195

 Mandatory Obligations 196

 Seasoning Matrix 198

Multiple FHA Loans 199

 Multiple FHA Loans 200

NMLS State Licensing 201

 NMLS State Licensing 202

 Temporary Authority Licensing Status 203



Non-Borrowers..... 205

 Non-Borrowing Owner..... 206

 Non-Borrowing Spouse..... 207

Occupancy..... 209

 Occupancy..... 210

Overlays 212

 Overlays 213

Power of Attorney..... 214

 Power of Attorney..... 215

 Texas Durable POA..... 218

Certification of Durable Power of Attorney by Agent 219

PUDs and HOAs 220

 PUDs and HOAs 221

Purchase Transactions 222

 HECM for Purchase 223

Refinances..... 231

 HECM-to-HECM Refinances 232

State Specifics 235

 Attorney States Map..... 236

 Hawaii Loans 237

 Kentucky Loans 238

 Kentucky Requirements Certification (Broker)..... 239

 Massachusetts Disclosure and Timing Requirements 240

 New Jersey Applications 241

 New York HECM Case Transfers 242

 New York HECM Loans..... 243

 No Notaries States Map..... 248

 States Requiring Special Approval 249

 Wet and Dry Closing and Funding States Map 250

 Witness Required States Map..... 251

Title 252

 AKA Policy 253

 Closing Protection Letter 254

 Closing Signature Lines 255

 Endorsements 258

 Leasehold Interest..... 261

 Life Estates 262

 Mortgagee Clauses 263

 PACE Liens..... 266

 Properties Owned Less Than 12 Months..... 267

 Self-Serving Transfers 269

 Solar: Leases, Liens and Power Purchase Agreements..... 270

 Subordinated Loans 272

 Surveys..... 274



Tax Payments, Deferrals, and Exemptions 275

Title Commitment 276

Title Commitment Iowa 280

Title Commitment Oklahoma 281

Trusts..... 282

 Irrevocable Living Trusts 283

 Land Trusts 285

 Revocable Living Trusts..... 286

 Transferring Property in and out of Trusts 287

 Trusts..... 288

Underwriting Info 289

 Previously Denied Loans 290

 Underwriting Links and Resources 291

Waivers 292

 Waiver of Guidelines..... 293

 Waiver Requests 294



Application Topics



Demographic Information Addendum

Revised December 2021

Overview

The Government Monitoring Information (GMI) requirements under the Home Mortgage Disclosure Act (HMDA) require that all lenders obtain information regarding a borrower’s sex, race and ethnicity.

Lenders and brokers must obtain information from each borrower, and accurately input this information into loan operating systems (LOS).

Accuracy

Presume that ANY AND ALL information the borrower provides is “accurate.” Do not correct or change the spelling of any GMI provided on an application submitted by Internet, email, mail or fax. Enter the letters EXACTLY as typed.

Co-borrowers

Obtain individual information from each co-borrower. DO NOT obtain information from a co-borrower on another borrower’s behalf.

Demographics Categories Overview

The Demographic Information Addendum (DIA) has four main categories:

- Ethnicity
- Sex
- Race
- Collected By Visual Observation or Surname
- Note: This is to be completed by the Loan Officer (LO) for face-to-face applications.

Section 1: Sex

Borrowers can select:

- Female, and/or,
- Male, or,
- I do not wish to provide this information.
- If the borrower provides a response for sex, do not change the information. A selection of “Female” AND “Male” is acceptable.

Note: If the application is taken in person and the borrower declines to provide a response for sex, you MUST guess the sex based on visual observation or surname. If you collect the information on the basis of visual observation or surname, the only options are “Female” OR “Male” (NOT “Female” AND “Male”). See [In-person Interviews](#) for more information.

Section 2: Ethnicity

There are three “aggregate” categories (categories that combine several sub-categories) and four new “disaggregate” categories (the individual sub-categories combined within those aggregate categories):

- Aggregate categories: These include “Hispanic or Latino,” “Not Hispanic or Latino,” and “I do not wish to furnish this information.”
- Disaggregate categories: These include “Mexican,” “Puerto Rican,” “Cuban,” “Other Hispanic or Latino,” and a free-form field for the borrower to enter his or her ethnicity.
- Borrowers can select multiple aggregate and disaggregate options. They can also select a disaggregate category or provide a free-form response without selecting an aggregate category.

Example 1

IMPORTANT: A borrower selects “Mexican” without selecting “Hispanic” or “Latino.” Select only Mexican. Do NOT make other marks or entries into the system.

Ethnicity

☐ Hispanic or Latino

☒ Mexican

☐ Puerto Rican

☐ Cuban

☐ Other Hispanic or Latino – Enter origin:



Example 2

A borrower provides free-form information but does not click “Other Hispanic or Latino.”

IMPORTANT: Do NOT change any of the free-form information, including spelling, even if you think it is an invalid or incorrect response.

☐ Hispanic or Latino

☐ Mexican

☐ Puerto Rican

☐ Cuban

☐ Other Hispanic or Latino – Enter origin:
Gummy Bear

Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, etc.

Example 3

IMPORTANT: The borrower selects “Other Hispanic or Latino” free-form box but does not provide a free-form answer. The response is acceptable.

☐ Hispanic or Latino

☐ Mexican

☐ Puerto Rican

☐ Cuban

☒ Other Hispanic or Latino – Enter origin:

Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, etc.

Example 4

IMPORTANT: The borrower selects BOTH “Hispanic or Latino” and “Not Hispanic or Latino.” The response is acceptable.

Ethnicity

☒ Hispanic or Latino

☐ Mexican

☐ Puerto Rican

☐ Cuban

☐ Other Hispanic or Latino – Enter origin:

Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, etc.

☒ Not Hispanic or Latino

Borrower Provides No Response

If the application is taken in person and the borrower declines to respond for race, you MUST GUESS the race based on visual observation or surname. If you collect race on the basis of visual observation or surname, DO NOT select any disaggregate categories, or enter text into the free form “Other Asian” field.

When you guess based on visual observation or surname, the only options are “American Indian or Alaska Native,” “Asian,” “Black or African American,” “Native Hawaiian or Other Pacific Islander,” or “White.”

Note: In-person Interviews for more information.

Section 3: Race

There are 12 new “disaggregated” categories (individual categories that comprise the larger “aggregate category) in the Race section, including three new free-form fields. These new subcategories are in addition to the five existing aggregate categories. The new disaggregate categories under each aggregate category are:

- American Indian or Alaska Native
- Free-form: Enter the name of the principal or enrolled tribe.
- Asian
- Asian Indian
- Chinese
- Filipino
- Japanese
- Korean
- Vietnamese
- Other Asian: free-form
- Black or African American
- Native Hawaiian or other Pacific Islander
- Native Hawaiian
- Guamanian or Chamorro
- Samoan
- Other Pacific Islander: free-form
- White



Borrowers can select multiple race fields. They can also select a disaggregate category, or complete a free-form field, without selecting an aggregate category.

Example 1

IMPORTANT: The borrower selects “Chinese” but does not select “Asian.” This is acceptable.

☐ Asian

☐ Asian Indian

☒ Chinese

☐ Filipino

☐ Japanese

☐ Korean

☐ Vietnamese

☐ Other Asian – Enter race:

Example: Umong, Laotian, Thai, Pakistani, Cambodian

Example 2

The borrower provides a free-form response in “Other Asian” but does not select “Asian” or the “Other Asian” response. This is acceptable.

IMPORTANT: Do NOT change any information in the “Other Asian” field, including the spelling, even if you think the response is invalid or incorrect.

☐ Asian

☐ Asian Indian

☐ Chinese

☐ Filipino

☐ Japanese

☐ Korean

☐ Vietnamese

☐ Other Asian – Enter race:

Gummy Bear

Borrower Provides No Response

If the application is taken in person and the borrower declines to respond for race, you MUST GUESS the race based on visual observation or surname. If you collect race on the basis of visual observation or surname, DO NOT select any disaggregate categories, or enter text into the free-form “Other Asian” field.

When you guess based on visual observation or surname, the only options are “American Indian or Alaska Native,” “Asian,” “Black or African American,” “Native Hawaiian or Other Pacific Islander,” or “White.”

Note: See [In-person Interviews](#) for more information.

Section 4: Visual Observation Data Points

This section applies when the application is taken face-to-face. Leave all three questions blank UNLESS the GMI data was collected in a face-to-face interview.

The loan originator must complete all three questions when the GMI was collected in a face-to-face interview:

- Click Yes if the borrower or co-borrower did not provide the GMI, and you guessed on the basis of visual observation or surname.
- Click No if the borrower provided the information for that item in a face-to-face interview.

Example

The borrower completes the Sex and Ethnicity portions during an in-person application interview but declines to provide race. The LO must guess the applicant’s race based on visual observations and answer Yes accordingly.

IMPORTANT: The LO answers No to Sex and Ethnicity because the borrower voluntarily provided the information.

Section 5: Demographic Information Collection

The Demographic Information collection method is based on how the application was taken by the loan originator. YOU MUST follow the instructions below for the appropriate interview method for each borrower. Repeat these instructions for all co-borrowers

Phone Interviews

When taking an application by phone, you must first read the GMI Disclosure aloud to each applicant before asking for any race, sex or ethnicity information:

- Do not skip or change the GMI disclosure in any way.
- Read the options in the Addendum in the EXACT ORDER they appear.
- If the borrower provides a response, collect the information exactly as it is provided.



- If the applicant declines to provide a response for any category, select “I do not wish to provide this information.”
Note: Because it is a phone interview, you CANNOT collect information based on visual observation or surname.
- Read the choices back to confirm they are accurate.

GMI Disclosure

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information but are encouraged to do so. The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. Instructions: You may select one or more “Hispanic or Latino” origins and one or more designations for “Race.” If you do not wish to provide some or all of this information, select the applicable check box.

Fax, Mail, or Email/Internet applications

- If you receive the application by mail or email/Internet, DO NOT guess or change any of the borrower’s responses. This information MUST NOT be collected by visual observation or surname.
- If the borrower does not select any of the race, sex, or ethnicity categories, you must follow up to collect the information.
 - If you contact the borrower by telephone to collect any incomplete information, you must treat the application as a telephone application, and read the GMI disclosure, above.
 - If the borrower selected “I do not wish to provide this information,” consider the response complete. You do not need to contact the borrower.

Note: You CANNOT select “I do not wish to provide this information” on the borrower’s behalf.

In-person Interviews

“In-person interviews” include face-to-face interviews, Skype (with camera on), FaceTime, and any other video call. In-person interviews are the only situation when the loan originator must select GMIL on the basis of visual observation or surname, if the borrower declines to provide the information.

Face to Face

Whenever borrowers complete the Addendum during a face-to-face interview, direct them to the GMI Disclosure section of the application, and request that they review it. Read the disclosure out loud to any borrower who requests you to.

Video Call

If you complete the application during a video call or face-to-face meeting, you must read the GMI Disclosure to the applicant.

No Response Visual Observation/Surname Requirements

An in-person/video interview is the ONLY time a LO can make a visual observation regarding a person’s sex, ethnicity, or race if the borrower does not provide the information. If the applicant declines to provide a response to any of the GMI, note this on the application form and then guess by visual observation or surname. If the borrower provides a partial response, only use visual observation and surname to guess the information they did NOT provide.

Example

- IMPORTANT:** The borrower indicates race as “White,” ethnicity as “Not Hispanic or Latino,” but declines to provide information on sex. The LO guesses ONLY the sex based on visual observation or surname.
- IMPORTANT:** The LO does NOT guess ethnicity or race because the borrower provided this, and does NOT change the borrower’s responses, even if the LO believes it is inaccurate.

In addition, the LO must complete the visual observation questions on the bottom of the Addendum for applications taken, or completed, in person or by video.

To Be Completed by Financial Institution (for application taken in person):	
Was the ethnicity of the Borrower collected on the basis of visual observation or surname?	<input type="radio"/> NO <input type="radio"/> YES
Was the sex of the Borrower collected on the basis of visual observation or surname?	<input type="radio"/> NO <input type="radio"/> YES
Was the race of the Borrower collected on the basis of visual observation or surname?	<input type="radio"/> NO <input type="radio"/> YES



LOs ONLY select an aggregate (main or primary) category when collecting information based on visual observation or surname. They can also only pick one response per category. LOs must NOT select a disaggregate category (sub-category) when collecting information based on visual observation or surname.

IMPORTANT: ONLY the LO can make this judgment. The notary, processor, and any other person involved with the loan cannot “observe” or guess on the LO’s behalf.

In some limited circumstances, the LO might meet with the borrower after receiving the initial application, and prior to closing. The LO then must collect GMI data based on visual observation or surname.

This requirement only applies when:

The LO meets with the applicant after receiving the initial application, but prior to closing.

The borrower left one or all the GMI questions blank.

Note: This requirement does not apply if the borrower selected “I do not wish to provide this information” for the GMI data.

Electronic Signature Requirements

Revised August 2023

Audit Trail/Audit Log

An e-signed document has the same validity as a wet signed document. Diligence must be exercised in managing the electronic record as there is only one original e-signed document. An audit trail must document the following:

- Borrower(s) name and IP address,
- Borrower consent,
- Clear date and time stamp of the electronic signature AND,

Certificate Of Completion		
Envelope: [REDACTED]	Status: Completed	
Subject: [REDACTED]		
Source Envelope: [REDACTED]		
Document Pages: 7	Signatures: 2	Envelope Original:
Certificate Pages: 4	Initials: 0	[REDACTED]
Activities: Created		P Address: [REDACTED]
Envelope Signing: Enabled		
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		
Record Tracking		
Status: Original	Initials: [REDACTED]	Location: [REDACTED]
Sent: 5/17/2020 8:34:01 AM		
Signer Events		
[REDACTED]	Signature	Timestamp
[REDACTED]	[REDACTED]	Sent: 5/17/2020 8:36:25 AM
[REDACTED]	[REDACTED]	Viewed: 5/17/2020 8:39:14 PM
[REDACTED]	[REDACTED]	Signed: 5/19/2020 10:14:37 AM
Security Level: Email, Account Authentication (None)	Signature Adoption: The collected type Using IP Address: [REDACTED]	
Electronic Record and Signature Disclosure:		
Approved: 5/17/2020 8:35:14 PM	[REDACTED]	
In Person Signer Events		
[REDACTED]	Signature	Timestamp
Editor Delivery Events		
[REDACTED]	Status	Timestamp
Agent Delivery Events		
[REDACTED]	Status	Timestamp
Intermediary Delivery Events		
[REDACTED]	Status	Timestamp
Certified Delivery Events		
[REDACTED]	Status	Timestamp
Carbon Copy Events		
[REDACTED]	Status	Timestamp
Witness Events		
[REDACTED]	Signature	Timestamp
Notary Events		
[REDACTED]	Signature	Timestamp
Envelope Summary Events		
[REDACTED]	Status	Timestamps
Envelope Sent	Finished/Failed	5/17/2020 8:36:25 AM
Certified Delivered	Security Checked	5/17/2020 8:39:14 PM
Signing Complete	Security Checked	5/19/2020 10:14:37 AM
Completed	Security Checked	5/19/2020 10:14:37 AM
Payment Events		
[REDACTED]	Status	Timestamps
Electronic Record and Signature Disclosure		

- Evidence the document was electronically signed

Consent Disclosure

The borrower consents to the terms and services by signing the consent document. A copy of the consent document outlining the terms and services must accompany the audit log.

Consent Language

Consent

Electronic Records and Signatures Agreement

Consent to Receive Electronic Loan Documents

Federal and State law require that you be provided various disclosures, records, notifications, and documents ("Loan Documents") over the course of this specific loan transaction. You have the option of receiving these Loan Documents either physically or electronically. In order to receive, view, and/or sign these Loan Documents electronically, you must understand and consent to the following terms and conditions:

- The following are the minimum computer software and hardware requirements necessary to access/receive and retain Loan Documents electronically:
 - Personal computer or other device which is capable of accessing the Internet
 - Web browser (Internet Explorer 9 or later; current versions of Mozilla Firefox, Chrome, Safari)
 - Adobe Acrobat Reader? (visit <http://get.adobe.com/reader>; if you need to download the latest version) or other equivalent software
 - An active internet email address
 - A printer or the ability to download and save information to your personal computer or device
- Your consent only applies to all Loan Documents associated with this specific loan transaction, and this consent does not apply to any other subsequent loan transaction(s).
- You may withdraw your consent to receive these Loan Documents electronically at any time, without charge. In the event you wish to withdraw this consent or you need to update your contact information, including your email address, send the information in writing to:

- You have the right to request and obtain a paper version of any electronically-delivered Loan Document(s) without charge, even if you originally consented to receive Loan Document(s) electronically but subsequently withdrew that consent.

By accepting, you certify that you understand these requirements, and you consent to the electronic delivery of Loan Documents.

By declining, you certify that you are declining electronic delivery of Loan Documents and would rather have them delivered in paper form.

Having read the Agreement, do you accept using electronic records and signatures?

Note: The Electronic Record and Signature disclosure will only be available on documents signed by 3rd parties. This is not applicable to documents signed by the DocuSign user, i.e., as a processor or FAR employee. Here is a sample of a document that would NOT require an Electronic Record & Signature disclosure.



Certificate Of Completion		
Envelope ID: 8480A48D296C22887E7F40327208		
Subject: Please DocuSign: Certification of Appraisal Delivery.pdf		
Source Envelope:	Signatures: 1	Envelope Originator:
Document Pages: 1	Initials: 0	Kaylee Turner
Certificate Pages: 1		8238 Farrow Rd
AuthNav: Enabled		Suite 300
Envelope Stamping: Enabled		Charlotte, NC 28218
Time Zone: (UTC-05:00) Pacific Time (US & Canada)		kaylee.turner@finance.com
		IP Address: 98.108.90.90
Record Tracking		
Status: Original	Holder: Kaylee Turner	Location: DocuSign
12/1/2021 12:55:36 PM	kaylee.turner@finance.com	
Signer Events		
Signature	Signature	Timestamp
Kaylee Turner		Sent: 12/1/2021 12:55:28 PM
kaylee.turner@finance.com		Viewed: 12/1/2021 12:56:45 PM
Processor: H FAR		Signed: 12/1/2021 12:58:54 PM
FAR		
Security Level: Email, Account Authentication (None)	Signature Adoption: Pre-selected Style	
	Using IP Address: 185.225.216.185	
Electronic Record and Signature Disclosure:		
Not Offered via DocuSign		
In Person Signer Events		
Signature	Signature	Timestamp
Editor Delivery Events		
Status	Status	Timestamp
Agent Delivery Events		
Status	Status	Timestamp

Finance of America Reverse (FAR) accepts e-signatures from vendors and partners who are approved and meet specific requirements. Provide the following list your e-signature vendor to verify compliance:

- E-Signature Association with the Authorized Document: FAR presents the documents to the signer before obtaining the E-Signatures, which must be attached to, or logically associated with the document
- E-SIGN Act Compliance: The signer uses E-Signatures technology that complies with all requirements of the [ESIGN Act](#), including those related to disclosures, consent, signature, presentation, delivery, and retention.
- Intent to Sign: The E-SIGN technology proves the signer certifies the document as true, accurate, and correct at the time of signing.
- Single Use of Signature: The E-SIGN technology requires a separate action by the signer, verifying his or her intent to sign, in each location where the signature or initials are applied.
- Single Use Signature: The E-SIGN technology verifies the date the signing individual provides against data maintained by an independent source.
- Attribution: The E-SIGN technology maintains sufficient evidence to attribute the electronic signature(s) to the individuals who actually signed.

Documents Acceptable for E-signing

IMPORTANT: If electronic signatures are used at application, notify FAR if borrower is intending on signing with a mark or using blind borrower guidelines at closing.

Third-Party Contracts

E-Signatures are allowable for documents that are originated and signed outside the control of the lender, such as the sales contract.

Note: E-Signatures are NOT permissible for items that require a live signature, such as closing documents, power of attorney, conservator/guardianship, and trust documents, nor are they acceptable on documents requiring notarization.

Application and Counseling Documents Application

E-Signatures are acceptable on all application documents.

Counseling and 4506C

The counseling agent, borrower, non-borrowing spouse, and non-borrowing owner can sign the counseling certificate electronically. However, we require live signatures from the power of attorney, conservator/guardian, or trustee.

Note: If the non-borrowing spouse or non-borrowing owner is acting as POA, a live signature will be required.

Electronic signatures are not acceptable on any document requiring notarization.

Closing Documents

We require a live signature on all closing documents.

Miscellaneous Documents

E-Sign is allowed on miscellaneous documents such as a letter of explanation so long as a notarization is not required. If you have any questions, please contact the compliance team.



Face-to-Face Interviews

Reviewed January 2021

Home Equity Conversion Mortgage (HECM)

Face-to-face meetings at either the time of application or during counseling are not mandatory per [Mortgagee Letter 2007-08](#). However, the mortgagee letter indicates that lenders and counselors should still have that service available to all prospective borrowers. **Note:** Some states require face-to-face counseling. See Counseling for more information. In addition, lenders should routinely offer to conduct face-to-face loan applications for borrowers who prefer a face-to-face meeting.



HECM Borrower Eligibility

Created January 2023

All borrowers must be age eligible at time of loan approval which is 62 years old.

Additionally, borrowers must meet one of the below eligibility requirements:

- U.S. Citizens
- Permanent Resident Aliens: Permanent Resident Aliens must provide evidence of lawful residency and meet all the same credit standards as US citizens. The loan package requires a copy of the front and back of the Permanent Resident Alien card indicating permanent residency.
- Non-Permanent Aliens: Non-Permanent Resident Aliens must provide proof the property is the borrower's principal residence, have a valid social security number, and provide proof the borrower is eligible to work in the United States.
- **Note:** An Employment Authorization Document (EAD) issued by the US Citizenship and Immigration Services (USCIS) is acceptable proof of eligibility to work. Social security cards alone are NOT valid proof of eligibility to work.

Ineligible borrowers include, but are not limited to:

- Blind Trusts
- Businesses, including limited partnerships, general partnerships, or corporations
- Non-occupant co-borrowers
- Non-arms-length transactions when there is a relationship or business affiliation between the buyer, seller, loan agent, or originator and include, but no limited to:
- Owners, employees, or family member of origination broker



Identification Verification Sources

Revised October 2023

Overview

All borrowers must provide valid, legible proof of identity, including verification of date of birth and Social Security Number (SSN). Identification sources cannot be hand-altered, and they must be clear. They cannot be too light, too dark, or fuzzy, and so forth.

Note: Finance of America Reverse (FAR) can accept an expired photo ID, but the title company may not. Check with the title company to confirm the ID exhibit is acceptable to use at closing.

The following sections contain lists that may not be all-inclusive.

Date of Birth

Valid date of birth verification includes:

- State-issued driver’s license or ID card
- Birth certificate
- Passport
- Letter from the Social Security Administration (SSA), and an acknowledgement by SSA, if applicable
- Military ID
- Voter ID card
- Certificate of United States Naturalization (form N-550 or N-570)

Social Security Number Verification

There are more than 50 different valid versions of the social security card because the format has changed over the years. For a description of changes in card design from 1936 to the present, visit <http://www.ssa.gov/history/ssn/ssnversions.html>.

Acceptable Social Security Cards

Examples of acceptable social security cards include the following:



Note: Until 1972 Social Security cards displayed “FOR SOCIAL SECURITY PURPOSES • NOT FOR IDENTIFICATION.”

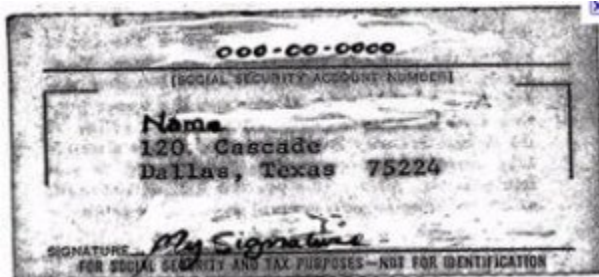


Unacceptable Social Security Cards

Metal Social Security Card



Social Security Stub



Note: Stubs typically display the name and address, but do not display Social Security Administration verbiage or the official seal.

Valid Verification

Valid acceptance of the Social Security number must be in the file. If the Social Security verification is not legible, the authorization allows us to pull Social Security number verification from DataVerify. With this type of verification, a [printout](#) of the screen must be in the file.

Valid Social Security verification includes:

- Social Security card issued by the government (it cannot be plastic or metal, or the stub that comes attached to the Social Security card).
- Printout from the SSA, and an acknowledgement by SSA, if applicable.
- Medicare card with any of the following codes: **A, J1, J2, J3, J4, LM, M, M1, T, TA.**

IMPORTANT: Medicare cards with an issue date of April 2018 or later are NOT an acceptable form of social security number verification. These cards have unique numbers in place of the carrier’s social security number for identity theft protection.

Example:



- W2 form
- **Note:** This must be computer-generated or typed.
- Form 1098 or 1099
- A 401K statement or bank statements with earned income that must be reported to the IRS
- Current pay stub
- Railroad Retirement Board card.
- Voter ID card.

Note: Documents that have been altered or enhanced by hand are not acceptable.

The following Social Security Verification sites are also acceptable for SSN verification:

- DataVerify
- Interthinx/Sysdome
- Inco-Check
- Rapid Reporting

This list may not be all inclusive and other service providers with direct access to the SSA may be acceptable.

Examples

Social Security Administration

Form Approved
OMB No. 0602-0162

Authorization for the Social Security Administration (SSA) To Release
Social Security Number (SSN) Verification

Printed Name
[REDACTED]

Date of Birth
February 5, 1950

Social Security Number
[REDACTED]

I want this information released because I am conducting the following business transaction:
Seeking a reverse mortgage

Reason(s) for using OASD (Please select all that apply):

☒ Mortgage Service

☐ Banking Service

☐ Background Check

☐ License Requirement

☐ Credit Check

☐ Other

with the following company (The Company):
Company Name: Reverse Mortgage Education, Inc.
Company Address: 1000 N Tustin St, Orange, CA 92668

I authorize the Social Security Administration to verify my name and SSN to the Company and/or the Company's Agent, if applicable, for the purpose(s) identified:
The name and address of the Company's Agent(s):
INTERMOUNTAIN
38005 Ladyfern Court, Agoura Hills, CA 91301

I am the individual to whom the Social Security number was issued or the parent or legal guardian of a minor, or the legal guardian of a legally incompetent adult. I declare and affirm under the penalty of perjury that the information contained herein is true and correct. I acknowledge that if I make any representation that I know is false to obtain information from Social Security records, I could be found guilty of a misdemeanor and fined up to \$5,000.

This consent is valid only for 90 days from the date signed, unless indicated otherwise by the individual named above. If you wish to change this timeframe, fill in the following:
This consent is valid for _____ days from the date signed. (Please initial.)
Signature: [REDACTED] Date Signed: 4.17.15

Relationship (if not the individual to whom the SSN was issued): _____

Contact information of individual signing authorization:
Address: [REDACTED]
City/State/Zip: [REDACTED]
Phone Number: [REDACTED]

Privacy Act Statement:
Form SSA-49 (04-2010)
Use Other Version: SSA-49-018
OMB Control Number: 0602-0162
SSA-49-018 (04-2010) (Rev. 04-2010)
Page 1 of 1
Product: 477020
Distribution: Public Release (Distribution: 1-100)

Intermountain

Identity Report: [REDACTED]
SSN: [REDACTED]

URBAN FINANCIAL OF AMERICA, LLC
Request: Information 1
For: [REDACTED]
Phone: [REDACTED]

The Social Security Administration has searched their database to verify the assignment of the Social Security Number listed below to the subject name listed below, and has confirmed that the information, as entered below, **DOES MATCH**.

☒ First Name

☒ Last Name

☒ Social Security Number

☒ Date of Birth

The information furnished in this report is presented from third parties outside of the control of Intermountain and has not been independently verified by Intermountain. Intermountain disclaims any knowledge, responsibility or liability relating to the accuracy, usefulness or completeness of any and all information contained herein. This report is provided on an informational basis only and the user agrees to indemnify and hold Intermountain harmless in connection with any and all intended uses of this information. The information contained in this document is legally privileged or confidential and intended only for the use of the intended recipient. If you are not the intended recipient, be aware that any dissemination, disclosure, copy, or use of this information is strictly prohibited. If you have received this in error, please call us at (800-795-4191) immediately so that we can arrange for the retrieval of the documents or as best to you. Thank you.

Contact us with questions or concerns regarding the information provided in this Identity Report as advised to contact the data provider directly at the numbers and websites below:
Social Security Administration: 800-772-1213 or www.ssa.gov



Loan Application

Revised October 2023

The Fannie Mae Form 1009 is the application form for Home Equity Conversion Mortgage (HECM) loans and is mandatory for all borrowers. Each loan file contains a copy of this seven-page form, which contains borrower information, such as address, contact information, birth date, Social Security Number (SSN), marital status, and so forth.

The state-licensed Loan Officer begins the application process, changes the loan status to Origination, and inputs the borrower information into the system.

Underwriter Review

The underwriter reviews all fields of the Fannie Mae 1009 application form for completion and accuracy.

Residential Loan Application for Reverse Mortgages

For all joint loan applications, the underwriter confirms that all applicants signed the top portion of the Fannie Mae 1009 at both application and closing. The signatures are beneath the statement, "If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below.)"

Sections of the Application

The underwriter confirms all of the following:

I. Type of Mortgage and Terms of Loan

- All fields and loan information are complete.

II. Primary Residence Property Information

- The subject address is correct.
- The brief legal description, how the title is held, and title vesting all appear as shown on the title commitment.

III. Borrower Information

- All fields are complete.
- Years of residence at the present address match the information supplied by the title company regarding the acquisition date of the property.
- The mailing address is the same as the subject property.
Note: If the mailing address is different, refer to Occupancy.
- Marital status. A spouse is on the application if the borrower is married. If the borrower is married but no spouse is listed, we require additional non-borrowing spouse information and documentation.
- Alternative Contact information. This individual must be someone other than the spouse of the borrower and does NOT reside in the property.

IV. Liens Against the Property

- All taxes, liens, mortgages and so forth are entered.
Note: All items in this section must be paid at closing.

V. Total Non-Real Estate Debts

- The total amount of non-real estate debt is entered.

VI. Declarations

- There are no "Yes" answers other than, "e. Do you intend to occupy the property?" and "g. Are you a U.S. citizen?"
- **Note:** The underwriter reviews any other questions that have a "Yes" response and determines if there are any further requirements.
- The borrower answered "No" to "Do you have an existing FHA loan?"
- **Note:** Borrowers can only have one FHA insured loan at a time. If the borrower answered, "Yes," see Multiple FHA Loans.

VII. Acknowledgement and Agreement

- The borrower and co-borrower signed and dated the Fannie Mae 1009.

VIII. Information for Government Monitoring Purposes

- Ethnicity, race and sex are entered for both borrower and co-borrower.
- The field, "This information was provided," indicates how the borrower disclosed the information: over the phone, face-to-face, by fax, and so forth.



- The loan originator signed and dated the Fannie Mae 1009, and provided originator and company NMLS numbers, company name, address and phone number.

Procedure

- A. You must ask the applicant for this information (but you cannot require the applicant to provide it) whether the application is taken in person, by mail or telephone, or on the Internet. For applications taken by telephone, the information in the collection form must be stated orally by the lender, except for that information which pertains uniquely to applications taken in writing.
- B. Inform the applicant that the federal government requests this information in order to monitor compliance with federal statutes that prohibit lenders from discriminating against applicants on these bases. Inform the applicant that if the information is not provided where the application is taken in person, you are required to note the data on the basis of visual observation or surname.
- C. You must offer the applicant the option of selecting one or more racial designations.
- D. If the applicant chooses not to provide the information for an application taken in person, note this fact on the form and then note the applicant's ethnicity, race, and sex on the basis of visual observation and surname, to the extent possible.
- E. If the applicant declines to answer these questions or fails to provide the information on an application taken by mail or telephone or on the Internet, the data need not be provided. In such a case, indicate that the application was received by mail, telephone, or Internet, if it is not otherwise evident on the face of the application.

[Loan Application Process](#)



Non-Traditional Borrower Signature Requirements

Revised August 2023

Overview

Follow these guidelines only for fully competent borrowers who are physically capable of signing documentation and wish to sign it themselves, but may have difficulty.

IMPORTANT: If electronic signatures are used at application, notify FAR if borrower is intending on signing with a mark or using blind borrower guidelines at closing.

Blind Borrower Signature Requirements

Follow these guidelines only for fully competent borrowers who are physically capable of signing documentation and wish to sign it themselves, but who cannot read the documents. See the [Power of Attorney](#) section for instructions when the borrower has a Power of Attorney (POA).

Finance of America Reverse (FAR) recommends that blind borrowers seek legal counsel and have an attorney present at signing.

Borrowers who wish to sign the documents themselves must:

- Sign and date the loan application package in the presence of two uninterested witnesses. The witnesses can be friends of the borrower, neighbors, or other individuals within the title company but cannot be affiliated with the loan. The witnesses should sign an acknowledgment letter confirming they witnessed the signing of the application package.
- Approval from the title company verifying acceptable for closing and recording.
- Attend the closing in person.
- Sign and date the closing documents in the presence of a notary and two uninterested witnesses. The witnesses can be friends of the borrower, neighbors, or other individuals within the title company but cannot be affiliated with the loan.
- Sign and date an affidavit, with the witnesses in the presence of a notary, acknowledging that he or she understands the terms of the loan.

We require five original copies of the [Blind Borrower Affidavit](#) to be signed at closing. These go in the file behind the original first and second Note, the first and second Mortgage, and the Loan Agreement.

Signing with a Mark

When borrowers **or trustees** cannot sign their full names on a large number of documents, they may sign with a mark, or “X”. In these instances, we require:

- Five original Jurat documents to be signed by two uninterested witnesses. The witnesses can be friends of the borrower, neighbors, or other individuals within the title company but cannot be affiliated with the loan.
Note: Place these behind the 1st and 2nd Notes, 1st and 2nd mortgages, and the Loan Agreement.
- A doctor’s letter certifying the borrower’s mental capacity to sign and nature of physical limitation.
- A letter of explanation from the borrower.
- Approval from the title company verifying acceptable for closing and recording.
- If borrower is also signing as a trustee, two separate sets of Jurat documents are required to be signed for their roles as individual borrower and trustee.

Note: Do not apply these guidelines in conjunction with a Power of Attorney. The Jurat document is intended only for borrowers who are fully mentally and physically capable of signing documentation, but who have difficulty signing their full names on numerous documents at once.

Power of Attorney

Refer to POA guidelines for [Borrower is Mentally Competent but Physically Incapable of Signing](#).



Switching from One FAR Product to Another FAR Product

Revised July 2023

Product From	Product To	New Application Required	Transfer Counseling Certificate Allowed	Case Number Assignment	Transfer Appraisal	Redisclosure Required
HECM	HomeSafe® Products	No	Yes. Signed [insert link to Waiver]	N/A	Yes ²	Yes ³
HECM	EquityAvail®	Yes	No ⁴	N/A	Yes ²	N/A
HomeSafe® Products ¹	HECM	Yes	No	Yes	No	N/A
HomeSafe® Products ¹	EquityAvail®	Yes	No	N/A	Yes ²	N/A
EquityAvail®	HECM	Yes	No	Yes	No	N/A
EquityAvail®	HomeSafe® Products	Yes	No	N/A	Yes ²	N/A

- 1 HomeSafe® products includes: HomeSafe®, HomeSafe® Select and HomeSafe® Second.
- 2 Appraisal can be transferred if approved by VP or Higher.
- 3 Valid Change Circumstance Worksheet (VCC) for redisclosures will be required along with the additional required HomeSafe® disclosures that must be signed prior to closing.
- 4 For EquityAvail®, services, including counseling, cannot be ordered, or performed until FAR receives the executed Intent to Proceed. The borrower must execute the Intent to Proceed (ITP) form provided in the doc package. The only fee that may be imposed prior to receipt of the executed ITP is the cost of a credit report. Counseling certificates may not pre-date the borrower’s signed Intent to Proceed.

For All Products: In most instances, supporting documentation can be copied and uploaded to a new loan record: credit report (if Credco report), income, title work (amend coverage amount, when applicable), HOI (update loan amount and/or coverage amount when applicable), trust documentation, bank statements.



Appraisal Topics



Accessory Dwelling Units (ADU)

Revised October 2023

Overview

An accessory dwelling unit (ADU) refers to a single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit single family dwelling, which together constitute a single interest in real estate. No income from commercial space may be included in the rental income calculations.

The minimum requirements for a living unit include:

- a continuing and sufficient supply of safe and potable water under adequate pressure and of appropriate quality for all household uses
- sanitary facilities and a safe method of sewage disposal. Every living unit must have at least one bathroom, which must include, at a minimum, a water closet, lavatory, and a bathtub or shower.
- space adequate for healthful and comfortable living conditions
- heating adequate for healthful and comfortable living conditions
- domestic hot water
- electricity adequate for lighting and for mechanical equipment used in the living unit

And,

- kitchen facilities adequate for the preparation and cooking of food. Every living unit must have at least one area with kitchen facilities, which must include, at a minimum, a sink with potable running water and a stove utility hookup.

IMPORTANT: A single family residential one-unit property with a single ADU remains a one-unit property. A single-family residential property with two individual dwelling units and one accessory dwelling unit (ADU) is considered a 3-unit property and three individual dwelling units and one ADU is considered a 4-unit property.

NOTE: A renter of an ADU is not a boarder. Refer to Boarder Income guidelines.



Agriculture and Excess Land

Revised December 2020

Excess Land

Excess land is acreage larger than what is typical in the neighborhood and can be used for another purpose if it is separated from the primary site. Excess land is not included in the value of the property on the appraisal.

Farms

Agricultural zoning does not necessarily indicate excessive land. It also does not automatically disqualify the property because of its zoning. However, the property must still be considered a residence, and not a farm. The underwriter reviews the appraisal to determine if the property is a residence or a farm.

Double Lots and Excess Acreage

The Federal Housing Administration (FHA) requires that the property title exclude acreage or lots that are not included in the value. The appraiser must rely on what is typical for the area in order to determine how much land should be included in the value. There currently is no maximum acreage limitation, so the underwriter must review the appraisal and make the final determination for additional lots, or properties over five acres.

Large properties must:

- Be zoned and used as residential property.
Note: The property cannot be income-producing, so it cannot be a farm, or have a commercial use.
- Have acreage common for the area.
- Have acreage that is entirely contiguous, and included on the legal description, if non-contiguous the appraiser must state that it is not a detriment to the property value or marketability and that it is common for the area.
- Be taxed as one parcel.
- Include amenities, such as:
 - Septic tank
 - Garage
 - Anything else that could contribute to the marketability of the property.

If the property has excess land that does NOT meet these requirements, that excess land cannot be included in the property value. Borrowers have a choice to legally mortgage the entire land, but not receive the benefit of the value in the mortgage (encumber it) OR split off the excess land so that they can sell it at any time without having to pay off the mortgage (deed it separately). The borrowers must sign an Excess Land Certification to formalize their preference.

Encumber the Land

Nothing further is required.

Deed the Land

A survey is necessary, and the deeded land must be removed from the legal description. A new parcel number is required for the encumbered lot.

Note: If the county cannot assign a new parcel number until its next tax roll, obtain a letter from them that states they will assign the parcel number during the next tax roll.

Land may not be removed from the title if this would limit or prevent the encumbered property from accessing public roads, wells, and septic tanks.

If the lot cannot be subdivided, obtain a letter from the county.



Appraisal Expirations and Extensions

Revised March 2023

Overview

For case numbers assigned on or after June 1, 2022, appraisals expire 180 days after the effective date of the appraisal report.

Extensions

Case Number Assignment Date	Appraisal Validity
6/1/2022 or after	180 days May be extended up to one year with 1004D Recertification of Value



Appraisal Ordering

Reviewed June 2023

Overview

Appraisal Management Companies

All appraisals must be ordered through an Appraisal Management Company (“AMC”), except for full eagle lenders with an approved internal ordering system that meets the requirements in [Mortgagee Letter 2009-28](#). All internal ordering systems must be submitted to FAR and approved prior to use.

Brokers

Broker/TPO clients must order from a FAR-approved AMC.

Principal Agents

Principal Agents can select any AMC, as long as the AMC is on FAR’s Approved AMC list.

Prohibitions

Mortgagee letter 2009-28 prohibits mortgage third party originators (TPOs), or any member of a lender’s staff who would earn commission upon completion of the loan, from ordering an appraisal. Also prohibited are persons who report in any capacity to an officer of the lender whose area encompasses loan production and loan processing staff. These persons also cannot communicate with the appraiser on any topics related to, or having an impact on, the value of the property. This includes ordering or managing an appraisal assignment.

Contact is prohibited between the appraiser and the TPO, or any commission-paid member of the lender’s staff. All correspondence to the appraiser must go through the AMC. The AMC gives the appraiser the property address, type of construction, number of units, and other information necessary for the assignment, but cannot give the appraiser value requirements or incentives.

Appraisal Portability

Mortgagee letter 2009-29 addresses the portability of (the ability to move) appraisals when a borrower switches from one Federal Housing Administration (FHA) approved lender (“first lender”), to another (“second lender”) after the first lender orders and completes an appraisal. It is not necessary to remove the original lender’s name from the report. However, we may require a review appraisal under the following circumstances:

- The Direct Endorsement underwriter determines that the initial appraisal contains material deficiencies.
- The appraiser who performed the first appraisal is on our list of excluded appraisers.
- The first lender fails to provide a copy of the appraisal to the second lender in a timely manner and causes potential harm to the borrower from a delay in closing.

Note: In all instances, the underwriter must include the first lender’s appraisal in the case binder and send it to FHA.

Appraisal Validity Periods

The validity period for all appraisals is 120 days. For loans with case numbers assigned June 1, 2022 or later, appraisals are valid for 180 days.

Non-discrimination Policy

We do not discriminate on the basis of race, color, religion, national origin, gender, age or disability. Department of Housing and Urban Development (HUD) expects all lenders to comply with their anti-discrimination requirements, and affirmatively select female and minority appraisers for a fair share of appraisals, commensurate with their representation on the FHA Register. HUD monitors lenders’ choice of appraisers by their sex and race.

Contractual Responsibility of Appraisers

The lender hires the appraiser through the AMC, so the appraiser has a contractual responsibility to the lender. However, the appraiser also provides services for HUD programs and therefore has an obligation to perform these services according to the standards and requirements of HUD, who recognizes the appraiser’s dual responsibility in its



review and reporting requirements. The lender and the appraiser must meet their respective obligations, as prescribed by HUD/FHA. Therefore, the intended user of the appraisal report (the “Client” noted on the Page 1 of the appraisal) is also HUD. The appraiser’s obligations to the lender and HUD are in addition to obligations to the state that grants his or her credentials.

Appraisal Fees

HUD does not establish fees or due dates, so the appraiser and lender negotiate these between themselves. The fee covers the market value estimate of the property, based on guidelines consistent with HUD policy and procedure, and is NOT based on a requested minimum valuation, a specific valuation, or approval of the loan.

Charges to borrower

Lenders can only charge the borrower what is reasonable and customary in that area for an appraisal. Appraisal management firms can charge the borrower a fee for the appraisal that encompasses services performed by the firm, in addition to the appraisal itself. However, the total of these fees is limited to what is reasonable and customary in the area where the appraisal is performed.

The borrower cannot pay the appraisal fee directly to the appraiser. The borrower must pay the fee, or any portion of the fee, to the AMC. FAR does not collect any fees from the lender prior to closing.

RESPA Regulations

All arrangements must comply with all aspects of the Real Estate Settlement Procedure Act (RESPA), and its regulations. These include restrictions against kickbacks and referral fees, charges for settlement services that were not actually performed, and payments in affiliated business arrangements, other than return on ownership.



Appraisals

Revised March 2023

Overview

Every loan file must contain a valid appraisal report submitted by a licensed Federal Housing Administration (FHA) appraiser in good standing.

Appraisal Ordering

[Mortgagee letter 2009-28](#) prohibits mortgage originators, or any member of a lender's staff who would earn commission upon completion of the loan, from ordering an appraisal. Also prohibited are persons who report in any capacity to an officer of the lender whose area encompasses loan production and loan processing staff. These persons also cannot communicate with the appraiser on any topics related to, or having an impact on, the value of the property. This includes ordering or managing an appraisal assignment.

All appraisal reports must be ordered through an Appraisal Management Company (AMC) approved by FAR.

Take note of the following:

- Billing is direct from the originator through the AMC.
- Finance of America Reverse must be listed as the lender/client when ordering the appraisal.
- The final appraisal must be sent directly from the AMC to appraisals@fareverse.com
- All brokers must order appraisals from their assigned AMC.
- Contact between the originator or any commission-based member of the lender's staff and the appraiser is prohibited.
- All correspondence to the appraiser must go through the Appraisal Management Company (AMC). The AMC gives the appraiser the property address, type of construction, number of units, and other information necessary for the assignment, but cannot give the appraiser value requirements or incentives.

Appraisal Portability

Mortgagee letter [2009-29](#) addresses the portability of appraisals when a borrower switches from one Federal Housing Administration (FHA) approved lender ("first lender"), to another ("second lender") after the first lender orders and completes an appraisal. Removal of the original lender's name from the report is not required. However, a review appraisal may be required under the following circumstances:

- The Direct Endorsement underwriter determines that the initial appraisal contains material deficiencies.
- The appraiser who performed the first appraisal is on our list of excluded appraisers.
- The first lender failed to provide a copy of the appraisal in a timely manner and caused potential harm to the borrower from a delay in closing.

Note: In all instances, a copy of the first lender's appraisal will be required by the underwriter for inclusion in the case binder sent to FHA.

Appraisal Validity Periods

For loans with case numbers assigned June 1, 2022 or later the appraisal is valid for 180 days.

Appraisal Reuse

Appraisals CANNOT be reused after the mortgage is closed. A new appraisal is required for each refinance transaction that requires an appraisal, even if a subsequent refinance occurs within 120 days.

Appraisal Effective Date

The effective date of an appraisal is the date the appraiser inspected the property. The effective date cannot be before the case number assignment date.

Second Appraisals

FHA prohibits "appraiser shopping" to ensure the highest value, the least number of deficiencies, and so forth. Second appraisals are only acceptable under the following circumstances:

- The Direct Endorsement underwriter determines that the initial appraisal contains material deficiencies.
- The appraiser who performed the first appraisal is on our list of excluded appraisers.
- The first lender failed to provide a copy of the appraisal in a timely manner and caused potential harm to the borrower from a delay in closing.



Note: In all instances, the underwriter will require a copy of the first lender's appraisal to include in the case binder we send to FHA.

The borrower cannot be charged for the second appraisal report.

Cost Approach

The cost approach is an indication of value and is based on the premise that a buyer will not pay more for a property than the cost to construct a new property of equal utility.

Estimates of the replacement or reproduction cost of property are not estimates of value, although they indicate the possibility that equivalent value might exist.

IMPORTANT: Value depends entirely on usefulness, NOT cost. Value tends to conform to cost, but this does not mean that it is always equal to cost.

The underwriter uses the cost approach as a consideration in value, but NOT a final estimate of value.

The cost approach is required for the following properties:

- New construction housing less than one year old.
- New construction manufactured housing less than one year old.
- Unique properties, or properties with specialized improvements.

Note: It is also required at the lender's request.

Seller Concessions

Seller concessions or seller contributions are an amount or percentage of closing costs, included in the contract, which the seller agrees to pay from his or her proceeds. Concessions may be in the form of loan discount points, loan origination fees, interest rate buy-downs, closing cost assistance, payment of condominium fees, builder incentives, down payment assistance, monetary gifts, or personal property.

IMPORTANT: Seller concessions are NOT permitted on HECM purchases.

Seller concessions influence the price of real estate. For this reason, FHA requires that appraisers identify and report seller concessions in all appraisals. The appraiser verifies them with the seller, realtor, or any other party to the mortgage transaction.

If there are no seller concessions, the appraiser indicates "none" or "0" on the report. The appraiser is required to confirm seller concessions on all comparables, so he or she may not indicate "none noted" or "unknown" in the report.

Non-discrimination Policy

We do not discriminate based on race, color, religion, national origin, gender, age or disability. The Department of Housing and Urban Development (HUD) expects all lenders to comply with their anti-discrimination requirements, and affirmatively select female and minority appraisers for a fair share of appraisals, commensurate with their representation on the FHA Register. HUD monitors lenders' choice of appraisers by their sex and race.

Contractual Responsibility of Appraisers

The lender hires the appraiser, so the appraiser has a contractual responsibility to the lender. However, the appraiser also provides services for HUD programs and therefore has an obligation to perform these services according to the standards and requirements of HUD, who recognizes the appraiser's dual responsibility in its review and reporting requirements. The lender and the appraiser must meet their respective obligations, as prescribed by HUD/FHA. Therefore, the intended user of the appraisal report is also HUD. The appraiser's obligations to the lender and HUD are in addition to obligations to the state that grants his or her credentials.

The lender's name must appear in the Lender/Client field on Page 1 of the appraisal report. HUD must be listed as the intended user on Page 1, or elsewhere in the report.

Note: The location of HUD as the intended user varies and can be ANYWHERE in the text of the appraisal.



Appraisal Fees

HUD does not establish fees or due dates, except to require that they be “reasonable and customary” for that area, so the appraiser and lender negotiate these between themselves. The fee covers the market value estimate of the property, based on guidelines consistent with HUD policy and procedure, and is NOT based on a requested minimum valuation, a specific valuation, or approval of the loan.

Charges to borrower

Lenders can only charge the borrower what is reasonable and customary in that area for an appraisal. Appraisal management firms can charge the borrower a fee for the appraisal that encompasses services performed by the firm, in addition to the appraisal itself. However, the total of these fees is limited to what is reasonable and customary in the area where the appraisal is performed.

Note: FAR does not collect the appraisal fee upfront. The borrower pays the AMC, or FAR collects the fee at closing.

Reconsideration of Value

Reconsideration of value (ROV) requests from retail and broker processors must be sent to the DE underwriter who will review the appeal and determine whether it has merit and can be forwarded to the AMC for further consideration. The underwriter, at their discretion, may escalate the ROV to the Appraisal Department for its opinion and/or additional research, but only the DE underwriter may submit ROV appeals to the AMC.

Principal-Agents and Closed Loan Sellers may submit their own requests to directly to the AMC since they are the lender on the loan.

RESPA Regulations

All arrangements must comply with all aspects of the Real Estate Settlement Procedure Act (RESPA), and its regulations. These include restrictions against kickbacks and referral fees, charges for settlement services that were not actually performed, and payments in affiliated business arrangements, other than return on ownership.



Appraiser Independence

Revised April 2013

Overview

Per [Mortgagee Letter 2009-28](#), the Federal Housing Administration (FHA) states that lenders CANNOT accept appraisals from FHA Roster appraisers who are selected, retained, or compensated in any manner by a mortgage broker, or any member of a lender's staff who earns commission tied to successful completion of a loan.

Appraiser Selection in FHA Connection

Lenders must determine that the appraiser who actually conducted the appraisal is correctly identified in [FHA Connection](#). Lenders who fail to do this will be subject to administrative sanctions.

For this reason, we must verify that FHA Connection correctly reflects the name of the appraiser who actually completed the appraisal.

Appraisal and AMC/Third Party Fees

All appraisals must be ordered through one of our preferred or approved Appraisal Management Companies (AMCs).

Note: The FHA does not require lenders to use AMCs or other or other third-party organizations. However, they do recognize that these organizations help to ensure appraiser independence.

As an FHA-approved lender we must ensure that:

FHA appraisers record in the appraisal report the actual fee they were paid for the appraisal and are not prohibited from doing this by the lender, AMC or other third party.

FHA Roster appraisers are compensated at a rate that is reasonable and customary in the market area of the property they appraised.

The appraisal completion fee does not include charges for any activity other than the performance of the appraisal.

Management fees from an AMC or other third party must be for actual services related to ordering, processing or reviewing appraisals performed for FHA financing.

AMC or third-party fees do not exceed charges that are reasonable and customary for the market area of the property being appraised.

Prevention of Improper Influences

Per [Mortgagee Letter 1996-26](#) FHA Roster appraisers must avoid conflicts of interest and the appearance of conflicts of interest. For this reason, none of the following individuals shall communicate with an appraiser on topics related to, or having an impact on, valuation, ordering or managing an appraisal:

Members of a lenders loan production staff.

Any person who receives commission as compensation for the successful completion of a loan.

Anyone who ultimately reports to any officer of the lender who manages the production staff and process.

Note: The DE Underwriter who is responsible for the quality of the appraisal report can request clarifications and can discuss with the appraiser any components of the appraisal that influence its quality.

If the lender's small size and limited staff prevent it from achieving absolute independence, that lender must clearly demonstrate that it has prudent safeguards to prevent influence and interference from its loan production process.

Appraiser Independence Safeguards

[Mortgagee Letter 1996-26](#) prohibits even the appearance of a conflict of interest. This includes providing the appraiser with any compensation in return for an appraisal that assigns a given value to a property. [Mortgagee Letter 1997-](#)



[45](#) adds that lenders cannot select an appraiser based on the condition that he or she inflate values and disregard repair requirements.

Lenders and third parties cannot:

Withhold, or threaten to withhold, timely payment or partial payment for an appraisal report.

Withhold or threaten to withhold future business with an appraiser, or demote, terminate, or threaten to demote or terminate an appraiser.

Promise (expressly or implied) future business, promotions or increased compensation to an appraiser.

Make an opinion, conclusion or valuation of a property a condition for payment of an appraisal fee, salary or bonus.

Request that an appraiser provide an estimated, predetermined or desired valuation before completing the appraisal report, or request that the appraiser give an estimated value or provide comparable sales before completing the appraisal report.

Provide the appraiser with an anticipated, estimated, encouraged or desired value or target loan amount for a subject property, except when providing a copy of the sales contract for purchase.

Provide stock or other financial or non-financial benefits to the appraiser, appraisal company, appraisal management, or any entity or person related to the appraiser.

Remove an appraiser from a list of qualified appraisers, or add that appraiser to a list of excluded appraisers without prompt written notice to that appraiser providing written evidence of the appraiser's:

- Illegal conduct.
- Violation of the Uniform Standards of Professional Appraisal Practice (USPAP) or state licensing standards.
- Improper or unprofessional behavior.

Note: This includes any other substantive reason for removal that is not listed.

Order, obtain, use, or pay for a second or subsequent appraisal or automated valuation model (AVM) unless:

- There is a reason to believe the initial appraisal was flawed or tainted, and this is clearly and appropriately noted in the file.
- The appraisal or AVM is part of a pre-established bona fide pre- or post-funding appraisal review, quality control process or underwriting guideline, provided that the lender selects the most reliable appraisal, rather than the one with the highest value.

Engage in any practice that impairs, or attempts to impair, the appraiser's independence, objectivity, or impartiality, or which violates law or regulation, including but not limited to Truth in Lending Act (TILA) and Regulation Z, and USPAP.

Appraiser Knowledge and Competency

Lenders and appraisers are BOTH responsible for the quality and accuracy of an appraisal when the lender knows or should have known that there were problems with the appraisal's integrity, accuracy, and thoroughness. For this reason, lenders must select an appropriate appraiser for every assignment.

- Appraisers whose primary experience is in appraising detached, single-family dwellings in one market may lack the knowledge, experience, or sources to obtain market data for other types of residential property in that market, or for detached, single-family dwellings in a different market a short distance away.
- The valuation principals for appraising residential properties are essentially the same. However, not all appraisers are knowledgeable and experienced, or have access to sources of data for all markets. Before assigning appraisals, the lender must determine whether an appraiser has the educational training and actual field experience to competently perform.

The Uniform Standards of Professional Appraisal Practice (USPAP), including the Competency Rule, applies to all appraisals performed for FHA-insured financing. Fannie Mae/Freddie Mac appraisal reporting forms require appraisers to certify that they:

- Have the knowledge and experience to appraise this type of property in this market.
- Are aware of and have access to the necessary and appropriate and private data sources, such as multiple listing services, tax assessment records, public land records, and so forth.



Attic and Crawl Space

Reviewed March 2023

Overview

The appraiser must observe the interiors of all attic and crawl spaces.

Attic

The appraiser is not required to disturb insulation, move personal items, furniture, equipment or debris that obstructs access or visibility. If unable to view the area safely in their entirety, the appraiser must contact the Lender and reschedule a time when a complete visual observation can be performed or complete the appraisal subject to inspection by a qualified third party.

In cases where access through a scuttle is limited and the appraiser cannot fully enter the attic, the insertion of at least the head and shoulders of the Appraiser will suffice. If there is evidence of a deficient condition (such as a water-stained ceiling, insufficient ventilation, or smell of mold), the Appraiser must report this condition, and render the appraisal subject of inspection and repairs if necessary.

If there is no access or scuttle, the Appraiser must report the lack of accessibility to the area in the appraisal report. There is no requirement to cut open walls, ceilings or floors. An observation performed in accordance with these guidelines is visual and is not technically exhaustive.

The appraiser must report when the attic space is not safely accessible. The appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible attic area(s) is necessary to determine compliance with MPR and MPS.

Crawl Space

The Appraiser must notify the Lender of the deficiency of Minimum Property Requirements (MPR) and Minimum Property Standards (MPS) when the crawl space does not satisfy any of the following criteria:

- The floor joists must be sufficiently above ground level to provide access for maintaining and repairing ductwork and plumbing.
- If the crawl space contains any system components, the minimum required vertical clearance is 18 inches between grade and the bottom of the floor joists.
- The crawl space must be properly vented unless the area is mechanically conditioned.
- The crawl space must be free of trash, debris, and vermin.
- The crawl space must not be excessively damp and must not have any water pooling.
- If moisture problems are evident, a vapor barrier and/or prevention of water infiltration must be required.

The Appraiser must report any evidence that may indicate issues with structural support, dampness, damage, or vermin that may affect the safety, soundness and security of the property.

In cases where access through a scuttle is limited, and the Appraiser cannot fully enter the crawl space, the insertion of at least the head and should of the Appraiser will suffice.

If there is no access to the crawl space but there is evidence of a deficient condition (such as water-stained subflooring or smell of mold), the Appraiser must report this condition and the Lender must have a qualified third party perform an inspection. If there is no access, the Appraiser must report the lack of accessibility to the area in the appraisal report.

There is no requirement to cut open walls, ceilings, or floors. Not all houses (especially historic houses) with a vacant area beneath the flooring are considered to have a crawl space; it may be an intentional void, with no mechanical systems and no intention or reason for access.

The appraiser must report when the crawl space is not safely accessible. The appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible crawl space area(s) is necessary to determine compliance with MPR and MPS.



Changing Markets

Reviewed April 2023

Declining Markets

A declining market is any neighborhood, market area or region that demonstrates a decline in prices, or other deteriorating market conditions. It has an oversupply of existing inventory or extended marketing times.

Appraisal Reporting Requirements in Declining Markets

Appraisals of properties in declining markets must have at least two comparable sales in the market area that closed within 90 days before the effective date of the appraisal. In some cases, this may be difficult or impossible, due to lack of market data. In these cases, the two comparables must be settled within 90 days of the effective date of the appraisal and be as similar as possible to the subject in a competing market area.

Comparable listings and pending sales are required in appraisals of properties in declining markets to ensure the FHA receives an accurate and thorough appraisal analysis. The appraiser must:

- Include a minimum of two active listings or pending sales, in addition to three settled sales. The appraiser is expected to include at least two sales that are as similar as possible to the subject, and which settled within 90 days of the effective date of the appraisal, in order to show recent market activity.
- Ensure that active listings and pending sales are market tested (have been on the market for long enough to have received offers) and have reasonable market exposure based on typical marketing times for the neighborhood, to avoid over-priced properties as comparables.
- Ensure that the comparable listings are truly comparable and bracket the listings with both dwelling size and sales price, whenever possible.
- Adjust active listings to reflect list-to-sale price ratios for the market.
- Adjust pending sales to reflect the contract purchase price whenever possible or adjust pending sales to reflect list-to-sale ratios.
- Include the original list price, any revised list prices, and total days on the market (DOM).
- Provide an explanation for a DOM that does not coincide with the DOM in the Market Conditions Addendum, or which is not the same approximate time frame reported in the neighborhood section of the form.
- Reconcile the adjusted values of active listings or pending sales with the adjusted values of the settled sales. If the adjusted values of the settled comparables are higher than the adjusted values of the active listings or pending sales, the appraiser must determine if a market condition adjustment is appropriate. The final value conclusion should not be based solely on the comparable listing or pending sales data.
- Include an absorption rate analysis, as mandated by the Market Conditions Addendum. For example, if you assume 36 sales during a six month period, the absorption rate is 36 divided by 6, or six sales per month.

Increasing Markets

Increasing market refers to any neighborhood, market area, or region that demonstrates an increase in prices or improvement in other market conditions as evidenced by a decrease of existing inventory and reduced marketing times.

The analysis and valuation of properties to be used as collateral for FHA-insured financing must consider and properly address market trends in the subject's market. The appraiser must determine if the market property value trends are increasing, stabilizing, or declining.

The appraiser must analyze the broad market area first (neighborhood analysis), then analyze the specific market (direct sales comparison), and then report how the subject relates to its market area. The appraiser must provide support for conclusions regarding housing trends and overall market conditions as reported in the "Neighborhood" section of the appraisal report form.

In changing markets with increasing market or declining market trends, the appraiser must include an absorption rate analysis, at least two comparable sales that closed within 90 Days prior to the effective date of the appraisal, and a minimum of two active listings or pending sales on the SCA Grid (in addition to at least three settled sales). If the appraiser cannot comply with these requirements due to the lack of market data, a detailed explanation is required to support the market trend conclusion and include all data and analysis used to identify the current and forecasted market.



Common, Party, or Lot Line Walls

Reviewed August 2020

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

There must be adequate space between buildings, based on market acceptability, to permit maintenance of the exterior walls of detached homes. If the title policy lists it as an exception and does not cover a common wall (also known as a party wall or lot line wall), we do not accept it without an acceptable common wall agreement.

A building constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof.

The appraiser must note if the party or lot line wall does not extend to the roof or beyond.



Co-operative Unit (“Co-op”)

Reviewed December 2020

Overview

A co-op is an apartment building, or a group of dwellings owned by a corporation, the stockholders of which are the residents of the dwellings. It is operated for their benefit by their elected board of directors. In a cooperative, the corporation or association owns title to the real estate. A resident purchases stock in the corporation which entitles him to occupy a unit in the building or property owned by the cooperative. While the resident does not own his unit, he has an absolute right to occupy his unit for as long as he owns the stock.

Co-ops are not currently acceptable under Home Equity Conversion Mortgage (HECM) guidelines.



Defective Conditions

Reviewed August 2020

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

A property with defective conditions is unacceptable until the defects or conditions are remedied, and the probability of further damage eliminated. Defective conditions include:

- Defective construction
- Poor workmanship
- Evidence of continuing settlement
- Excessive dampness
- Leakage
- Decay
- Termites
- Other readily observable conditions that impair the safety, sanitation, or structural soundness of the dwelling

The Appraiser must observe, analyze and report defective conditions and must also provide photographic documentation of those conditions in the appraisal report.

The Appraiser must identify defective conditions that are curable and will make the Property comply with HUD's MPR and provide an estimated cost to cure.

If the Appraiser cannot determine that a property meets HUD's MPR or MPS, an inspection by a qualified individual or Entity may be required.

The nature and degree of any noted deficiency will determine whether the Appraiser must address the deficiency in the narrative comments area of the report under "condition of the property" or "physical deficiencies" affecting livability or structural soundness.



Dispute Appraisal/Second Appraisal

Created December 2011

Overview

Finance of America Reverse (FAR) does not accept second appraisals from a different appraiser unless the original appraisal has expired. U.S. Department of Housing and Urban Development (HUD) guidelines state that it is not acceptable to order a second appraisal in an attempt to increase appraisal value for loan calculations.

Second appraisal activity will appear on an audit, and employers or wholesale brokers who do this must respond to the findings. In some cases, it may result in significant financial repercussions for the lender.



ECOA and AIR Appraisal Delivery

Revised July 2023

Overview

Reg. B, Equal Credit Opportunity Act (ECOA), Valuations Rule and Appraiser Independence Requirements (AIR) require lenders to provide copies of all appraisals and written valuations obtained in connection with an application for a first lien to borrowers, even if the loan does not close.

It also requires lenders to disclose to borrowers within 3 business days of application date of the borrower’s right to receive a copy of the appraisal and other written valuations. This disclosure is included in the initial disclosure package.

Valuation documents that must be delivered to the borrower:

All appraisals and other written valuations that include an estimate of value.

Valuations include but are not limited to:

- An appraiser’s report including the appraiser’s estimate of the property’s value or opinion of value
- Desk and field reviews, regardless of whether the stated value is different from the appraisal
- Automated Valuation Model (AVM) report used to estimate the property’s value
- A broker price opinion (BPO) prepared by a real estate broker, agent, or salesperson to estimate the property’s value
- All attachments, exhibits and addendums that are an integrated part of the valuation, such as 1004D, 216 and 1007
- A Collateral Desktop Analysis (CDA) used to support the property’s appraised value

If a valuation is developed in connection with the application, FAR must provide a copy to the borrower(s), even if FAR does not use the valuation or FAR uses it only for a limited purpose.

EXAMPLE:

An AVM with a \$370,000 value was ordered and did not support the \$420,000 estimate of value on the appraisal. Then a desk review was ordered which matched the appraised value of \$420,000. The initial appraisal stating value of \$420,000, the AVM with the lower value of \$370,000 and the desk review supporting value of \$420,000 must all be delivered to the borrower(s). Even though the AVM with the lower value was not used by FAR to determine value, it must be sent to the borrower. All three valuations must also remain in the loan file.

If there is more than one borrower, the disclosure and copies of the valuations may be sent to one borrower. If it is readily apparent that one of the borrowers is the primary borrower, the documents should be delivered to that borrower.

Valuation documents that do NOT need to be delivered to the borrower(s):

Not all documents that discuss or restate a property’s value are considered valuations.

What is NOT considered a valuation and does NOT need to be delivered to the borrower are:

- Appraisal review that does not state an estimated value
- Publicly available lists of valuations (such as published sales prices or mortgage amounts, tax assessments, and retail price ranges)
- Reports reflecting property inspections that do not provide an estimate of the value of the property AND are not used to develop an estimate of the value of the property
- Occupancy Inspections

Timing requirements for delivery:

ECOA requires lenders to promptly deliver copies of appraisals and other written valuations to the borrower. “Promptly” means upon completion of the appraisal or at least 3 business days before final loan documents are signed. Saturdays, Sundays, and holidays are not included in this calculation.

Delivery Calculations		
Method of Delivery	Can Sign Closing Docs On/After	Documentation
Mail (USPS)	6 business days from dated mailed	Broker-Appraisal delivery cover letter from Underwriting Support/PA-Processor certification of delivery showing mailed



E-delivery through DocuSign or other compliant E-delivery means	3 business days from date viewed	Broker-Underwriting Support to provide audit trail from secured delivery system/PA-Processor certification of delivery showing e-delivered.
Face to Face	3 business days from date received by Underwriting Support per email time stamp or when uploaded to LINK by processor	Processor Certification of delivery

Appraisals and other valuations emailed to the borrower by a FAR employee through FAR email is not compliant with ECOA Appraisal Delivery requirements.

Waiver of Delivery Requirement

The following disclosures must be in the upfront application package:

- Borrower’s Appraisal Request or Waiver Form
- Processor Certification of Appraisal Delivery to the Borrower

Note: These disclosures can be printed within ReverseVision or LINK under Documents>Processing.

IMPORTANT: If these are not in the package, the file requires Prior to Docs conditions for the fully executed documents.

A borrower may waive the timing requirement of the ECOA Valuations Rule and agree to receive copies of valuations at or before closing by:

- Signing the Appraisal Waiver/Receipt Form indicating their wish to waive
- Communicating the waiver in writing (email is acceptable)

The borrower’s signed waiver must be received by FAR and uploaded to **LINK** at least 3 business days prior to signing the final loan docs. Saturday, Sunday, and holidays are not counted in this calculation. When communicating the waiver via email or written letter, the borrower must clearly communicate the following:

“I understand that I have the right to receive a copy of the appraisal report and other written valuations obtained in connection with my loan application 3 or more business days prior to consummation. I am exercising my right to waive the 3-business day review period prior to closing.”

A verbal request from the borrower to waive the 3-business day review period is not permitted. The borrower must make their request in writing. If the waiver is received, the appraisal and all written valuations will be delivered with the final loan documents at closing.

Important for Illinois: Illinois does not allow waiving of the appraisal delivery timing requirements and requires that lenders provide all valuations to the borrower within 3 days of receipt by the lender.

FAR Appraisal Waiver Receipt form (application)

The **FAR Appraisal Waiver/Receipt Form** provided at application offers the borrower three election choices for receiving a copy of their appraisal:

Option 1: The borrower can elect to receive a copy of their appraisal, sent to their home address.

Option 2: The borrower can elect to receive a copy of their appraisal via a secure electronic delivery method.

Option 3: The borrower can waive their rights to receive a copy of the appraisal three days prior to closing. They receive a copy of their appraisal no later than the day of closing.



FAR Subsequent Appraisal Waiver/Receipt form (signed at least 3 days prior to closing):

A subsequent FAR Appraisal Waiver/Receipt Form offers the borrower the option to waive receipt of all appraisals/valuations or appraisals that include clerical changes only:

Election 1:

To accommodate the scheduled closing date, you hereby elect to waive the timing requirements to receive a copy of all appraisal reports and valuations concerning the subject property listed above and that you are waiving such at least three business days prior to the closing of the loan, as indicated by the date below. You will obtain copies of such at the closing of the loan.

Under this election, the borrower is waiving the receipt of the appraisal reports/valuation prior to closing. If the borrower exercises Election 1, a copy of all documents that were waived **MUST** be delivered to the borrower with final closing documents. The borrower signature date on the waiver form must be at least 3 days prior to closing.

Election 2:

To accommodate the scheduled closing date, you hereby elect to waive the timing requirements to receive a copy of all appraisal reports and valuations concerning the subject property listed above which only contain clerical changes. You will obtain copies at the closing of the loan.

Under this election, the borrower is only waiving the receipt of the appraisal reports/valuation that contain clerical changes. All other reports must still be delivered to the borrower three business days prior to consummation.

Clerical Corrections

Clerical errors are inaccuracies in writing, copying, transcribing, computer data entry or retrieval, or a mathematical error that prevents the appraisal from accurately showing what the appraiser intended.

Clerical Corrections are applied to remedy clerical errors, but do not materially change the integrity of the appraisal. **FAR defines a Clerical Correction as a change to the appraisal that does not require the appraiser to update their signature date after applying the revision or has an impact on value or has an impact on the calculation or methodology used to derive the estimate.**

Any revisions to the appraisal that affect the value, cannot be considered a Clerical Correction regardless of if the appraiser's signature date has not been updated.

Every version of the appraisal must be sent to the borrower, regardless of the revision reason. However, appraisals with Clerical Corrections do not require a new ECOA timing requirement.

If the borrower(s) have viewed the version of the appraisal with the most recent appraiser signature date, the ECOA delivery requirements have been met.

Clerical changes must meet all the following criteria:

1. The revisions must be solely to correct clerical errors in that appraisal or other written valuation
2. The revisions must have no impact on the estimated value
3. The revisions must have no impact on the calculation or methodology used to derive the estimate
4. The borrower must have already received the valuation/appraisal that is being corrected

Procedure

Underwriting prior to funding conditions

When the borrower waives valuations, the prior to funding (PTF) condition is: "Borrower waived receipt of valuations. Provide valuations at closing."

When the borrower does NOT waive valuations, and there are no changes to the appraisal (either clerical or value), the PTF condition is:

"Borrower can close on ___/___ due to ECOA appraisal delivery rules."

If the borrower does NOT waive valuations, and changes ARE necessary, or additional valuations are required:

- The underwriter reviews the file and determines what changes are necessary.
- The underwriter adds the general condition to the LINK conditions screen:
 - "Once UW has determined the final value of the subject property, Underwriting Support to send any updated appraisal, AVM or review appraisals to the borrower".



- The underwriter determines the appropriate wait period before indicating the closing date in the condition. The method used to deliver the valuations, either secure e-delivery or mail, determines this wait period.

Note: See Delivery Wait Period Requirements.

- When the underwriter determines the final value on the file, verify that review appraisals and automated valuation models (AVMs) display in Link document tracking.
- Send an updated Approved Loan Notification form with the PTF condition to the Underwriting Support/processor:
 - “Borrower can close six days after Underwriting Support mailed final valuations. If a waiver is provided and value has not changed, borrower can close immediately. If a waiver is provided and value has changed, borrower can close 3 days from waiver.”
- The Underwriting Support/processor mails the final value items to the borrower. The six-day waiting period begins with this mailing.

Transferred-in Appraisals

FAR will follow ECOA delivery requirements for transferred in appraisals, regardless of whether the original lender delivered the appraisal. **Appraisal(s) provided upon transfer (as applicable) should always be provided to the borrower per the above guidelines, regardless of whether the previous lender provided a copy to the borrower.**



ECOA Appraisal Delivery Requirements

Revised March 2023

Overview

The Equal Credit Opportunity Act (ECOA) requires disclosures in the upfront application package for all loans signed on or after January 18, 2014.

Underwriters must check the date the borrower signed the Fannie Mae 1009. If the signature date is on or after January 18, 2014, the following disclosures must be in the upfront application package:

- [Borrower’s Appraisal Request or Waiver Form](#)
- [Processor Certification of Appraisal Delivery to the Borrower](#)

IMPORTANT: If these are not in the package, the file requires Prior to Docs conditions for the fully executed documents.

Note: These requirements do not apply to applications dated prior to January 18, 2014.

The underwriter underwrites the file and determines which of the following applies:

- The borrower has WAIVED the valuations. Proceed to the Waive Valuations section.
- The borrower has NOT waived valuations, but no changes are necessary to the appraisal. Proceed to the Changes NOT Necessary section.
- The borrower has NOT waived valuations, and changes are necessary. Proceed to the Changes Necessary section.

Waive Valuations

If the borrower waives valuations there are no further requirements, except the Prior to Funding condition. The borrower receives the valuations at the time of closing from the closer/title company.

General Conditions

None Needed

Prior to Funding Conditions

When the borrower waives valuations, the Prior to Funding (PTF) condition is:
“Borrower waived receipt of valuations. Provide valuations at closing.”

Changes NOT Necessary

If the borrower does NOT waive valuations, there are no further requirements EXCEPT the PTF condition when:

- There are no changes to the appraisal, either clerical or value changes, And,
- Additional valuations are NOT necessary, there are no further requirements

General Conditions

None Needed

Prior to Funding Conditions

When the borrower does NOT waive valuations, and there are no changes to the appraisal, the PTF condition is:

- “Borrower can close on _____ due to ECOA appraisal rules.”

The underwriter determines the appropriate wait period before indicating the closing date in the condition. The method used to deliver the valuations, either E-mail or mail, determines this wait period.

Changes Necessary

If the borrower does NOT waive valuations, and changes ARE necessary, or additional valuations are required (see List of Valuations), proceed to the Process: Changes Necessary section.

Delivery Wait Period Requirements

Appraisal Report Sent by Mail

The borrower is required to wait three days from the date he or she receives the final appraisal report before the loan can close. This wait period is similar to Truth in Lending (TIL) requirements:

- The borrower has three days to receive the final appraisal report from the date the underwriting support/processor mails it.

And,



- The borrower must then wait three days AFTER receiving it, for a total of six days.

Note: Do not count Sundays and federal holidays in the six-day period.

Appraisal Report Sent by E-mail

If the borrower receives the appraisal report by E-mail, we require evidence that the borrower received it. We then add three days to the date of borrower receipt to calculate the wait period.

Wait Period Tips

- If you can determine a final value after reviewing the appraisal report, and there are no Prior to Docs conditions, the underwriting support or retail processor is not required to send a second copy of the appraisal report to the borrowers.
- The wait period requirements for the Prior to Funding condition begin on the date on the processor certification of delivery disclosure.
- Make sure to check the loan file to confirm if the borrowers waived their rights to obtain a final copy of the appraisal report when the value is determined.

Clerical Corrections

Clerical errors are inaccuracies in writing, copying, transcribing, computer data entry or retrieval, or a mathematical error that prevents the appraisal from accurately showing what the appraiser intended. Clerical Corrections are applied to remedy clerical errors, but do not materially change the integrity of the appraisal. Every version of the Appraisal must be sent to the Borrower, regardless of the revision reason. However, Appraisals with Clerical Corrections do not require a new ECOA timing requirement.

ECOA Timing Requirement Triggers

Appraisals with any of the following changes reset the ECOA delivery timing requirements and a copy of the revised appraisal must be received by the Borrower at least 3 days prior to signing or received by the Borrower executed the ECOA:

- Revisions to the appraisal that affect the value
- Revisions to the appraisal that impact the calculation or methodology used to derive the value
- Revisions to the appraisal that update the Appraiser's signature date

List of Valuations

Valuations include, but are not limited to:

- Appraisal report.
- Appraisal Analysis, HUD form 54114, if value is adjusted.
- Automated Valuation Models (AVMs).
- Review appraisals that assign a value other than the appraised value.
- Other valuations that are used to determine value but are not publicly available to the applicant.

Loans That Do Not Close

The borrower is still entitled to copies of all valuations within 30 days after it is determined the loan will not close.

[ECOA Appraisal Delivery Requirements Process](#)



ECOA Delivery Matrix

Created February 2021

If	And	And	And	Then
Borrower has viewed all valuation reports	All Valuation reports have been viewed 3 days prior to the note date	ECOA Delivery requirement has been waived	ECOA Waiver signed and Dated 3 days prior to the note date	Action Taken
Yes	Yes	Yes	Yes	OK to proceed. Valuations do not need to be sent with Loan Documents
Yes	Yes	Yes	No	OK to proceed. Valuations do not need to be sent with Loan Documents
Yes	Yes	No	No	OK to proceed. Valuations do not need to be sent with Loan Documents
Yes	No	Yes	Yes	OK to proceed. Valuations do not need to be sent with Loan Documents
Yes	No	Yes	No	Loan cannot proceed to docs until 3 days have passed since the borrower viewed the all valuation reports OR signed the ECOA waiver
Yes	No	No	No	Loan cannot proceed to docs until 3 days have passed since the borrower viewed the all valuation reports. Valuations do not need to be sent with loan docs
No	No	Yes	Yes	OK to proceed. All valuation reports must be delivered to borrower with docs.
No	No	Yes	No	Loan cannot proceed to docs until 3 days have passed since the borrower viewed all the valuation reports OR signed the ECOA waiver (All valuation reports must be delivered to borrower with docs.)
No	No	No	No	Loan cannot proceed to docs until 3 days have passed since the borrower viewed all the valuation reports OR signed the ECOA waiver (All valuation reports must be delivered to borrower with docs.)



Environmental and Other Hazards

Created July 2023

Environmental

The lender must confirm that the property is free of all known environmental and safety hazards and adverse conditions that may affect the health and safety of the occupants, the property's ability to serve as collateral, and the structural soundness of the improvements.

Lead-Based Paint

If the home was built before 1978, the appraiser should note the condition and location of all defective paint in the home, other outbuilding, and appurtenant structures. The appraiser must inspect all interior and exterior surfaces for chipping, flaking, or peeling.

The appraiser must note the condition and location of all defective paint and require repair in compliance with 24 CFR § 200.810(c) and any applicable EPA requirements for improvements built on or before 1978. The appraiser must observe all interior and exterior surfaces, including common areas, stairs, deck, porch, railings, windows, and doors, for defective paint (cracking, scaling, chipping, peeling, or loose). Exterior surfaces include those surfaces on fences, detached garages, storage sheds, and other outbuildings and appurtenant structures.

For condominiums, the appraiser must observe the interior of the unit, common unit and exterior surfaces and appurtenant structures of the specific unit being appraised; and address the overall condition, maintenance, and appearance of the condominium project. The appraiser must note the condition and location of all defective paint in the unit, common area and exterior, and require repair in compliance with 24 CFR § 200.810(c) and any applicable EPA requirements.

Methamphetamine Contamination

If the lender notifies the appraiser or the appraiser has evidence that a property is contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the appraiser must render the appraisal subject to the property being certified safe for habitation. If the effective date of the appraisal is prior to certification that the property (site and dwelling) is safe for habitation, the appraiser will complete the appraisal subject to certification that the property is safe for habitation. If the effective date of the appraisal is after certification that the property (site and dwelling) is safe for habitation, and the lender has provided a copy of the certification by the certified hygienist, the appraiser must include a copy of the certification in the appraisal report. The appraiser must analyze and report any long-term stigma caused by the property's contamination by meth and the impact on value or marketability.



FHA Appraisal Forms

Revised October 2023

Overview

In accordance with Mortgagee Letters [2005-34](#) and [2005-48](#), it is mandatory that appraisals be reported on one of the following Fannie Mae appraisal reporting forms, including all required attachments and exhibits:

- **One Unit Single Family Dwellings:** Uniform Residential Appraisal Report Form 1004.
- **Manufactured Homes:** Manufactured Home Appraisal Report Form 1004C.
- **Individual Condominium Units:** Individual Condominium Unit Appraisal Report Form 1073
- **Two to Four Unit Single Family:** Small Residential Income Property Appraisal Report Form 1025

Appraisal Forms

The type of property determines which appraisal form is appropriate. Reference FHA Appraisal when selecting the appraisal forms. Refer to the following table.

NOTE: Include the FHA Case Number in the notes section of the order.

Appraisal Form	Form Number	Form Usage
Uniform Residential Appraisal Report (URAR)	FNMA 1004	<ul style="list-style-type: none">• One-unit property.• One-unit property with accessory unit.
Small Residential Income Property Appraisal Report	FNMA 1025	<ul style="list-style-type: none">• Two-to-four unit single family.
Manufactured Home Appraisal Report	FNMA 1004C	<ul style="list-style-type: none">• One-unit manufactured home.
Individual Condominium Unit Appraisal Report	FNMA 1073	<ul style="list-style-type: none">• A unit in a condominium project.• A site condo unit in a Planned Unit Development (PUD).
Manufactured Home Appraisal Report	FNMA 1004C And Form 1073	<ul style="list-style-type: none">• A condominium manufactured home.• Required as an addendum to the appraisal report if the property is in a manufactured housing condominium project.
Appraisal Update and/or Completion Report	FNMA 1004D	<ul style="list-style-type: none">• Dual purpose form:<ul style="list-style-type: none">◦ Part A: Appraisal update form that extends the validity period of a report by 180 days.◦ Part B: Appraisal Completion form that shows completion of repairs, EXCEPT FOR new construction or manufactured housing.
Compliance Inspection Report	HUD-92051	<ul style="list-style-type: none">• Appraisal completion form that shows completion of repairs for new construction or manufactured housing.

See Also

- [Appraisals](#)



Foundations

Reviewed July 2020

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

- All foundations must be adequate to withstand normal loads and be serviceable for the life of the Mortgage.
- Stone and brick foundations are acceptable if they are in good condition.
- Basements must be free of dampness, wetness, or obvious structural problems that might affect the health and safety of occupants or the soundness of the structure.
- Sump pumps must be properly functioning at the time of appraisal. A sump pump may be hard-wired by an acceptable wiring method or may have a factory electrical cord that is to be connected to a receptacle suitable for such use.
- The appraiser must review the foundation for evidence of conditions that could indicate safety or structural deficiencies that may require repair.



Hazards

Created August 2013

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

The property must be free of all known hazards and adverse conditions that may:

- Affect the health and safety of the occupants.
- Affect the structural soundness of the improvements.
- Impair the customary use and enjoyment of the property.

Hazards include any of the following:

- Toxic chemicals
- Radioactive materials
- Other pollution
- Hazardous activities
- Potential damage from soil or other differential ground movements
- Ground water
- Inadequate surface drainage
- Flood
- Erosion
- Excessive noise
- Other hazards on or offsite

New construction

Special unforeseen conditions may exist or arise during construction that require precautionary measures. The Department of Housing and Urban Development (HUD) requires corrective work to mitigate potential adverse effects from these conditions, as necessary. The builder must ensure proper design, construction and satisfactory performance whenever these conditions are present:

- Rock formations
- Unstable soils or slopes
- High ground water levels
- Springs



HECM Second Appraisal Process

Created March 2019

Overview

Effective for all case numbers assigned on or after October 1st, the Federal Housing Administration (FHA) requires that lenders obtain a collateral review on all Home Equity Conversion (HECM) loans prior to closing. Upon review of the lender's assessment, FHA might require that the lender obtain a second appraisal prior to approving the loan. Where a second appraisal is required, the lower of the two appraised values must be used.

Note: The second appraisal may be charged to the borrower if accurately disclosed under Real Estate Settlement Procedures Act (RESPA) requirements.

Responsibility

Broker Partners

Finance of America Reverse (FAR) is in charge of the FHA review process for broker partners. Broker partners cannot submit collateral reviews to FHA, nor can they upload appraisals. They must rely on FAR to handle this process for them as the lender.

Principal Agent Partners

Principal agent (PA) partners can choose to submit collateral reviews to FHA OR can rely on FAR to submit these reviews. However, if the PA handles the process prior to submission, if any appraisal requirements are made that change the first appraisal, FAR or the PA must re-upload and re-submit the final underwriter-approved appraisal to FHA for review upon receipt. If the PA submits the review directly to FHA, they must:

- Provide FAR with the e-mail from FHA with the second appraisal determination.
- Provide FAR with the PDF and XML versions of the second appraisal (if required) upon receipt.

IMPORTANT: PAs CANNOT upload the second appraisal via Electronic Appraisal Delivery (EAD). In accordance with Mortgagee Letter 2018-6, **only FAR** can upload second appraisals.

[HECM Second Appraisal Process](#)



Kitchen Removal

Revised September 2014

Overview

Additional kitchens must be removed when:

- They are illegal, unpermitted, or not common for the area.
- The appraiser requires removal to meet HUD or county requirements.
- The additional kitchen makes the property ineligible, as with a two-to-four unit home with an accessory unit that has a kitchen.

Note: This list does not include all instances where removal of a kitchen is required.

Rendering Kitchens Inoperable

All of the following tasks are required to render a kitchen inoperable:

- Removal of Stove and Cap Line
- Appraiser to comment that the kitchen is not functional, and no health and safety issues exist.
- Either the appraiser or the county to confirm the use is legal and removing the stove renders the kitchen inoperable.



Land Subsidence and Sinkholes

Created February 2019

Overview

Land subsidence refers to the lowering of the land-surface elevation from changes that take place underground, including damage caused by sinkholes.

Occurrences

Danger of land subsidence can occur when buildings are constructed:

- On uncontrolled fill or unsuitable soil containing foreign matter such as a high percentage of organic material
- On areas of mining activity or extraction of subsurface minerals
- Where the subsoil or subsurface is unstable and subject to slippage or expansion.

Signs of Land Subsidence

Typical signs include:

- Fissures or cracks in the terrain
- Damaged foundations
- Sinkholes
- Settlement problems.

Appraiser Responsibilities

The appraiser must:

- Notify the mortgagee of the deficiency of Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) if there is probable or imminent danger of land subsidence so that the mortgagee can determine eligibility
- Analyze and report any readily observable conditions of the surface of the land that indicate potential problems from subsidence or the potential for lack of support for the surface of the land or building foundations
- In mining areas, analyze and report the depth or extent of mining operations and the site of operating or abandoned shafts or tunnels to determine if the danger is imminent, probable or negligible.

Lender Responsibilities

In order to determine land subsidence, the lender can request:

- Evidence of sinkhole insurance
- An engineer's report (geological not structural)
- A monitoring schedule to address any reoccurrence
- Documents outlining where and to what extent corrective materials were added.



Manufactured and Modular Homes

Revised September 2023

Overview

Manufactured homes are homes built entirely in the factory under a federal building code administered by the U.S. Department of Housing and Urban Development (HUD). The Federal Manufactured Home Construction and Safety Standards (commonly known as the HUD Code) went into effect June 15, 1976. Manufactured homes are transported to the site and installed. A HUD seal is affixed to the exterior of each section.

Guidelines for Manufactured Homes

A manufactured home must:

- Have form 1004C appraisal for Manufactured Housing.
- Have a floor area of at least 400 square feet.
- Be constructed after June 15, 1976.
- Be built and remain on a permanent chassis.
- Have axles and tongue removed.
- Have permanent utilities installed.
- Have permanent skirting around the perimeter in accordance with [HUD Handbook 4000.1](#).
- Meet county and HUD requirements for any additions.
- Be designed to be used as a dwelling with a permanent foundation built to FHA criteria.
- Be on the original site. The unit must not have been installed or occupied previously at any other site or location.
- Be classified as real estate (but need not be treated as real estate for purposes of state taxation).
- Have all HUD tags on the outside of the house, multi-wide units display a label on the outside of each unit.

Note: For assistance in label verification visit the IBTS website at <https://lvr-requests.ibts.org/#/LandingPage>. [HUD Cert Labels/HUD Data Plate](#)

Manufactured Home Appraisals

Appraisals for manufactured homes must be on the 1004C form for manufactured homes. The major differences between manufactured home appraisals and other appraisals include:

- At least two comparables must be manufactured housing, even if they are outside the neighborhood.
- The appraisal form has fields for required HUD data displayed on the seals affixed to each section of the home, indicating make, model and serial number.
- The form has fields for descriptions of modifications and improvements, such as porches, patios, stick-built additions, and so forth.

If property is one listed below, at least one comparable must be a similar property type to establish market acceptance and support the value:

- Single-wide manufactured home
- Manufactured home in a condo association
- Manufactured home in a flood zone

In all instances, the lender must ensure the value is well supported and the property is readily marketable.

HUD Cert Label/HUD Data Plate

All sections of the manufactured home must have an affixed HUD cert label located on the outside of the house. Appraisers must list the manufactured unit's label on the appraisal report in one of the Comment sections. HUD Data Plate Compliance Cert is typically found inside a cabinet in the home.

If HUD labels and/or data plates are not ATTACHED to the exterior or interior of the home, and pictures are not provided, we require an IBTS label verification letter or data plate/performance certificate. Order verifications at <https://lvr-requests.ibts.org/#/LandingPage>.



Label Verification Letter

(ordered in an absence of **exterior** metal HUD label(s)
demonstrated below)



This letter does NOT contain wind zone, roof load or thermal (heating/cooling) zones map information.

Data Plate / Performance Certificate

(ordered in an absence of **interior** Data Plate or Compliance
Certificate)



OR



IBTS generated
substitute of Data
Plate/Compliance
Certificate

HUD label numbers would NOT be listed in this certificate unless provided on the copy of an original Data Plate, if available. HUD label numbers are only guaranteed to be verified in a Label Verification Letter.

Structural Modifications or Additions

If the appraiser notes additions or alterations to the manufactured housing unit, the lender must ensure the addition was addressed in the foundation certification.

If the additions or alteration were not addressed in the foundation certification, the lender must obtain:

- An inspection by the state administrative agency that inspects manufactured housing for compliance, OR
- Certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors.

Other Requirements

Structural Engineer's Report

A licensed professional engineer must inspect the property and provide a certification attesting that:

- The property complies with the Permanent Foundations Guide for Manufactured Housing, dated September, 1996.
Note: The inspection must be less than twelve months old at the time of closing.
- Any structural changes or additions to the property were in accordance with HUD Manufactured Home Construction and Safety Standards.

Liens Against Manufactured Homes

Carefully review the credit report to determine if there are existing liens against the manufactured home, separate from any liens against the land.

Title Requirements

Taxed as Real Property

The manufactured home must be taxed as real property. In order for a manufactured home to be taxed as real property, the borrower must have had its original title purged. Otherwise, the home is still legally considered to be a motor vehicle.

The title should provide the manufactured home endorsement that applies to the subject property's state, such as CLTA 115.5, ALTA 7, or TX-T 31. If the title indicates that title elimination has been recorded, and the tax section of the title verifies it as being taxed as real property, there are no additional requirements.

Not Taxed as Real Property

If the manufactured home is NOT taxed as real property, the title company must provide the following, no later than issuance of final title insurance:

- Recorded title elimination.
- Evidence the home is being taxed as real property.
- Applicable endorsement.

In some states, the title cannot be purged before the lien attached to it is paid. In these instances, we must provide a copy of the front and back of the title that must be purged at closing.

IMPORTANT: In all instances, the file must have documentation that the title was purged, and that the property is taxed as "real property" with the county, and not "personal property." If state requirements do not allow for a title purge, the file is not eligible.



New Construction Manufactured Housing

We require additional documentation when the subject property was constructed less than one year ago. The appraisal must indicate the manufactured home is 100% complete and is “existing construction”. When the property was constructed less than one year ago, the borrower must provide the following:

- Certificate of Occupancy, or the equivalent prior to closing.
- Cost approach.
- Sales contract and documented related expenses, including:
- Removal of previous home
- Grading of land, and so forth
- Setup and delivery
- Landscaping and driveways
- Land value, documented in the Cost Approach, or land sale
- Installation of well or septic, and so forth
- Outbuildings, documented in Cost Approach

Note: Additional documentation may be required at the underwriter’s discretion.

Ineligible Manufactured Homes

The following properties are ineligible for a HECM:

- Homes built prior to June 15, 1976
These are not eligible for FHA financing.
- Homes moved from original site
This includes homes that were previously installed OR occupied at any other site.
- Homes located on a land lease/leasehold
This includes homes on leased land the borrower does not own.
- Homes located in a flood zone below the base flood elevation.

Manufactured Home Rider

The Manufactured Home Rider describes the make, model and serial number, year built and width and length of the manufactured home. It also requires the borrower to certify compliance with all state and local laws and regulations related to the manufactured home as real property.

Additional Manufactured Home on Property

Occupied

If the additional manufactured home is occupied, it must be handled in ONE of the following ways:

- It must meet ALL requirements for manufactured housing AND be treated as a two-unit property with similar comparables.
- It must be removed from the subject property before closing,

Or,

- It must be surveyed and split from the land containing the primary residence prior to closing.

Used as Storage

If the manufactured home is being used for storage, ALL of the following applies:

- The kitchen must be rendered inoperable.
- The appraiser must provide interior photos of the home showing storage use only, with kitchen removal.
- Utilities must be disconnected.
- The appraiser must certify that there are no health and safety issues.

Modular Homes

Guidelines for manufactured homes do NOT apply to a modular home, which is treated as a single-family residence. Modular homes are houses that consist of multiple modules or sections that are manufactured in a remote facility, and then delivered to their intended site of use. All modular homes are constructed according to the International Building Code (IBC), IRC, BOCA or the code that has been adopted by the local jurisdiction. Modular are approved under state requirements, manufactured are approved under Federal requirements.)

The underwriter requires documentation that the subject property is a modular home, and there are then no further requirements.

Modular vs. Manufactured Homes

The appraiser determines whether the property is a manufactured or modular home based on the labels attached to each unit.



Manufactured Homes

Manufactured homes built after June 15, 1976, must meet all guidelines set forth in the Permanent Foundations Guide for Manufactured Housing. Manufactured home labels display compliance with Federal Manufactured Home Construction and Safety Standards.

Modular Homes

Modular home labels confirm compliance with the regional, state, and local building codes for factory-built construction.

Manufactured Homes with Stick Built Additions

If the property was once a manufactured home, it must comply with all requirements for manufactured housing, regardless of any stick-built additions.

Additions or structural modifications may bring the original unit out of compliance with the HUD Manufactured Home Construction Safety Standards (MHCSS) and make the home ineligible for FHA financing. The engineer's inspection report must certify that the structural changes or additions to the property were in accordance with the MHCSS, and that the home is eligible for FHA financing. The addition or modification is treated as a conventional stick-built home and must comply with the applicable building codes of the local jurisdiction and the MHCSS. Some states require a state agency (often the State Administrative Agency) to approve all modifications to manufactured homes once they leave the factory.



Marijuana

Revised May 2023

Overview

Borrowers who grow marijuana on the subject property for any reason are ineligible for an FHA-insured mortgage.

Income for employment, including W-2 and self-employed income, derived from in a marijuana dispensary, grower, or distribution center cannot be considered as income because the federal government does not consider it to be legally derived.

Note: This applies even if the state allows for it.



Mechanical Components and Utilities

Revised December 2017

Overview

The Appraiser must notify the Mortgagee if mechanical systems do not appear:

- to have reasonable future utility, durability, and economy.
- to be safe to operate.
- to be protected from destructive elements; or
- to have adequate capacity.

The Appraiser must observe the physical condition of the plumbing, heating and electrical systems. The Appraiser must operate the applicable systems and observe their performance. If the systems appear to be damaged or do not appear to function properly, the Appraiser must condition the appraisal for repair or further inspection.

If the Property is vacant, the Appraiser must note in the report whether the utilities were on or off at the time of the appraisal.

If the utilities are not on at the time of observation and the systems could not be operated, the Appraiser must:

1. render the appraisal as subject to re-observation.
2. condition the appraisal upon further observation to determine if the systems are in proper working order once the utilities are restored; and
3. complete the appraisal under the extraordinary assumption that utilities and mechanical systems, and appliances are in working order.

The Appraiser must note that the re-observation may result in additional repair requirements once all the utilities are on and fully functional.

If systems could not be operated due to weather conditions, the Appraiser must clearly note this in the report. The Appraiser should not operate the systems if doing so may damage equipment or when outside temperatures will not allow the system to operate.

Electrical, plumbing, or heating/cooling certifications may be required when the Appraiser cannot determine if one or all of these systems are working properly.

Heating and Cooling

The Appraiser must examine the heating system to determine if it is adequate for healthful and comfortable living conditions, regardless of design, fuel or heat source.

The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the permanently installed heating system does not:

- automatically heat the living areas of the house to a minimum of 50 degrees Fahrenheit in all GLAs, as well as in non-GLAs containing building or system components subject to failure or damage due to freezing.
- provide healthful and comfortable heat or is not safe to operate.
- rely upon a fuel source that is readily obtainable within the subject's geographic area.
- have market acceptance within the subject's marketplace; and
- operate without human intervention for extended periods of time.

Central air conditioning is not required but, if installed, must be operational. If the air conditioning system is not operational, the Appraiser must indicate the level of deferred maintenance, analyze and report the effect on marketability, and include the cost to cure.

Electricity

The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the electrical system is not adequate to support the typical functions performed in the dwelling without disruption, including appliances adequate for the type and size of the dwelling.

The Appraiser must examine the electrical system to ensure that there is no visible frayed wiring or exposed wires in the dwelling, including garage and basement areas, and report if the amperage and panel size appears inadequate for the Property. The Appraiser must operate a sample of switches, lighting fixtures, and receptacles inside the house and garage, and on the exterior walls, and report any deficiencies. The Appraiser is not required to insert any tool, probe or testing device inside the electrical panel or to dismantle any electrical device or control.



Plumbing

The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the plumbing system does not function to supply water pressure, flow and waste removal.

The Appraiser must flush the toilets and operate a sample of faucets to observe water pressure and flow, to determine that the plumbing system is intact, that it does not emit foul odors, that faucets function appropriately, that both cold and hot water run, and that there are no readily observable evidence of leaks or structural damage under fixtures.

The Appraiser must examine the water heater to ensure that it has a temperature and pressure-relief valve with piping to safely divert escaping steam or hot water.

If the Property has a septic system, the Appraiser must examine it for any signs of failure or surface evidence of malfunction. If there are readily observable deficiencies, the Appraiser must require repair or further inspection.



Neighborhood Hazards and Nuisances

Revised October 2023

Unacceptable Sites

Federal Housing Administration (FHA) guidelines require that a site be rejected if the property being appraised is subject to hazards, environmental contaminants, noxious odors, offensive sights, or excessive noises: to the point of endangering the physical improvements or affecting the livability of the property, its marketability, or the health and safety of its occupants.

It may also be appropriate to reject a property if the future economic life of the property is shortened because the property is obviously better suited to another use. For instance, a residential property in an area that has become predominantly manufacturing or commercial might be better suited and under pressure to convert to a manufacturing or commercial use, making a long-term mortgage impractical. Rejections are considered on a case-by-case basis and take into account the needs and desires of the purchaser. For example, a site should not be considered unacceptable simply because it is adjacent to commercial properties. Some commercial uses may not appeal to a specific market segment, while other commercial uses may.

If the condition is clearly a health and safety violation, reject the appraisal. If there is any doubt as to the severity of that condition, report the condition and submit the completed report. For conditions that cannot be repaired, such as site factors, the appraised value is based on the existing conditions.

Topography

Unique topography can cause special hazards. For example, denuded slopes, soil erosion, and landslides often adversely affect the marketability of hillside areas.

When evaluating the site, the appraiser must consider earth and mudslides from adjoining properties, falling rocks and avalanches. These must be considered in the site analysis of a property with a steep grade.

The appraiser must state if there has been any sinkhole activity on the subject property, or adjoining properties currently, or in the past. If there is no previous or current sinkhole activity, the loan is acceptable. The property will be declined if there is or has been any activity.

Sinkhole Requirements

HUD does insure properties with sinkholes only on properties that have been repaired. The following is a list of documents needed in order for underwriting to make the determination if a property is acceptable. Additional items may be required per underwriter discretion:

1. Sinkhole insurance.
2. A geological engineer's report on the property and sinkhole showing the issue has been remedied.
3. A monitoring schedule from a professionally licensed company to address any reoccurrence.
4. The documentation of the original sinkhole location and corrective measures taken, and material used to remediate.

Subsidence

Subsidence is the downward movement of the ground supporting the building. Particular problems arise when the movement varies from one part of the building to another. It can be caused by:

- Certain soils
Clay soils are particularly vulnerable because they shrink and swell, depending on their moisture content.
- Vegetation
Trees and shrubs take moisture from clay soils particularly, causing them to shrink, especially during long periods of dry weather as roots extend in search of water.
- Leaking Drains
Damaged drains can soften or wash away the ground beneath the foundations.
- Mine Workings
Problems may occur where properties are built over, or close to, mine workings. The appraiser should consider the depth or extent of the mining operations, and the site of operation and abandoned shafts and tunnels, to determine if the danger is imminent, probable, or negligible.

Other types of ground movement, which are less common, but can still result in cracking and structural damage, are:

- Heave: The upward movement of the ground supporting the building.
- Landslip: Movement of ground down a slope.

The appraiser must note any readily observable conditions, which indicate potential problems. Signs include:

- Fissures or cracks in the terrain



- Damaged foundations
- Sinkholes
- Settlement problems

If there is any danger of subsidence, the site will be ineligible, unless we receive complete and satisfactory evidence to establish that the probability of any threat is unlikely.

Abandoned Oil or Gas Wells

Operating and abandoned oil and gas wells pose potential hazards to housing, including potential fire, explosion, spray and other pollution. No existing dwelling may be located closer than 300 feet from an active or planned drilling site.

Note: This applies to the site boundary, not the actual site.

The appraiser must examine the site for the existence of any readily observable evidence of a well.

Abandoned Well

It is possible to obtain a letter from the responsible authority in the state government stating that the subject well was safely and permanently abandoned. The lender is responsible for obtaining the letter. The appraiser must note the site of the well and verify the existence of the letter.

- Letter is provided: The dwelling must be located at least 10 feet from the abandoned well.
- Letter is NOT provided: The dwelling must be located at least 300 feet from the abandoned well.

Petroleum Product Well

Petroleum product wells emit hydrogen sulfide gas, which is toxic and extremely hazardous. A petroleum engineer must assess the risk, and state authorities must concur on the clearance recommendations for petroleum industry regulation, and for public health and safety. When this is complete, minimum clearance from sour gas wells can be established. If an inspection by a qualified person verifies that the condition exists, and is acceptable under the above standards, account for the presence of the wells in the valuation of the property.

Slush Pits

A slush pit is a basin where drilling “mud” is mixed and circulated during drilling, to lubricate and cool the drill bit, and to flush away rock cuttings. Drilling mud normally contains large quantities of bentonite, a soil material that expands. For this reason, there is a potential for great soil volume change, and subsequent damage to structures. To be eligible for FHA insurance, all unstable and toxic materials must be removed from the pit, and the pit must be filled with compacted, selected materials.

If a property is proposed near an active or abandoned well, call for a survey to locate the pits and their impact on the subject property.

Heavy Traffic

Close proximity to heavily traveled roadways can have a negative effect on the marketability and value of sites because of excessive noise and danger. Properties backing to highways or other thoroughfares that are heavily screened, or where traffic is well below grade (underground) and at a sufficient distance from the property may not affect value. For detailed noise acceptance levels, see [24 CFR 15.103](#).

Typically, traffic hazards are not correctible. Therefore, the appraiser must quantify the effect it has on the value, determine if the property is marketable, and support the adjustment with comparable transactions. This condition could be the reason that FAR ultimately rejects the property. We will not reject existing properties solely because of heavy traffic, if there is evidence of acceptance within the market, and if use of the dwelling is expected to continue.

Airport Noise and Hazards

Sites near an airport may be subjected to noise and the hazards of low-flying aircraft. Appraisers must identify affected properties, review airport contour maps, and place conditions on the appraisal accordingly. FAR Financial will not reject existing properties solely because of airport influences, if there is evidence of acceptance within the market, and if use of the dwelling is expected to continue. HUD’s position is that the property is in use, and is expected to continue being useful, so its marketability should be the strongest indicator of acceptability. Marketability should take into account the following:

- Plans for future expansion of airport facilities.
- Prospective increases in the number of planes or flights using the field or specific runways.
- The timing, frequency, and volume of flights.
- Any other factors that may increase the annoyance of having the airport nearby.
- Excessive noise.



If changes are likely, the appraiser must anticipate any adverse effect that these changes are likely to have on the marketability of the property. The appraiser should judge each situation on its merits and compare the effect of aircraft activity on the desirability of a particular site with other sites that are improved with similar structures and considered competitive with those located in the subject neighborhood.

Special Airport Hazards

HUD requires that the buyer of a property located in a [Runway Clear Zone/Clear Zone](#) be advised that the property is located in that zone, and what the implications are. This includes the possibility that the airport operator could acquire the property in the future.

Existing dwellings more than one year old are eligible for FHA mortgage insurance if the prospective purchase acknowledges awareness that the property is located in a Runway Clear Zone/Clear Zone. The lender furnishes this disclosure form to the buyer. The appraiser should note whether the property is in a Clear Zone and require the buyer's acknowledgement.

Commercial Property Abuts Site

A site that abuts commercial property should not be considered unacceptable. Some commercial uses may not appeal to a specific market segment, but others may. If the condition is clearly a health and safety violation, the appraiser should reject the appraisal and return it to the lender. If there is any question about the severity, report the condition and submit the completed report. The lender must clear the condition and may require an inspection or reject the property. When conditions are present that cannot be repaired, such as site factors, the appraised value is based upon existing conditions.

Proximity to High Pressure Gas

A dwelling or related property improvement near high-pressure gas, liquid petroleum pipelines, or other volatile and explosive products, both above ground and subsurface, must be located outside of the outer boundary of the pipeline easement.

Overhead High-Voltage Transmission Lines

A high-voltage transmission line is a power line that carries high voltage between a generating plant and a substation.

Note: This does not include local distribution and service lines.

Low voltage power lines are distribution lines that commonly supply power to housing developments and similar facilities. They may not pass directly over any structure, including pools, on a property that HUD insures.

See [Power Lines](#) for more information.

Smoke, Fumes, Offensive Noises and Odors

Excessive smoke, fog, chemical fumes, noxious odors, stagnant pools or marshes, poor surface drainage and excessive dampness are hazardous to the health of neighborhood occupants, and adversely affect the market value of the subject property.

If the extent of the hazard is not dangerous, the appraiser should account for the effect it will have on the valuation of the property. Appraisers should include other factors that may affect valuation, such as offensive odors and unsightly neighborhood features, such as stables or kennels.

Flood Hazard Areas

Federal Emergency Management Agency (FEMA) determines Special Flood Hazard Areas (SFHA) nationwide. FEMA issues Flood Hazard Boundary maps to designate these areas in a community. An appraisal for a property within Zones A or V activates a commitment requirement for flood insurance coverage. The appraiser must provide figures on the effect, if any, this will have on the value of properties within a designated flood map. Per Mortgagee Letter [2010-43](#) properties located within a designated Coastal Area according to Coastal Barrier Resources Act (CBRA) are not eligible for an FHA-insured mortgage. The appraiser should note this, but it will also appear on the flood certificate.

A borrower whose property is located in a designated acceptable flood hazard area is required to obtain adequate flood insurance and sign the Notice to Borrower in Special Flood Hazard Area disclosure.

Note: This disclosure is attached to most flood certificates.

FAR Financial rejects properties in any of these circumstances:

- The property is subject to frequent, recurring flooding
- There is any potential hazard to life or safety
- Escape to higher ground would not be feasible during severe flooding conditions



FEMA Maps

To obtain copies of FEMA's Flood Hazard Boundary Maps and Flood Insurance Rate Maps, contact:

Federal Emergency Management Agency (FEMA)
FEMA Map Service Center
PO Box 1038
Jessup, MD 20794-1038

Phone: 1-800-358-9616
FAX: 1-800-358-9620

Coastal Barrier Resource System (CBRS) Maps

CBRS boundaries are established and mapped by the U.S. Department of Interior's Fish and Wildlife Service (USFWS). See <http://www.fws.gov/CBRA/> for CBRS maps and additional information regarding the Coastal Barrier Resources Act (CBRA).

Eligibility of Properties for FHA Insurance

FAR Financial is responsible for determining the eligibility of properties in flood zones and relies on the appraiser's notation on the Uniform Residential Appraisal Report (URAR) form. Market attitude and acceptance determine the eligibility of existing properties located in a designated SFHA. If the property is accepted for mortgage insurance, flood insurance is required.

Condominium

The homeowner's association is responsible for maintaining flood insurance on the project as a whole, not for each individual unit. The appraiser must verify the site of a condominium in a floodplain and make the correct notation in the URAR.

Stationary Storages

Stationary storage tanks containing flammable or explosive materials pose potential hazards to housing, including hazards from fire and explosions. If the property is within 300 feet of an above-ground stationary storage tank with a capacity of 1,000 gallons or more of flammable or explosive material, the site is ineligible. The Appraiser must notify the Lender of the deficiency of Minimum Property Requirements or Minimum Property standards, so the Lender can determine eligibility.



New Construction

Reviewed June 2019

Overview

“New” construction is property built within the previous 12 months, and which has not been previously occupied. Finance of America Reverse (FAR) requires specific documentation for all new construction.

Certificate of Occupancy from the Local Authority

The Federal Housing Administration (FHA) requires that the Certificate of Occupancy, or its equivalent, be issued by the local authority before a loan can close.

If the local authority does not issue a Certificate of Occupancy, we require the building permit issued by the local authority, showing that all necessary inspections were completed.

Note: In unincorporated areas, primarily in Texas, the county cannot issue either of these. In these instances, the underwriter can accept certification from an FHA Roster Inspector or other third-party inspector who is qualified to assess the construction quality, like an International Code Council (ICC) Certified Inspector, engineer, and so forth. The certification must confirm that the building complies with building code standards and FHA requirements.

HECM for Purchase

FAR reminds originators that the appraisal may not be ordered until the property is complete, and the appraiser can mark the report “as-is” or “subject to the following repairs”. Appraisals marked “subject to the completion per plans and specifications” are viewed as Under Construction properties, which are not allowable under HECM program guidelines.

This appraisal is made: ☐ As-is ☒ Subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed.
☐ Subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ Subject to the following repairs or alterations on the basis of a hypothetical condition that the condition or deficiency does not require alteration or repair. ☐ That is subject to proper completion and the report is being made subject to the completion of the property.

GENERAL DESCRIPTION			
Units	<input checked="" type="checkbox"/> One	<input type="checkbox"/> One with Accessory Unit	
# of Stories	2		
Type	<input checked="" type="checkbox"/> Det.	<input type="checkbox"/> Att.	<input type="checkbox"/> S-Det./End Unit
	<input type="checkbox"/> Existing	<input type="checkbox"/> Proposed	<input checked="" type="checkbox"/> Under Const.
Design (Style)	Craftsman		
Year Built	2018		
Effective Age (Yrs)	0		



Non-Residential Business Use

Revised February 2021

Overview

For the Home Equity Conversion Mortgage (HECM) program, the maximum amount of non-residential or commercial use is 49% on files with case numbers assigned on or after September 14, 2015, per [HUD Handbook 4000.1](#).

When non-residential property use is below grade, or in an accessory unit or additional structure, the underwriter considers the above and below-grade square footage, and the square footage of the additional unit or structure, as applicable.



Oil and Mineral Rights

Revised February 2021

Overview

The appraiser must analyze and report the degree to which the residential benefits may be impaired, or the Property damaged by the exercise of the rights set forth in oil, gas, and mineral reservations or leases.

The appraiser should consider the following: · the infringement on the property rights of the fee owner caused by the rights granted by the reservation or lease; and · the hazards, nuisances, or damages that may arise or accrue to the subject Property from exercise of reservation or lease privileges on neighboring properties.

The underwriter may allow outstanding oil, water or mineral rights, or damage caused by the exercise of such rights. Damage is typically covered under the actual recorded oil or mineral lease, or else the title company insures against it.

The underwriter may allow oil and mineral leases if they are common for the area and are customarily waived by prudent leading institutions and leading attorneys within the community without causing the property to be uninsurable by FHA.

Endorsement	ALTA	CLTA	Texas	Florida
Restrictions, Encroachments, Minerals	ALTA 9	CLTA 100	T-19	FL9



Pool Covers

Revised December 2021

Overview

An empty swimming pool can pose a health and safety risk. Therefore, properties with pools must have covers that prevent entry, either deliberate or accidental.

Requirements

At minimum, swimming pools must comply with all local ordinances for perimeter fencing, covers, and so forth.

Empty Pools

If a pool is empty, one of the following must take place PRIOR TO CLOSING:

- The pool is secured by a cover that is sufficiently sturdy to prevent a person from falling into the pool or through the cover.
Note: Acceptable covers are hard covers or covers that are secured to the surrounding patio or deck with bungee cords or by other means or covers that are tethered to water bags. Tarps are not acceptable.
- The pool is filled with dirt and excluded from property value.
- The pool is filled with water.

Non-functioning pools MUST be repaired as a set-aside after closing.

Examples

Acceptable Pool Covers



Unacceptable Pool Cover





Power Lines

Revised July 2023

Overview

The lender must confirm that any overhead electric power transmission lines do not pass directly over any dwelling, structure, or related property improvement, including pools. The power line must be relocated for a property to be eligible for FHA-insured financing.

The residential service drop line may not pass directly over any pool, spa, or water feature. If the dwelling or related property improvements are located within the easement area, the lender must obtain a certification from the appropriate utility company or local regulatory agency stating that the relationship between the improvements and local distribution lines conforms to local standards and is safe.

The appraiser must notify the Lender of the deficiency of minimum property requirements (MPR) or minimum property standards (MPS) if the overhead electric power transmission lines or the local distribution lines pass directly over any dwelling, structure, or related property improvement, including pools, spas, or water features. The appraiser must notify the Lender of the deficiency of MPR or MPS if the dwelling or related property improvements are located within an easement or if they appear to be located within an unsafe distance of any power line or tower.

The appraiser must note and comment on the effect on marketability resulting from the proximity to such site hazards and nuisances. The appraiser must also determine if the guidelines for encroachments apply. See [Site Analysis - Encroachments](#)



Private Roads and Shared Driveways

Revised March 2021

Overview

Finance of America Reverse (FAR) must confirm that each property is provided with safe pedestrian access and adequate vehicular access from a public or private road. Roads must either be dedicated to public use and maintenance or retained as private roads protected by permanent recorded easements.

Private roads, including shared driveways, must be protected by:

- Permanent recorded easements,
- Ownership interest, OR
- Be owned and maintained by a homeowner's association (HOA).

Shared driveways and private roads do NOT require a joint maintenance agreement. The legal description of the property must include the recorded easement documenting the ingress and egress that protect access to the road.



Property Types

Revised September 2022

Overview

Properties that are eligible for a Home Equity Conversion Mortgage (HECM) include:

- Single family residences (SFR):
- Existing construction
- Existing construction less than 12 months where the Certificate of Occupancy was issued prior to application or services ordered
- SFRs with an accessory dwelling unit (ADU)
- Two-to-four unit property
- HUD-approved condominium
- Site Condominium
- Manufactured housing built after June 15, 1976, that meets all HUD requirements
- Modular Housing
- [Mixed Use](#)

Sometimes it is difficult to determine the appropriate property type. The appraiser should identify the property type in the appraisal report on the appropriate appraisal form. However, the lender must then verify the property type from other available documentation, such as the title commitment, county records, insurance, etc.

It can be easy to confuse an SFR that has an ADU or an additional kitchen with a two-unit property, for instance. To determine the appropriate property type, refer to the following guidelines.

Single Family Residences (SFR)

Existing Construction

Existing construction single family residences were completed more than 12 months ago.

Existing Construction less than 12 months

If construction was completed less than 12 months ago, the property is eligible if the Certificate of Occupancy was issued before closing.

SFR Floor Plan

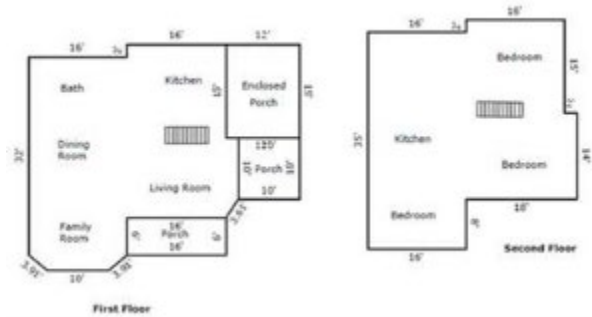


SFR with Additional Kitchen or Mother-in-law Suite

SFRs that have either an additional kitchen without a bathroom OR a mother-in-law suite without a kitchen are not ADUs.

SFR with Additional Kitchen Floor Plan

This floor plan has an additional kitchen on the second floor, but there is no bathroom on the second floor, so it is not an ADU.



SFR with In-law Unit

This floor plan has an in-law unit, but that unit has no kitchen, so it is not an ADU.



Single Family Residences with an Accessory Dwelling Unit (ADU)

ADUs are separate additional living units with kitchen, sleeping, and bathroom facilities. They are typically subordinate in size to the main dwelling unit. When applying for the HECM, the borrower must reside in the main dwelling, and not the ADU. See [Accessory Dwelling Units](#) for more information.

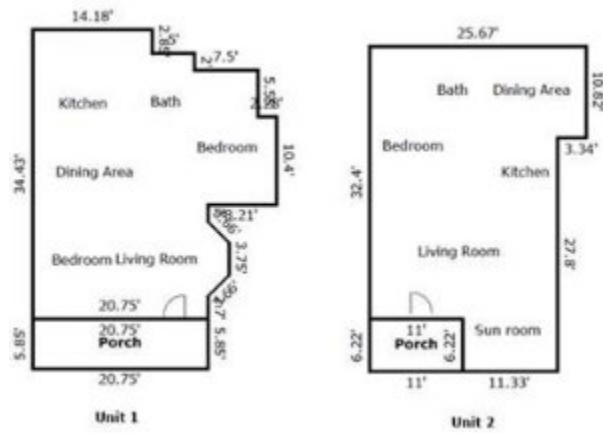
SFRs with an ADU have an additional habitable unit that provides the basic requirements for living, sleeping, eating, cooking, and sanitation, and which is added to, created within, or detached from, a single-family dwelling.



Two-to-four Unit Property

Two-to-four unit properties have up to four multiple units.

Note: If a two-to-four unit property also has an accessory dwelling unit, it is not eligible.



HUD-Approved Condominium

A condominium is joint real estate where each housing unit has a separate owner, but all owners collectively use the common areas of the building. All condominiums must be HUD-approved before case number assignment. See [Condominiums](#) for more information.

Site Condominium

Site condominiums must meet all HUD definitions for site condominiums. These do not require HUD approval. See [Site Condominiums](#) for a list of requirements.

Manufactured Housing

Manufactured homes are factory-built, and then transported to the site and installed. A HUD seal is affixed to the exterior of each section. See [Manufactured and Modular Homes](#)

Manufactured homes are subject to U.S. Department of Housing and Urban Development (HUD) building code. The Federal Manufactured Home Construction and Safety Standards (commonly known as the HUD Code) went into effect June 15, 1976.

Modular Housing

Modular homes have multiple modules or sections that are manufactured in a remote facility, and then delivered to a permanent site and installed. All modular homes are constructed according to the International Building Code (IBC), IRC, BOCA or the code that has been adopted by the local jurisdiction. (Modular homes are approved under state requirements, whereas manufactured homes are approved under federal requirements.)

Note: Guidelines for manufactured homes do NOT apply to modular homes, which are considered single family residences. See [Manufactured and Modular Homes](#)



Repairs

Revised July 2023

Overview

When examination of new or existing construction reveals non-compliance with minimum property requirements (MPR) and minimum property standards (MPS), the appraiser must report the repairs necessary to make the property comply, provide an estimated cost to cure, provide descriptive photographs, and condition the appraisal for the required repairs. If compliance can only be affected by major repairs or alterations, the appraiser must report all readily observable property deficiencies, as well as any adverse conditions discovered performing the research involved in completion of the appraisal, within the reporting form. Regardless of the appraiser's suggested repairs, the lender will determine which repairs are required.

The appraiser must limit required repairs to those repairs necessary to:

- Maintain the safety, security, and soundness of the property.
- Preserve the continued marketability of the property.
- Protect the health and safety of the occupants.

The appraiser may complete an as-is appraisal for existing properties when minor property deficiencies, which generally result from deferred maintenance and normal wear and tear, do not affect the health and safety of the occupants or the security and soundness of the property. Cosmetic or minor repairs are not required, but the appraiser must report and consider them in the overall condition when rating and valuing the property. Cosmetic repairs include missing handrails that do not pose a threat to safety, holes in window screens, cracked window glass, defective interior paint surfaces in housing constructed after 1978, minor plumbing leaks that do not cause damage (such as a dripping faucet), and other inoperable or damaged components that in the appraiser's professional judgment do not pose a health and safety issue to the occupants of the house. If an element is functioning well but has not reached the end of its useful life, the appraiser should not recommend replacement because of age.

The nature and degree of any noted deficiency will determine whether the appraiser must address the deficiency in the narrative comments area of the report under "condition of the property" or "physical deficiencies" affecting livability or structural soundness.

The appraiser must notify the lender and make the appraisal subject to an inspection by a qualified individual or entity when the observation reveals evidence of a potential safety, soundness, or security issue beyond the appraiser's ability to assess. The appraiser must report and describe the indication of a particular problem when requiring an inspection of any mechanical system, structural system, or other component requiring a repair.

The appraiser must report known environmental and safety hazards and adverse conditions that may affect the health and safety of the occupants, the property's ability to serve as collateral, and the structural soundness of improvements. Environmental and safety hazards may include defective lead-based paint, mold, toxic chemicals, radioactive materials, other pollution, hazardous activities, and potential damage to the structure from soil or other differential ground movements, subsidence, flood, and other hazards.

Required Repairs

When required repairs are to be completed after closing, the lender adds a Repair Rider to the Loan Agreement, to be completed at closing, which certifies that repairs will be completed satisfactorily, and will meet the requirements in [HUD Handbook 4000.1](#). FHA required repairs can be paid at closing as a mandatory obligation. If the repairs are being completed on a repair set-aside the cost of the reinspection can be included in the repair set-aside for payment to the inspector or appraiser upon completion of the inspection. If repairs are being set-aside, the servicer charges a repair admin fee which is added to the loan balance.

Repair Set-Aside

The borrower may complete the required repairs after closing when the estimated repairs cost no more than 15% of the max claim amount using a repair set-aside.

The borrower must complete the required repairs before closing when the estimated repairs cost between 15-30% of the max claim amount. The lender must include required repairs on form HUD-92800.5B as a condition of closing.

The borrower may have the repairs completed with the intention of paying the contractors with HECM proceeds, borrower funds, or a combination of the two. However, any amounts owed must be paid at closing and all liens removed at closing. Any amount owed must not exceed the initial disbursement limit or borrower's advance.



The lender must submit the appraisal and information relating to the required repairs to the technical branch of the Jurisdictional Homeownership Center (HOC) for a determination as to the acceptability of the property as collateral for a HECM.

The total set-aside amount must not be less than \$500, or the repairs must be completed upfront, and the appraiser or inspector must inspect them again. The borrower can add additional funds to the repair set-aside but cannot withdraw the funds until repairs are complete. Once they are complete, the funds are disbursed from the line of credit, and the lender verifies that all liens are removed.

Repairs to be Completed Prior to Closing

See [HECM Repairs Job Aid](#)

Repair Inspections

The appraiser uses Part B of the 1004D to report completion of repairs or other requirements. If the original appraiser is unable or unwilling to complete Part B of the 1004D, any other FHA appraiser currently in good standing on the FHA Appraiser Roster may complete the report.



Roof

Revised November 2021

U-S21861

Overview

The covering must prevent moisture from entering, and must provide reasonable future utility, durability, and economy of maintenance. When re-roofing is necessary for a defective roof with three layers of shingles, all old shingles must be removed before re-roofing.

Process

The appraiser must observe the roof to determine whether the deficiencies present a health and safety hazard, or do not allow for reasonable future utility. The appraiser must identify the roofing material type and the condition observed in the “Improvements” section of the report.

Note: The appraiser is only required to note readily observable conditions.

The appraiser must report if the roof has less than two years of remaining life and make the appraisal subject to inspection by a professional roofer. Roofs that are leaking, have less than two years of remaining economic life, or have any other health and safety issues must be replaced prior to closing.

Note: A roof that has less than two years of remaining economic life, but which is NOT leaking, can be placed on a repair set-aside.

When the appraiser is unable to view the roof, the appraiser must explain why the roof is unobservable and report the results of the assessment of the underside of the roof, the attic, and the ceilings.



Services and Facilities

Created August 2013

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

Trespass

It must be possible to maintain the living unit without having to trespass on adjoining properties.

Utilities

Utilities must be independent for each living unit. However, common services, including water, sewer, gas and electricity, can be provided for units under a single mortgage or ownership under the following circumstances:

- Each unit must have its own utility service shut-off valves.
- Each unit must have its own meter.
- Attached living units under separate ownership can share common utility services when the easement or covenant and maintenance agreement is acceptable to HUD. This pertains to a single family home that is attached to another single family home. Each unit has to have separate utilities run to it. Otherwise, the utilities can run from the utility source to the building as a whole, instead of to each unit, provided the field maintenance agreement or easement allows for proper division and maintenance.

Utilities that serve an individual unit cannot pass over, under, or through another unit UNLESS:

- Provisions have been made to repair and maintain those utilities without trespassing on an adjoining property.
- An easement of covenant provides permanent access rights to maintain and repair utilities.
- If one drain line serves more than one unit, the building's drain clean-outs must be accessible from the exterior.

Other facilities must be independent for each living unit. However, common services, such as laundry and storage space or heating may be provided for two-to-four living unit buildings under a single mortgage.

Dedication

Utilities must be located on easements that have been permanently dedicated to the local government or appropriate public utility body. The location of utility services must match the location of the easement on the recorded deed.



Site Analysis

Revised April 2023

Overview

The appraiser must determine the present high and best use for the site per requirements set forth in HUD Handbook [4000.1](#). This determination provides a basis for comparison in estimating the marketability of the subject property and for selecting comparable sales.

The appraiser must analyze the site to:

- Establish the basis for comparing the market estimates of sites when estimating the replacement cost of the property.
- Determine the suitability of the site and improvements for its existing use.
- Carefully consider the topography, suitability of soil, off-site improvements, easements, restrictions or encroachments.
-

Easements, Restrictions and Encroachments

Easements

The underwriter considers all easements, restrictions, or encroachments and their impact on the market value of the subject property and makes additional requirements under 24 CFR Ch. II (4-1-12 Edition).

An easement grants rights to access or use the real property of another person without possessing it. Customary easements in general will not cause the property to be uninsurable.

The underwriter may allow the following easements under the General Waiver guidelines. These will not cause the property to be uninsurable by FHA:

- Customary easements for public utilities, party walls, driveways, and other purposes.
- Easements for public utilities along one or more of the property lines and extending not more than 10 feet from and for drainage or irrigation ditches along the rear 10 feet of the property – provided the exercise of the rights there does not interfere with any of the buildings or improvements located on the subject property.
- Easements for underground conduits which are in place and do not extend under any buildings on the subject property.
- Mutual easements for joint driveways constructed partly on the subject property and partly on adjoining property – provided the agreements creating such easements are of record.

Restrictions

Restrictions are general limitations as to the use or placement of real estate. The underwriter may allow the following restrictions under the General Waiver guidelines without causing the property to be uninsurable by FHA:

- Customary building and use restrictions which:
- Are coupled with a reversionary clause – provided there has been no violation prior to the date of the deed to the Commissioner; or
- Are not coupled with a reversionary clause and have not been violated to a material extent.

If the restriction set forth is being violated, the underwriter will review for one of the following allowable exceptions:

- Violations of cost or set back restrictions which do not provide a penalty of reversion or forfeiture of title, or a lien for liquidated damages which may be superior to the lien of the insured mortgage.
- Violations of such restrictions which do provide for such penalties – provided such penalty rights have been duly released or subordinated to the lien of the insured mortgage or provided a policy of title insurance is furnished expressly insuring the Commissioner against loss by reason of such penalties.
- Violations of a restrictions based on race, color or creed: even where such restrictions provide for a penalty of reversion or forfeiture of title or a lien for liquidated damages.

Encroachments

Property encroachment occurs when one property's home, or other property owned by the homeowner, such as a pool or driveway, extends from the one property onto another. As a general rule, a property with an encroachment is ineligible for FHA mortgage insurance.

The appraiser should identify encroachments, either from the subject property onto an adjacent property, or from an adjacent property onto the subject property:

- Right of way



- Utility easement
- Dwelling
- Garage
- Physical structure or improvement
- Setback requirements

An encroachment may be acceptable if the adjoining landowner, or the local governing authority, provides a perpetual encroachment easement filed in the County Clerk and Recorder's office.

The underwriter may allow the following encroachments under the General Waiver guidelines. These will not cause the property to be uninsurable by FHA:

- Encroachments on the subject property by improvements on adjoining property where such encroachments do not exceed 1 foot – provided such encroachments do not touch any buildings or interfere with the use of any improvements on the subject property.
- Encroachments on adjoining property by eaves and over-hanging projections attached to improvements on subject property, where such encroachments do not exceed 1 foot.
- Encroachments on adjoining property by hedges, wooden or wire fences belonging to the subject property.
- Encroachments on adjoining property by driveways belonging to subject property where such encroachments do not exceed 1 foot – provided there exists a clearance of at least 8 feet between the buildings on the subject property and the property line affected by the encroachment.
- Encroachments by garages or improvements other than those which are attached to or a portion of the main dwelling structure over easements for public utilities – provided such encroachment does not interfere with the use of the easement or the exercise of the rights of repair and maintenance.

Physical Improvements

The appraiser analyzes physical improvements to the property to determine the desirability, utility and appropriateness of the improvements. These are factors in the assessment of mortgage risk and the ultimate estimate of the property's value. The appraiser should provide photos of all improvements.

Gross Living Area

The gross living area is the total area of finished, above-grade residential space, not including finished basements and unfinished attic areas. The appraiser calculates this by measuring the outside perimeter of the structure, including only above-grade living space. The appraiser's measurement technique for the subject property must match the technique used on the comparable sales. Using the same measurement technique enables the appraiser to report building dimensions consistently. Failure to do this can impair the quality of the appraisal report.

Basement Bedrooms, Basement Apartments

Basement space generally does not count as habitable space. If the bedroom does not have proper lighting and ventilation, the room cannot be included in the gross living area.

The following requirements apply to the valuation of below-grade rooms:

- The windowsill cannot be higher than 44 inches from the floor.
- The windowsill must have a net clear opening (width X height) of at least 24 inches by 36 inches.
- The window should be at ground level. However, compensating factors may allow less.

In all cases, use reasonable care and judgment. The basement area cannot be counted as habitable space if the room does not substantially meet these standards.

Design

Design is the cohesive element that blends the structural, functional and decorative elements of a property into a whole. A property with a good design is in harmony with its immediate site and environment. Each part of the property is in harmony with all the other parts. It is recognized and desired, so the prices of properties with good design typically exceed the prices of properties that have the same number of rooms and area but lack good design. This gives the property a competitive advantage that usually continues through its entire economic life. The appraiser must recognize this demonstrable price differential and reflect it in the comparative adjustments of market data, and the final value.

Conformity of Property to Neighborhood

A residential property with good physical characteristics may not necessarily be good security for a mortgage loan, even if it is in a good location. The property may be appropriate in another location, but not in its actual location. It may be displeasing, when viewed in relation to its surroundings, and it may not conform in other respects to the most marketable use in that particular neighborhood. The appraiser should consider these elements, other than similarity of physical characteristics, when determining marketability and identifying comparables.



Remaining Economic Life

A building is subject to physical deterioration and obsolescence, so its period of usefulness is limited. As it deteriorates or becomes obsolete, its ability to serve useful purposes decreases, and eventually ends. This may occur gradually or rapidly.

- The appraiser must state the remaining economic life as a single number or as a range for all property types, including condominiums.
- The appraiser must provide an explanation if the remaining economic life is less than 30 years.
- If the remaining economic life is less than 30 years, FAR's chief appraiser must review and provide commentary to support the collateral.
- If chief appraiser's findings do not support the collateral, the appraiser must provide an itemized list of repairs to bring remaining economic life above 30 years and approval will be determined on a case-by-case basis.



Small Residential Income Producing (2-4 Unit) Appraisals

Revised June 2021

Loan Requirements

Loan requirements for a multi-family appraisal include:

- The case number must indicate the correct number of units on the case number assignment.
- The property may not exceed four units.
- The borrower must sign Hotel/Transient Disclosure HUD 92561 certifying that they are not using the property as a hotel.
- The proceeds are calculated using the single-family loan limit.
- The borrower must remain in the home for the life of the loan (unlike other FHA multi-family homes).
- The property cannot have an accessory unit.

Appraisal Requirements

Multi-family appraisals requirements include:

- The appraiser must use the 1025 Small Residential Income Producing form.
- Sales comparables must be 2-4-unit properties.
- Different comps (if possible) in the New Comparable Rental Data section to show potential income from renting units.
- Rental income from each unit in the Subject Rent Schedule section.



Streets

Reviewed August 2020

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

Each property must have safe and adequate pedestrian and vehicular access from a public or private street. Private streets must be protected by permanent recorded easements. Streets must either be dedicated to public use and maintenance, OR retained as private streets, protected by permanent recorded easements.

Private streets, including shared driveways, must be protected by permanent recorded Easements, ownership interest, or be owned and maintained by an HOA. Shared driveways do not require a joint maintenance agreement.



Subject Property Acceptability

Reviewed March 2023

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

Subject Property

The appraiser must adequately identify the subject property as a single, marketable real estate entity. However, we will accept a property with two plots or parcels provided property improvements related to the marketability of the property are located on both lots. We might also accept the property if removal of one lot would land lock either parcel, which would affect marketability of one of the lots.

The Appraiser must provide an analysis and report of the value of the subject Property “as is.” If the Appraiser observes property conditions that do not meet the Property Acceptability Criteria, the Appraiser must report those items or conditions and note that the Property, in its “as is” condition, does not meet the Property Acceptability Criteria for an FHA-insured Mortgage. This appraisal must not be rendered “subject to repairs.”

Every property must be safe, sound, and secure so that the mortgagee can determine eligibility. The appraiser must note every instance where the property is not safe, sound, and secure and does not comply with HUD’s MPR and MPS, or they must clearly state when no deficiencies with HUD’s Property Acceptability Criteria have been observed or are known.

For Non-Contiguous Parcels

The following are the points that need to be addressed:

- There must be a recorded easement for the road. There must be an ingress/egress for both parcels to each other. Review for acceptability.
- Appraiser:
- Provide comps with the same external obsolescence regarding the owned parcel across the road.
- Does the second, waterfront lot contribute to the overall property value and marketability.
- How does the road separating the two lots affect the marketability? Marketability is crucial to be verified.
- Appraiser must show they have done their due diligence to prove the value and marketability of the subject.
- What level of traffic is typical on the road such as heavy or just neighborhood?



Unique Properties

Reviewed August 2020

Overview

Eligibility of a unique property is determined by whether or not the property is structurally sound and readily marketable. Ingress and egress to the property, and the number of bedrooms is considered. Depending on how unique a property is, the underwriter makes the final decision to accept or reject the property.

Non-Standard House Style refers to unique Properties in the market area, including:

- Log homes
- Exceptionally small homes
- Earth sheltered housing
- Dome homes
- Houses with lower than normal ceiling heights
- Other houses that in the Appraiser's professional opinion, are unique

Earth Homes

A major national goal is the conservation of energy, so we give every consideration to housing that reduces energy use. In addition, there is considerable interest in earth-sheltered housing in areas subject to tornadoes.

General Requirements

Earth-sheltered housing must be built under Title II to conform to Minimum Property Standards (MPS). This housing is typically built on sloped sites, or in rolling terrain. Designs should permit easy access to existing or proposed streets, and convenient access for deliveries, maintenance, fire equipment and car parking.

Walls and Roofs

Foundation walls and roofs that support or retain earth must be designed for the load it imposes and must resist moisture penetration.

Inappropriate Locations

Earth-sheltered housing is inappropriate in the following areas:

- Coastal areas, where wind-driven seas would be a flood hazard.
- Flood-prone areas.
- Areas with high water tables.
- Any area where hydrostatic pressure (the pressure water exerts when it is at rest, and the subsequent height it reaches), or other forces make earth- sheltered homes hazardous.
- Any area where it is not homogeneous with other homes in the neighborhood and is not sited in a manner that makes it attractive and marketable.

Dome Homes

The same location considerations apply to dome homes, as for earth-sheltered housing. In order for the property to be fully marketable it must be located in an area where it blends into the landscape, and which has other similar types of construction.

The Appraiser must provide a comment that the non-standard house style appears structurally sound and readily marketable and must apply appropriate techniques for analysis and evaluation. In order for such a property to be fully marketable, the Appraiser must demonstrate that it is located in an area of other similar types of construction and blend in with the landscape.

The Appraiser may require additional education, experience, or assistance for these types of Properties.



Ventilation

Created August 2013

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings can be:

- Detached
- Semi-detached
- Multiplex (less than four units)
- Row houses
- Individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

Natural ventilation of structural space, such as attics and crawl spaces, is necessary to reduce the effect of excess heat and moisture that can lead to decay and deterioration of the structure. All attics must have ventilation for this reason. The appraiser must check the attic areas to determine whether the ventilation is adequate.



Water Supply and Sewage Systems

Revised March 2023

Public Water Supply System/Community Water System

The lender must confirm that a connection is made to a public or community water system whenever feasible and available at a reasonable cost. If connection costs to the public or community system are not reasonable, the existing onsite systems are acceptable, provided they are functioning properly and meet the requirements of the local health department. When a public water supply system is present, the water quality is considered to be safe and potable and to meet the requirements of the health authority with jurisdiction unless:

- the appraiser indicates deficiencies with the water or notifies the lender that the water is unsafe; or
- the health authority with jurisdiction issues a public notice indicating that the water is unsafe.

A community water system must comply with local jurisdiction requirements.

Individual Water Supply Systems (Wells)

When an Individual water supply system is present, the lender must ensure that the water quality meets the requirements of the health authority with jurisdiction. If there are no local (or state) water quality standards, then water quality must meet the standards set by the EPA, as presented in the National Primary Drinking Water regulations in [40 CFR §§ 141](#) and [142](#).

Requirements for Individual Well Water Testing:

A well water test is required for, but not limited to, Properties:

- that are newly constructed
- where an Appraiser has reported deficiencies with a well or the well water
- where water is reported to be unsafe or known to be unsafe; or
- located in close proximity to dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous wastes; or
- where the distance between the well and septic system is less than 100 feet

The well test report cannot be more than 180 days old from the disbursement date. All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample must be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the borrower/owner or other interested party collect and/or transport the sample. Requirements for the location of wells for FHA-insured properties are located in [24 CFR § 200.926d \(f\) \(3\)](#).

The following tables provide the minimum distance required between wells and sources of pollution for existing construction:

Individual Water Supply System for Minimum Property Requirements for Existing Construction*	
1	Property line/10 feet
2	Septic tank/50 feet
3	Drain field/100 feet
4	Septic tank drain field reduced to 75 feet if allowed by local authority
5	If the subject Property line is adjacent to residential Property then local well distance requirements prevail. If the subject Property is adjacent to non-residential Property or roadway, there needs to be a separation distance of at least 10 feet from the property line.
* distance requirements of local authority prevail if greater than stated above	

The following provides the minimum requirements for water wells:

Water Wells Minimum Property Standards for New Construction 24 CFR § 200.926d(f)(1)	
1	Lead-free piping
2	If no local chemical and bacteriological water standards, state standards apply
3	Connection of public water whenever feasible
4	Wells must deliver a continuous water flow of five gallons per minute over at least a four-hour period
Water Wells Minimum Property Requirements for Existing Construction	
1	Existing wells must deliver a continuous water flow at a minimum of three gallons per minute
2	No exposure to environmental contamination
3	Continuing supply of safe and potable water
4	Domestic hot water
5	Water quality must meet requirements of local jurisdiction or the EPA if no local standard

Required Documentation

The lender must obtain a valid water test from the local health authority, or a lab qualified to conduct water testing in the jurisdictional state or local authority.



Shared Wells

The lender must confirm that a shared well:

- serves properties that cannot feasibly be connected to an acceptable public or community water supply system.
- is capable of providing a continuous supply of water to involved dwelling units so that each existing construction property simultaneously will be assured of 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 during a continuous four-hour period or 1,200 gallons of water available to each proposed dwelling during a continuous four-hour period. The shared well system yield must be demonstrated by a certified pumping test or other means acceptable to all agreeing parties.);
- provides safe and potable water. An inspection is required under the same circumstances as an individual well. This may be evidenced by a letter from the health authority having jurisdiction or, in the absence of local health department standards, by a certified water quality analysis demonstrating that the well water complies with the EPA’s National Interim Primary Drinking Water Regulations.
- has a valve on each dwelling service line as it leaves the well so that water may be shut off to each served dwelling without interrupting service to the other Properties; and
- serves no more than four living units or Properties.

Requirements for Shared Well Water Testing

A well water test is required for, but not limited to, Properties:

- that are newly constructed
- where an Appraiser has reported deficiencies with a well or the well water
- where water is reported to be unsafe or known to be unsafe
- located in close proximity to dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous wastes; or
- where the distance between the well and septic system is less than 100 feet.

All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample must be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the borrower/owner or other interested party collect and/or transport the sample.

The lender must ensure that the shared well agreement complies with the guidance provided in the following table.

Item	Provisions that must be reflected in any acceptable shared well agreement include the following:
1	Require that the agreement is binding upon signatory parties and their successors in title, recorded in local deed records when executed and recorded, and reflects joinder by any Mortgagee holding a Mortgage on any Property connected to the Shared Well.
2	Permit well water sampling and testing by the local authority at the request of any party at any time.
3	Require that corrective measures be implemented if testing reveals a significant water quality deficiency, but only with the consent of a majority of all parties.
4	Ensure continuity of water service to “supplied” parties if the “supplying” party has no further need for the shared well system. (“Supplied” parties normally should assume all costs for their continuing water supply.)
5	Prohibit well water usage by any party for other than bona fide domestic purposes.
6	Prohibit connection of any additional living unit to the shared well system without: <ul style="list-style-type: none">• the consent of all parties;• the appropriate amendment of the agreement; and• compliance with item 3.
7	Prohibit any party from locating or relocating any element of an individual sewage disposal system within 75 feet (100 feet for Proposed Construction) of the Shared Well.
8	Establish Easements for all elements of the system, ensuring access and necessary working space for system operation, maintenance, improvement, inspection and testing.
9	Specify that no party may install landscaping or improvements that will impair use of the Easements.



Item	Provisions that must be reflected in any acceptable shared well agreement include the following:
10	Specify that any removal and replacement of preexisting site improvements, necessary for system operation, maintenance, replacement, improvement, inspection or testing, will be at the cost of their owner, except for costs to remove and replace common boundary fencing or walls, which must be shared equally between or among parties.
11	Establish the right of any party to act to correct an emergency in the absence of the other parties onsite. An emergency must be defined as failure of any shared portion of the system to deliver water upon demand.
12	Permit an agreement amendment to ensure equitable readjustment of shared costs when there may be significant changes in well pump energy rates or the occupancy or use of an involved Property.
13	Require the consent of a majority of all parties upon cost sharing, except in emergencies, before actions are taken for system maintenance, replacement or improvement.
14	Require that any necessary replacement or improvement of a system element(s) will at least restore original system performance.
15	Specify required cost sharing for: <ul style="list-style-type: none">the energy supply for the well pump;system maintenance, including repairs, testing, inspection and disinfection;system component replacement due to wear, obsolescence, incrustation or corrosion; andsystem improvement to increase the service life of a material or component to restore well yield or to provide necessary system protection.
16	Specify that no party is responsible for unilaterally incurred shared well debts of another party, except for correction of emergency situations. Emergency correction costs must be equally shared.
17	Require that each party be responsible for: <ul style="list-style-type: none">prompt repair of any detected leak in this water service line or plumbing system;repair costs to correct system damage caused by a resident or guest at their Property; andnecessary repair or replacement of the service line connecting the system to the dwelling.
18	Require equal sharing of repair costs for system damage caused by persons other than a resident or guest at a Property sharing the well.
19	Ensure equal sharing of costs for abandoning all or part of the shared system so that contamination of ground water or other hazards will be avoided.

Item	Provisions that must be reflected in any acceptable shared well agreement include the following:
20	Ensure prompt collection from all parties and prompt payment of system operation, maintenance, replacement or improvement costs.
21	Specify that the recorded agreement may not be amended during the term of a federally-insured or -guaranteed Mortgage on any Property served, except as provided in items 5 and 11 above.
22	Provide for binding arbitration of any dispute or impasse between parties with regard to the system or terms of agreement. Binding arbitration must be through the American Arbitration Association or a similar body and may be initiated at any time by any party to the agreement. Parties to the agreement must equally share arbitration costs.

Sewage System

The lender must confirm that a connection is made to a public or community sewage disposal system whenever feasible and available at a reasonable cost. If connection costs to the public or community system are not reasonable, the existing onsite sewage disposal systems are acceptable provided they are functioning properly and meet the requirements of the local health department. When the onsite sewage disposal system is not sufficient and an off-site system is available, the lender must confirm connection to an off-site sewage system. When the onsite sewage disposal system is not sufficient and an off-site system is not available, the lender must reject the Property unless the onsite sewage disposal system is repaired or replaced and complies with local health department standards.

Water Catchment

A water catchment system is acceptable if it meets the following requirements:

- Appraisal provided to appropriate HOC for review with at least 1 comparable with a similar water catchment system.
- Well water test taken from inside the home.
- Estimate for drilling the well from the well drilling company or connection to public water from a plumber.

NOTE: Water catchment systems are not allowed on new construction properties.

Water Catchment Review

- Appraisal, acceptable water test, and estimate for drilling a well or connection to public water are sent to the appropriate HOC for review and waiver.
- If approved, copy of approval must be uploaded into LINK and provided in the case binder.
- If denied, copy of denial must be uploaded into LINK.

Cisterns

A cistern is acceptable if it meets the following requirements:



- The cistern is part of an individual water supply system that otherwise complies with FHA requirements.
- The appraiser finds that the local market readily accepts cisterns.
- The underwriter determines that risk associated with the subject's cistern is acceptable.

Cistern Review

For Finance of America Reverse (FAR) to approve a property with a cistern, we require the following:

- A copy of the entire appraisal.
- A water test:
- If cistern water comes from a public water source, we only require total coliform/bacteriological testing, with a faucet water test.
- If cistern water is from a well, see follow the well/septic/drain field water testing requirements.
- FHA requires total coliform/bacteriological testing with a faucet water test to ensure the water system is free of contaminants, even if the state or local jurisdiction has no testing requirements.

Jurisdictional Documentation

There are additional documentation requirements for a cistern review from all applicable local regulating authorities (building, Health Department, and so forth). The documentation must be on the authority's letterhead stationery, and the copies must be certified to indicate the following:

- The local regulating authority approves cistern systems for private water supply.
- The subject cistern complies with the local regulating authority's requirements pertaining to construction and capacity.
- The water quality test report complies with the local regulating authority's chemical and bacteriological standards.

Note: This includes Homeownership Center (HOC)-required testing for total coliforms and lead. If there are no published local regulatory standards, apply Environmental Protection Agency (EPA) standards.

- Water testing laboratory license or certification.

Appraiser

The appraisal must provide the following information:

- Whether the cistern is the typical private water system source for the area.
- The availability or unavailability of public water.
- Note: When public water is available, the Direct Endorsement underwriter must demonstrate that it is not feasible to connect to the public water systems, using HUD and FHA guidelines to make the determination.
- The effect of the cistern system on the marketability and value of the subject property.

Borrower

The borrower must sign a Hold Harmless agreement, acknowledging:

- Cisterns are not an FHA-approved source of potable water.
- Cisterns can cause health risks to occupants who rely on them for drinking water.
- The local authority does, or does not, require periodic cistern inspections.
- The local authority does, or does not, require periodic cistern sanitation.
- Alternative water sources, such as public water systems or aquifer groundwater are, or are not, available, or cannot be feasibly connected.



Wood and Structural Components: Termites

Revised July 2023

Overview

The minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

The appraiser must observe the foundation and perimeter of the buildings for evidence of wood destroying pests. The appraiser’s observation is not required to be at the same level as a qualified pest control specialist. If there is evidence or notification of infestation, including a prior treatment, the appraiser must mark the evidence of infestation box in the “Improvements” section of the appraisal and make the appraisal subject to inspection by a qualified pest control specialist.



Borrower Requirements



Age of the Borrower

Revised March 2023

Overview

All borrowers must be within six months of turning 62 years of age or older at the time the case number is assigned. The underwriting support or processor notifies the underwriter when the borrower turns 62. The underwriter then changes the loan notification to “Approved,” unless the loan is pending other conditions.

Note: The underwriter cannot approve a HECM loan until all borrowers have turned 62 years of age.



Citizenship and Immigration Status

Revised December 2020

Overview

U.S. citizenship is not required for mortgage eligibility. The underwriter determines the residency status of the borrower and co-borrower from information on the loan application and other documents.

Lawful Permanent Resident Aliens

Federal Housing Administration (FHA) insures mortgages for borrowers with lawful permanent resident status under the same terms as for U.S. citizens. The mortgage file **MUST**:

- Contain a copy of the **FRONT AND BACK** of the Permanent Resident Alien card indicating permanent residency.
Note: The loan file must contain a copy of **BOTH** the front and back of the card.
- Indicate that the borrower is a lawful permanent resident alien on the loan application form, Fannie Mae 1009.

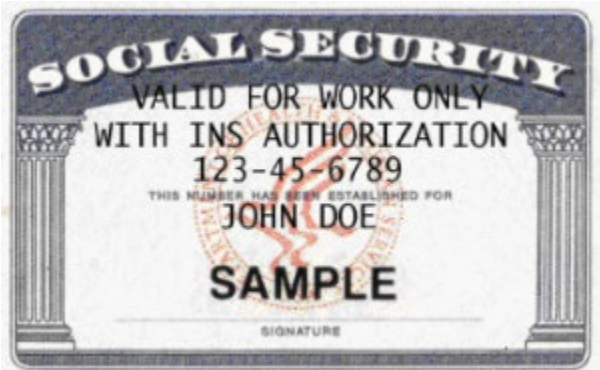
Non-Permanent Resident Aliens

FHA insures mortgages made to non-permanent resident aliens, provided:

- The property is the borrower’s principal residence.
- The borrower has a valid Social Security Number (SSN).
Note: The Social Security card is **NOT** evidence of work status.
- The borrower is eligible to work in the United States and can provide an Employment Authorization Document (EAD) issued by United States Citizenship and Immigration Services (USCIS).

EAD Required as Evidence of Work Status

Social Security cards may indicate work status, such as “NOT VALID FOR WORK PURPOSES.” However, an individual’s work status can change without the Social Security card reflecting the current status. For this reason, we cannot accept Social Security cards as evidence of work status and require the EAD instead. If the EAD expires within one year, and the borrower has a prior history of residency status renewal, lenders can assume that the borrower will be granted a continuation. However, if there are no prior renewals, the underwriter determines the likelihood of renewal, based on information from the USCIS.



Note: Borrowers residing in the U.S. with “Refugee” or “Asylee” status granted by USCIS are automatically eligible to work in this country. An EAD is not required, although the remainder of Non-Permanent Alien requirements still apply.

Non-Lawful Residency

Persons who are not U.S. citizens, and who are in the U.S. without lawful residency, do not qualify for FHA-insured mortgages.



Closing



Closing Costs – Allowable Under FHA Regulations

Revised December 2022

Origination Fee

The U.S. Department of Housing and Urban Development (HUD) and RESPA impose restrictions on fees payable in connection with closing. Under [Mortgagee letter 08-34](#) loan origination fees cannot exceed the GREATER of \$2,500 or two percent of the Maximum Claim Amount (MCA) of the mortgage, up to an MCA of \$200,000. If the MCA exceeds \$200,000 lenders can charge an additional one percent of the amount exceeding \$200,000, to a maximum of \$6,000.

Example:

The maximum claim amount on a loan is \$500,000. Closing costs would be 2% of the first \$200,000 PLUS 1% of the remainder to a maximum of \$6,000.

First \$200,000 @ 2%: $\$200,000 \times 2\% = \$4,000$

Remainder @ 1%: $\$500,000 - \$200,000 = \$300,000 \times 1\% = \$3,000$

$\$4,000 + \$3,000 = \$7,000$

This amount exceeds the maximum origination fee of \$6,000, so the origination fee is \$6,000.

Initial Mortgage Insurance Premium (MIP)

“Initial MIP: At closing, the lender must remit a non-refundable premium equal to two percent (2%) of the maximum claim amount. HUD cannot endorse the mortgage if this premium is not paid.”

All Other Closing Costs

All remaining closing costs charged to the borrower are for third-party services necessary to get the loan approved. Under [HUD Handbook 4235, Chapter 6, Section 6-2](#) specific to HECM loans, the borrower pays the actual fee associated with the service, as long as it is customary, reasonable, and necessary to close the mortgage.

Note: Some of these fees may be subject to state restrictions, depending on the lender and/or loan type.

Allowable Fees

In addition to the following list of fees and charges, the local HUD Office may authorize or reject any other charge, or the amount of any charge, based on what is reasonable and customary in the area:

- **Appraisal Fee and Inspection Fee:** The borrower pays HUD’s established maximum fee, or the actual cost of the service, whichever is LESS.
- **Credit Report:** The borrower pays the actual cost of a merged in-file report containing the information currently available from three consumer credit information repositories.
- **Deposit Verification Charge:** The borrower pays the actual charge imposed by the depository institution.
- **Document Preparation Fee:** The borrower pays a document preparation fee if this service is performed by a third-party who is not controlled by the mortgagee. The mortgagee cannot charge a fee if it performs this service itself. Every document preparation fee charged must be accompanied by an invoice specific to that transaction. This invoice will print with the closing package and must include the borrower’s name, FHA Case number, and the physical address of the property.
- **Property Survey:** The borrower may pay if the lender requires the survey, even if HUD does not require it.
- **Title Examination and Title Insurance Policy:** A title insurance policy equal to the Maximum Claim Amount (MCA) must be received after closing. The borrower pays for this.
- **Attorney’s Fees:** The borrower only pays if the attorney is NOT an employee of the mortgagee or is an attorney who does NOT routinely receive referrals from that mortgagee, AND who issues the title insurance. If the attorney is not an employee, but routinely receives referrals from the mortgagee to close loans and issue title insurance, the borrower only pays a notary fee.
- **Settlement Fees:** The borrower pays only if the closing agent is not an employee of the mortgagee. A fee may be charged to the borrower if the settlement agent is an independent company, or a subsidiary of the mortgagee that routinely closes loans for several different mortgagees.
- **Recording Fees and Taxes:** The borrower pays recording fees on the first and second mortgage that are customary or required in the area, as well as recording taxes on the first mortgage.
- **Note:** The second mortgage is not subject to any state or local recording taxes or stamp taxes because the second mortgage is a mortgage to the Federal government.
- **Tests or Treatments:** The borrower pays for tests or treatments required by HUD, such as tests of water supplies, soil percolation tests for individual septic systems, or testing for or treating insect infestation.



- **Courier Fees:** The borrower pays the courier fee for delivery of a mortgage payoff to a lien holder and for closing documents to and from the settlement agent. If this arrangement takes place, there must be a written agreement with the borrower.

Not Allowable

Lenders CANNOT charge the following:

- Processing fees
- Underwriting fees
- Wire fees
- Closing Protection Letter (CPL) fees
- E-mail fees
- Download fees
- Copy or printing fees
- Storage fees
- Tax service or certificate fees
- Sub-escrow fees

In addition, RESPA prohibits the paying or receipt of any portion of a charge for settlement service other than for services performed. For more information, see <https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1024/14/>.



Notary

Created November 2022

Overview

Notary requirements vary from state to state. Check state notary requirements for loan closing before scheduling the notary and loan closing.

Closing Outside of the Subject Property State Within the Country

If the borrower is closing from a state other than the state the subject property is located in, the closing must comply with the state requirements of the state the subject property is located in.

Closing Outside of the Country

If the borrower is outside of the country for loan closing, they must make arrangements to close at the US Embassy or US Consulate in the country they are in.



Condominiums



Current FHA-Approved Condo Project

Revised May 2023

Overview

If the transaction involves a **current FHA approved project that was completed using the HRAP approval method**, please send the following to CondoApproval@far.com - along with a note in the subject line containing the **last name, loan number** and verbiage **“Current FHA Approved Condominium Project”**. Projects approved using the DELRAP approval method are not allowed.

Example:

Smith – 1234567890 – Current FHA Approved Condominium Project

Information and Documents Needed:

1. Completed pages 1 and 2 of Form HUD-9991 along with a fully executed Authorization Information form completed by the HOA Board and/or management company.
2. Screen print from FHA Connection reflecting the current approved project and accompanying comments page, if available, sent in PDF format.
3. Copy of the case number assignment for the subject transaction, sent in PDF format.
4. Loan number for subject transaction.

DE Underwriter Best Practice:

- Double check that the information submitted by the broker originator is for the subject transaction and corresponding project by crosschecking the project name per the legal description on title and project name on appraisal.
- After everything is received, the condo department will prepare a final Form HUD-9991 Questionnaire and send it back to you within 48 hours.
- Continue moving forward with processing and underwriting the file, but you cannot issue a CTC or schedule a closing until the condo department provides a final prepared Form HUD-9991.

Note:

- Project is required to maintain adequate master or blanket property insurance in an amount equal to 100% of current replacement cost of the entire condominium project exclusive of land, foundation, excavation, and other items normally excluded from coverage.
- Borrower must have a walls-in policy (HO-6) if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage.



FHA Single Unit Approval (SUA)

Revised February 2022

Overview

Single Unit Approval refers to approval of a unit in a condominium project that is not currently a HUD approved project.

General Overview:

Borrowers are required to meet financial analysis underwriting approval in accordance with the requirements under the FHA Single-Unit Approval program. This includes meeting FA requirements with no comp factors or extenuating circumstances on property charges. Obtaining a case number thru the SUA process is not an approval of the project or its eligibility. Finance of America Reverse is responsible for an underwriting decision that is compliant with HUD requirements.

- Project must be established with 5 or more units.
- Project must have a certificate of occupancy that was issued at least one year ago or been occupied.
- Max SUA's in a project is limited to 10% or 2 units for projects consisting of 10 units or less. This is tracked by FHA Connection.
- Project must have least 50% owner occupancy.
- Budget and corresponding financial statements must provide for the ongoing regularly scheduled funding of replacement reserves and deferred maintenance that is at least 10% of the aggregate monthly unit assessment income.
- Project must have separate operating and reserve accounts.
- A current balance sheet is required.
- No more than 15% of the units can be 60 days delinquent.
- Project must meet overall financial stability standards. Financial stability refers to the ability of the Condominium Association to meet the condominium project's needs through positive cash flow and adequately funded reserves without the use of special assessments or loans.
- Fidelity insurance will be required for projects consisting of more than 20 units in an amount no less than 3 months HOA dues plus the balance of the reserve account. The property manager
- must be either covered as additional insured on the HOA's policy or provide evidence of their own coverage.
- Project is required to maintain adequate master or blanket property insurance in an amount equal to 100% of current replacement cost of the entire condominium project exclusive of land, foundation, excavation, and other items normally excluded from coverage.
- Borrower must have a walls-in policy (HO-6) if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage.
- Max single entity is 10% for projects consisting of 20 or more units. A single entity cannot
- own more than 1 unit for projects with less than 20 units.
- Financing is not allowed in Coastal Barrier Resources System.
- Flood insurance is required if flood certificate indicates property is in a flood zone.
- Commercial space cannot exceed 35% of the total square footage.
- Leaseholds are ineligible.
- Litigation regarding safety, structural soundness, habitability, or functional use is not eligible.
- The following are ineligible project characteristics – co-operatives, condotels, projects with mandatory rental pooling agreements, timeshares or segmented ownership, multi-dwelling units, houseboats, manufactured homes, continuing care facilities, project consisting of less than 5 units, projects that have not been complete for at least 1 year, projects with any adverse determination by FHA for significant issues.
- Refer to the Single Unit Approval Document List for an outline of documents needed for project review.

[Single Unit Approval Document List](#)



Site Condominiums

Revised December 2021

Overview

They are not subject to general condominium approval requirements, but they do use the following condominium Automated Data Processing (ADP) codes:

- HECM Condo – Fixed – 967
- HECM Condo – ARM – 968

The following applies to site condominiums:

- They are single family totally detached dwellings with NO shared garages or any other attached buildings.

OR,

- They are projects that:
- Consist of single family detached or horizontally attached (townhouse) dwellings where the unit consists of the dwelling and land,
- Do not contain any manufactured housing units, and
- Are encumbered by a declaration of condominium covenants or a condominium form or ownership

Also,

- The appraiser must report the appraisal on Fannie Mae Form 1073/Freddie Mac Form 465 Individual Condominium Unit Appraisal Report.
- Insurance and maintenance costs are the sole responsibility of the unit owner excluding landscape.

[Site Condominiums Process](#)



Unapproved Condominium (HRAP Process) Required Documentation

Created February 2022

Overview

The items listed below are needed to prepare a project to be submitted to HUD under the full review HRAP program. This is to be used for projects that have not been FHA approved or the FHA approval has expired. This is not for the single unit approval process. Please set expectations with your customer and business partners that HUD maintains a 30-day SLA on project reviews. HUD may require additional information other than listed here.

Required Documentation

Fully completed Form HUD-9992 Questionnaire & Finance of America Reverse Authorization Information Forms

- Governing documents and all amendments including:
 - Recorded Covenants, Conditions, and Restrictions (CC&Rs)/Declaration/Master Deed
 - Signed and adopted Bylaws; if State law does not require signed Bylaws, provide copy of applicable state statute
 - Articles of Incorporation, Articles of Association or Condominium Trust filed with the state; if state law does not require incorporation, provide copy of applicable state statute
 - Recorded condominium site plan(s) identifying all units in project and plat map with legal description
- Financial Documents:
 - Current Annual Approved Budget
 - Actual Income & Expense Statement for the previous full budget year
 - Current YTD Income & Expense Statement dated within 90 days of project submission
 - Current Balance Sheet dated within 90 days of project submission with reserve balance clearly outlined
- Executed Management Agreement or Letter of Explanation that project is self-managed.
In lieu of an executed agreement, an executed (signed/dated) document defining the terms and services provided by the management company on behalf of the homeowner's association may be provided.
- **FEMA Flood Map** (must be official FEMA Flood Map from FEMA.com; must identify location of project on FEMA Flood Map; flood certification is acceptable to augment the FEMA Flood Map but cannot replace it). If applicable, the Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR), or elevation certificate. Properties located in Coastal Barrier Resources System locations are not eligible for project approval.
- Declaration pages for Hazard, Liability, and Fidelity Coverage, in addition to Certificates of Insurance.
- **Note:** Fidelity coverage is required for all condominium projects with more than 20 Units, for all officers, directors, and employees of the Condominium Association and all other persons handling or responsible for funds administered by the Condominium Association, including the property manager, if one is utilized.
- Litigation, if applicable
- **Note:** Litigation refers to a current or pending lawsuit or proceedings in a court, arbitration, or mediation involving the condominium project or association, or those concluded within 12 months of the application date. Litigation does not include foreclosure or actions to collect past due assessments brought by the condominium association or condominium project as plaintiff.
- Provide a signed and dated explanation from the association, management company, or an attorney representing the association that includes at least the following information:
 - reason(s) for the litigation.
 - risk of the litigation; anticipated settlement/judgment date, if any.
 - sufficiency of insurance coverage to pay out a settlement/judgment, if applicable; and
 - impact of the litigation on the future solvency of the condominium association; and
 - complaint(s) filed with the court, arbitrator, or mediator.



Credit



Credit

Revised August 2023

Overview

- [Additional Addresses](#)
- [Agency Reports Borrower as Deceased](#)
- [Bankruptcy](#)
- [Federal Tax Liens](#)
- [Federal Judgments and Debts](#)
- [Foreclosure](#)
- [Identity](#)
- [Judgments](#)
- [Short Sales and Deed in Lieu](#)
- [Student Loans](#)
- [Office of Foreign Assets Control \(OFAC\)](#)
- [Outstanding Mortgages](#)
- [State and Local Court Judgments and Judgment Liens](#)
- [Tru-Alert](#)

An in-file credit report is required on all loans. The credit report must be run with three repositories, a public records check, and a scan of the Office of Foreign Assets Control (OFAC) records. The credit report CANNOT be more than 90 days old when submitted to Underwriting.

The Underwriter reviews credit to ensure that the borrower’s reported address, date of birth, Social Security Number (SSN), and federal debts are correct. The Underwriter also reviews credit for reported federal debt, bankruptcy, or other delinquent debt to ensure that all U.S. Department of Housing and Urban Development (HUD) requirements are met.

Note: We do NOT use credit scores to make a credit decision regarding loan approval.

The credit report must include all credit and legal information not considered obsolete under the Fair Credit Reporting Act (FCRA) including information from the last seven years which consumer reporting agencies have reported as verified and currently accurate for the following:

- Bankruptcies
- Judgments
- Lawsuits
- Foreclosures
- Tax Liens

Bankruptcy

See [HECM Bankruptcy](#).

Consumer Credit Counseling

Obtain a copy of the contract where the borrower entered a credit counseling program. The contract must include a list of creditors for the Underwriter to verify the list of accounts on the credit report that are included in the credit counseling program. If the borrower is still in the credit counseling program, the monthly payment amount will be included in the borrower’s expenses. Payment history not required.

Foreclosure

Active Foreclosure on Subject Property

If the credit report indicates a loan against the property in active foreclosure, we proceed with the loan, provided it meets the other loan requirements. These include:

- Proof of foreclosure, and the dates associated with the foreclosure
- A letter from the attorney handling the foreclosure confirming that the payoff is not a short pay.
- Note: Short pays are not permitted when the borrower is in foreclosure on a current government loan. This refers to a situation where the total indebtedness, including costs of sale, may be larger than the likely selling price of the property.
- Confirmation that the borrower is still living on the property.
- Confirmation that the borrower is still the legal, vested owner of the property.



- Confirmation that the sheriff's sale has not taken place, OR that the borrower is still within the redemption period AND vested in title.

Note: The redemption period is granted to homeowners by state law and gives them additional time to live in the property, without the danger of being evicted. The bank cannot continue with the foreclosure process during this period. The exact terms and length of time of the redemption period is determined by the state foreclosure laws, and not all states have a redemption period. Some states give the homeowner a lengthy period in which to save the home, and other states have redemption periods of only a few days. Certain foreclosure laws place the redemption period before the sheriff sale, while most others place it after the sale but before the eviction.

We will RUSH underwrite a file in foreclosure. Right of rescission can be waived **ONLY** if the borrower would otherwise lose the house to foreclosure during the reverse mortgage's three-day rescission period. We will require a letter from the borrower to waive the rescission period.

Active or Prior Foreclosure on Additional Properties

FHA Loans

A borrower can only have one federally insured loan at any time. Borrowers with another FHA loan, current or delinquent, must pay off that loan prior to, or at the HECM closing.

A borrower with a foreclosure on an FHA loan is ineligible for 3 years from the final foreclosure date.

Conventional Loans

Non-Purchase HECM borrowers with active or prior foreclosure proceedings on a conventional loan for another property are still eligible for the reverse mortgage.

Short Sales and Deed in Lieu

Borrowers are still eligible for a HECM if they own other conventionally financed property that was previously subject to short sale or deed in lieu. However, short sales or deed in lieu of properties with federally insured financing make the borrower ineligible for three years from the date of sale or transfer.

Federal Tax Liens

All federal tax liens associated with the borrower, co-borrower, or in many instances the non-borrowing spouse AND those secured by the subject property, must be paid off at closing. The underwriter must receive a copy of Letter 3640, which only the taxpayer can request. This letter includes all outstanding debt from the International Revenue Service (IRS) – not just the payoff of the tax lien. Letter 3641 is for third parties requesting payoffs and only includes the debt that has already become a lien. The complete statement, Letter 3640, is needed if the debt will be paid off. If the federal tax lien cannot be satisfied at loan closing, the IRS must provide a subordination agreement and proof of an acceptable payment plan.

See Subordinated Loans for more information. If the IRS will not provide an acceptable subordination agreement, the federal tax lien must be paid in full at closing. Commitments to subordinate a lien after closing are not acceptable.

Federal Judgments and Debts

Current Federal Housing Administration (FHA) policy requires that either the federal judgment or debt be paid in full, or that the HECM borrower arrange for a satisfactory repayment plan with the federal agency. In addition, we must review a prospective HECM borrower's credit report for any claims, defaults, or debts to the federal government, and any existing debts against the real estate that will serve as the collateral for the FHA-insured loan. The underwriter must receive a copy of Letter 3640B, which only the taxpayer can request. This letter includes all outstanding IRS debt – not just the payoff of the tax lien. The complete statement, Letter 3640, is needed if the debt will be paid off. If the debt will not be paid off, proof of the payment plan for the debt which has not yet become a lien is required. Any delinquent federal debts or liens against the real estate must be removed or subordinated to the first and second HECM liens.

Student Loans

All delinquent government-issued student loans must be paid off. If the borrower has a defaulted student loan, verify that the Credit Alert Verification Reporting System (CAIVRS) report does not reflect a claim, and require that the borrower pay off the loan at closing.

Outstanding Mortgages

There can be no outstanding mortgages on property used as collateral for the reverse mortgage. If there is a mortgage on another property, you must obtain proof or documentation concerning this mortgage. This can be a copy of the deed, mortgage coupon book, letter from the mortgage company, and so forth. Any mortgages shown on credit that are unrelated to the subject property require the borrower's explanation as to their status and use.



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 because some counties may fall behind in their recording.

Additional Addresses

The underwriter must review any additional addresses reporting as current or recent primary residences for any borrower. Any addresses shown on credit other than the subject property address must be explained in writing by the borrower in accordance with [occupancy requirements](#).

Judgements

Section 2.20 of the Financial Assessment and Property Charge Guide requires judgment liens to be:

- On a payment plan,
- Paid in full prior to closing,

Or,

- Paid in full at closing.

The FHA confirms that prior guidance regarding Mandatory Obligation still applies. HECM proceeds CANNOT pay for judgments that are NOT a lien on title. Therefore, judgments will be treated as follows:

- Judgment Liens on Title: These must be paid in full at closing or subordinated to the HECM lien position. If subordinated, include the payment in the borrower's expense analysis.
- Judgment Liens not on Title: These must be paid in full prior to closing as a non-mandatory obligation, and the funds used to pay off the debt must be sourced, or they must be on a payment plan.
- **Note:** If these are on a payment plan, include the payment in the borrower's expense analysis.

Identity

Credit reports may indicate conditions that need additional and immediate attention. These conditions may include name differences and erroneous Social Security numbers, and so forth. Request additional verification or a name affidavit, and then compare the identify information on the credit report to the information on the Customer ID Certificate.

If the report was ordered with the incorrect Social Security number, order a new credit report with the correct one.

Agency Reports Borrower as Deceased

If any reporting agency indicates that the borrower is deceased, contact that credit bureau prior to closing. Credit bureaus typically require the borrower to provide a notarized letter of explanation reporting the error, along with a copy of his or her driver's license and Social Security card. FAR must receive a corrected credit report with no agencies reporting the borrower as deceased.

Tru-Alert

Credit reports also indicate identity theft and other fraud. This is called Tru-Alert. Check the credit report for any possible fraud. Fraud alerts that result in a credit freeze must be lifted, and a new credit report must be ordered reporting trade lines from all credit bureaus. The borrower must also provide a letter expressing intent to apply for, and proceed with, the reverse mortgage.

Office of Foreign Assets Control (OFAC)

If a credit report indicates a positive hit for OFAC, escalate the loan to the underwriting manager, who will check the OFAC website, and escalate to Compliance if there is an exact match.



Credit Report Analysis

Revised July 2022

- [Borrower Credit – Derogatory](#)
- [Borrower Credit – Satisfactory](#)
- [CAIVRS](#)
- [Collections and Charge-offs](#)
- [Co-signed and Joint Accounts](#)
- [Credit Report Requirements](#)
- [Credit Review](#)
- [Credit Willingness](#)
- [Disputed Derogatory Accounts](#)
- [Federal Non-Tax Debt](#)
- [Federal Tax Debt](#)
- [HECM Purchase – Bankruptcy](#)
- [HECM Purchase – Non-Traditional Credit Report](#)
- [Judgments](#)
- [Residential Mortgage Credit Report \(RMCR\)](#)

Credit Reports

There are two traditional credit reports:

- Tri-merged Credit Report (TRMCR): The minimum report that HUD requires. It contains information from three credit repositories:
 - TransUnion
 - Experian
 - Equifax
- Residential Mortgage Credit Report (RMCR): Required when the borrower disputes the ownership of accounts, or when:
 - Collections, judgments, liens, etc. are paid
 - Debts show different balances
 - Current statements to support the claim are unavailable
 - The underwriter determines that the RMCR is preferable to the TRMCR

Note: See your Quick Reference Guide, Sections 104.02 and 104.04

The processor must obtain a tri-merge or residential mortgage credit report for each borrower. We require that the credit report contain full data from at least TWO repositories. The credit report CANNOT be more than 90 days old when submitted to Underwriting.

Note: We only require credit for non-borrowing spouses and other non-borrowers if their income is being used as a compensating factor, or to reduce family size.

Credit Report Requirements

A credit report must:

- Contain information pertaining to credit, residence history, and public records information from at least two credit repositories.
- Be in an easy-to-read and understandable format, and not require code translations.
- Not contain alterations, whiteouts or erasures.
- Include:
 - The name of the lender
 - The name, address, and phone number of the consumer reporting agency.
 - The name and Social Security number of each borrower.
 - The primary repository from which any particular information was pulled for each item listed.
- Contain all inquiries made within 90 days.
- Contain all credit and legal info, including:
 - Bankruptcies
 - Judgments
 - Lawsuits
 - Foreclosures
 - Tax liens
- For each borrower debt listed:
 - Date the account was opened



- High credit amount
- Requirement monthly payment
- Unpaid balance
- Payment history

Whenever there are inconsistencies between any information in the file and the original credit report, we require an updated credit report or supplement.

If there is any open debt listed on the application or in the file, but not in the credit report, supply verification:

- Use a published address or phone number for the credit provider, and do not rely solely on information from the borrower.
- Obtain canceled checks for the most recent 12 months, or equivalent proof of payment, demonstrating the timing of payments to the creditor.
- For rental payment history, obtain a rental credit reference from the appropriate rental management company.
- **Note:** If the borrower is renting from family, obtain canceled checks for the most recent 12 months, or equivalent proof of payment, demonstrating the timing of rent payments.

Residential Mortgage Credit Report (RMCR)

If a Residential Mortgage Credit Report (RMCR) is necessary, it must:

- Provide a detailed account of the borrower's employment history.
- Verify each borrower's current employment and income through an interview with the borrower's employer or explain why such an interview was not completed.
- Contain a statement attesting to the certification of employment for each borrower, and the date the information was verified.
- Report a credit history for each trade line, within 90 days of the credit report, for each account with a balance.
- **Note:** If a tri-merge credit is ordered first, followed by a RMCR, you can only charge the borrower for the RMCR.

Credit Willingness

The lender must analyze the borrower's credit and property charge payment history to determine if the borrower has demonstrated the willingness to meet his or her financial obligations on time.

Lenders must pay particular attention to situations where serious derogatory credit such as foreclosures, defaults, late mortgage payments and late property charge payments are on the borrower's record. Without documented extenuating circumstances, we view serious derogatory credit as especially significant in that it calls into question borrower's ability to manage his or her financial obligations.

Underwriter Credit Review

The underwriter examines the borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the borrower's ability to manage their financial obligations.

The underwriter evaluates the borrower's payment histories in the following order:

- Current or previous mortgage debt
- Installment debts
- Revolving accounts

Then the underwriter determines the borrower's housing payment through:

- The credit report,
- Verification of rent from the landlord, assuming there is no identity of interest,
- Verification of Mortgage from the lender or servicer,

Or,

- A review of canceled checks that cover the most recent 12 months.

Note: FAR does not allow a traditional VOM on a private party. Cancelled checks, bank statements, or equivalent payment history from the borrower to the lender is required.

We review a history of mortgage payments for at least the previous 12 months. If the borrower is living rent free, this must be documented.

To determine late payments on modified mortgages, use the payment history according to the modification agreement, and for the time period of the modification.

Borrower Credit - Satisfactory

The borrower has satisfactory credit if he or she:

- Made all housing and installment payments on time for the past 12 months,
- Had no more than two 30-day late payments in the past 24 months,



And,

- Has no major derogatory credit on revolving accounts during the past 12 months.

Note: Major derogatory credit includes any payment that is more than 90 days late, or more than two payments more than 60 days late.

IMPORTANT: Example 1:

- This borrower has two 30-day late payments on non-mortgage debt.
- There are no public records, collections, charge offs or bankruptcy.
- He or she does not have any mortgage late payments, or any 60 to 90-day late payments on revolving or installment debt. Therefore, we do not consider this summary to contain derogatory credit.

Credit Summary											
Account Type	Number of Accounts	Open Accounts	Accounts Currently Past Due	Past Due	Payment	Balance	Accounts	Revolving Late Payments			30 Days
								30 Days	60 Days	90 Days	
Mortgage	1	0	0	\$0	\$0	\$0	0	0	0	0	0
Installment	2	2	0	\$0	\$992	\$14,897	0	0	0	0	0
Revolving/Credit Line	12	9	0	\$0	\$944	\$27,891	1	2	0	0	0
Totals	15	11	0	\$0	\$1,936	\$42,888	1	2	0	0	0
Available Credit:											\$18,908
Revolving/Credit Line Used:											84%
Number of Public Records:											0
Number of Collections/Charge-offs:											0
Bankruptcy:											No
Number of Authorized User Accounts:											0

IMPORTANT: Example 2:

- This borrower has two 30-day late payments on non-mortgage debt.
- He or she does not have any 60 or 90 day late payments, so we do not consider this trade line to be derogatory credit.
- So far, this borrower passes the Credit Test.

File Summary											
Account Type	Number of Accounts	Open Accounts	Accounts Currently Past Due	Past Due	Payment	Balance	Accounts	Revolving Late Payments			30 Days
								30 Days	60 Days	90 Days	
Mortgage	1	0	0	\$0	\$0	\$0	0	0	0	0	0
Installment	14	12	12	\$35,167	\$0	\$35,167	1	1	1	0	0
Revolving/Credit Line	17	9	0	\$0	\$52,119	\$0	0	0	0	0	0
Totals	32	20	12	\$35,167	\$52,119	\$35,167	1	1	1	0	0
Available Credit:											\$12,542
Revolving/Credit Line Used:											81%
Number of Public Records:											0
Number of Collections/Charge-offs:											0
Bankruptcy:											No
Number of Authorized User Accounts:											1

Borrower Credit - Derogatory

Indications of derogatory credit history represent a higher level of default risk. The underwriter considers the cause of derogatory credit, and how much time has passed since the date of the last derogatory information. FAR tries to determine if:

- The borrower has a disregard for financial obligations
- The borrower has an inability to manage debt; or
- Extenuating circumstances

Any explanation or documentation of delinquent accounts must be consistent with other information in the file.

Derogatory Credit can also include the following, and requires specific actions according to the HECM Financial Assessment and Property Charge Guide:

- Bankruptcies
- Collection Accounts
- Charge Off Accounts
- Disputed Derogatory Credit Accounts
- Judgments
- Delinquent Federal Non-Tax Debt
- Delinquent FHA-Insured Mortgages
- Delinquent Federal Tax Debt

Note: See [ML 2014-22, Attachment 2](#)

IMPORTANT: Example 1

File Summary											
Account Type	Number of Accounts	Open Accounts	Accounts Currently Past Due	Past Due	Payment	Balance	Accounts	Revolving Late Payments			30 Days
								30 Days	60 Days	90 Days	
Charge Off	0	0	0	\$0	\$0	\$0	0	0	0	0	0
Installment	14	12	12	\$35,167	\$0	\$35,167	1	1	1	0	0
Revolving/Credit Line	17	9	0	\$0	\$52,119	\$0	0	0	0	0	0
Totals	32	20	12	\$35,167	\$52,119	\$35,167	1	1	1	0	0
Available Credit:											\$12,542
Revolving/Credit Line Used:											81%
Number of Public Records:											0
Number of Collections/Charge-offs:											0
Bankruptcy:											No
Number of Authorized User Accounts:											1

This borrower has a number of 30 to 90-day late payments on both mortgage and non-mortgage debt. Review the individual trade lines to determine how long ago these late payments occurred.

[illegible]

The borrower's revolving debt is currently \$29,406 past due. All debts reflect similar payment histories. He or she has many 90+ day late payments. The code "5" for all repositories means 120 to 150+ days late for 25 months beginning 09/2013 and going backward from that date.

This borrower is likely to fail the Credit Test.

Collections and Charge-offs

Review collections and charge-offs to determine if they were a result of:

- The borrower's disregard for financial obligations,
- The borrower's inability to manage debt,

Or,

- Extenuating circumstances.

The underwriter documents reasons for approving the borrower when he or she has any of these accounts. The borrower must also provide a letter of explanation, supported by documentation, for each outstanding account. This must be consistent with other information in the file.

Co-signed and Joint Accounts

Co-signed and joint accounts are accounts held by more than one person with each person having access to, and a responsibility for the account.

Payments on these types of accounts can be excluded from the residual income calculations if ALL the below are met:

- The account is current.
- The 12-month payment history is satisfactory.
- There are 12 months of canceled checks that document the other party has made the payments.

Disputed Derogatory Accounts

“Disputed derogatory credit” is a disputed charge-off or collection account, or a disputed account with late payments within the last 24 months.

This does NOT include:

- Disputed medical accounts.
- Disputed accounts resulting from identity theft, credit theft, or other unauthorized credit usage, provided there is documentation, such as a police report or a letter from the creditor.

The borrower must provide a letter of explanation and documentation supporting the basis of the dispute. The underwriter analyzes the documentation for consistency with other credit information and determines if the account should be considered in the Financial Assessment.

Judgments

“Judgment” is a debt or other liability from a court or other adjudicating body. It must be paid off or otherwise satisfied prior to, or at, loan closing. TransUnion, Experian, and Equifax do not include judgments and liens on credit reports as of July 1, 2017. FAR pulls a judgment and lien report on all loans at submission. The underwriter reviews it to determine if they were a result of:

- The borrower's disregard for financial obligations,
- The borrower's inability to manage debt,

Or,

- Extenuating circumstances.

Judgments can be satisfied if the borrower enters into a valid payment agreement, as long as it does not supersede the mortgage liens. The borrower must have made timely payments for at least three months, with no pre-payments. Include these payments in the expense obligations.

The insuring file must contain one of the following:



- Evidence the judgment is paid in full,
 - A payoff statement, if the judgment will be paid at closing,
- Or,
- A copy of the payment agreement showing the borrower made payments for three months and a subordination agreement if the lien is attached to the Title.

Federal Non-Tax Debt

Borrowers with delinquent federal non-tax debt are ineligible until the debt has been paid or resolved. Borrowers with delinquent FHA debt on the primary residence can proceed if the debt is being paid at closing. However, delinquent FHA debt on other residences makes them ineligible until the debt is paid or resolved.

The lender must contact the creditor agency to verify the validity of the delinquency status. If the delinquency status is valid, the borrower is ineligible until the debt is resolved. The lender cannot find the borrower ineligible based solely on unverified CAIVRS information.

Federal Tax Debt

Borrowers with delinquent federal tax debt are ineligible until the debt has been paid or resolved.

Tax liens can remain unpaid if the borrower has a valid repayment agreement and has made three timely payments with no pre-payments. Include the payment amount in the expense calculations.

The underwriter verifies that the borrower is either not delinquent on federal tax debt or provided the above documentation. The underwriter also verifies there is no lien attached to the property.

CAIVRS

Borrowers with a prior CAIVRS claim paid within the last three years are ineligible and cannot go through a waiver process.

HECM Purchases – Non-Traditional Mortgage Credit Report (NTMCR)

If a traditional credit report is available, we must use that report. However, if a traditional credit report is not available, AND the borrower is applying for a HECM for Purchase, that borrower must establish “non-traditional” credit.

If the credit report generates a credit score, the borrower has traditional credit. In this case, use the credit report.

However, if borrowers have no credit score, the processor must either obtain a Non-Traditional Mortgage Credit Report (NTMCR) from a credit reporting company, or independently develop the mortgagor’s credit history using the requirements in [4155.1](#).

A Non-Traditional Mortgage Credit Report (NTMCR) accesses the credit history of borrowers who do not have the types of trade references that appear on traditional credit. We use it as either a substitute for a Tri-merged Credit Report (TRMCR) or a Residential Mortgage Credit Report (RMCR), or as a supplement to a traditional credit report that contains an insufficient number of items.

Borrowers Eligible for NTRMCR

We can use a NTRMCR developed by a credit agency if the credit agency verifies:

- The existence of the credit providers,
 - The credit was actually extended to the borrower,
- And,
- The creditor has a published address or telephone number.

NTRMCR Guidelines

The NTMCR must not include subjective statements like “satisfactory” or “acceptable.” It must be formatted similarly to traditional credit, and provide:

- Creditor’s name
- Date of opening
- High credit
- Current status of account
- Required monthly payment
- Unpaid balance, and



- Payment history in the delinquency categories (i.e., 0x30 or 0X60)

The lender can independently verify the borrower’s credit references by documenting the existence of the credit provider, and that credit was extended.

NTMCR Verification

The processor must use a published address or phone number to verify credit information, rather than the information the borrower provides.

We require cancelled checks for the most recent 12 months, or equivalent proof of payment, demonstrating the timing of payments to the credit provider.

To verify the borrower’s rental payment history, the processor must obtain rental reference from the rental management company demonstrating the timing of payment for the most recent 12 months, or 12 months of cancelled checks or equivalent proof of payment.

Credit History

The credit history for a HECM purchase must include three credit references, including at least one of the following:

- Rental housing payments
- Telephone service
- Utility company including gas, electricity, water, television, or internet.

If you cannot obtain three items from the above list, use the following sources of unreported recurring debt:

<ul style="list-style-type: none">• Insurance premiums (not payroll deducted)• School tuition• Retail store credit cards• Rent-to-own• Automobile lease	<ul style="list-style-type: none">• Personal loan from an individual with repayment terms in writing• Payment to childcare providers• Payment of medical bills not covered by insurance• Documented 12-month history of savings
---	--

HECM Purchase – Bankruptcy

Chapter 7 Bankruptcy

- Chapter 7 bankruptcy (liquidation) does not disqualify borrowers applying for a HECM for Purchase, provided two years have passed. The borrower must have reestablished good credit, OR chosen not to incur new credit obligations:
- Within the past 24 months the borrower reestablished good credit and did not incur new debt.
- Within the past 12 to 24 months the borrower reestablished good credit did not incur new debt, and there are extenuating circumstances.
- Note: If it has been less than 12 months from bankruptcy discharge, the borrower is ineligible.
- If less than two years have passed, the borrower must show that the bankruptcy was the result of extenuating circumstances and document his or her ability to manage financial affairs.

Chapter 13 Bankruptcy Requirements

Chapter 13 bankruptcy does not disqualify borrowers applying for a HECM for Purchase, provided:

- The one year payout period has elapsed.
- Payment performance is satisfactory and on time.
- The file contains written permission from bankruptcy court to enter into a HECM for Purchase transaction.



HECM Bankruptcy

Revised November 2021

Overview

If the borrower's credit report indicates an active or recently closed bankruptcy, refer to the following bankruptcy guidelines.

Chapter 7 Bankruptcies

Chapter 7 bankruptcies must be dismissed or discharged prior to closing:

- If the credit report says the bankruptcy was dismissed or discharged over one year ago, no additional documentation is required.
- If the bankruptcy was dismissed less than one year ago, or if the credit report does not show anything, the borrower must provide a court order signed by the judge as proof of the discharge or dismissal along with the discharge schedule. Obtain this documentation from the [PACER system](#).

If a Federal Housing Administration (FHA) insured loan was included in the Bankruptcy, the borrower is ineligible for another FHA insured loan for three years from the date of the discharge.

Chapter 13 Bankruptcies

Recorded liens against the property may be paid as mandatory obligations with HECM proceeds. Any other debts within the bankruptcy may be paid from the cash to borrower as a non-mandatory obligation.

IMPORTANT: Regardless of paying off Chapter 13 with borrower proceeds, the payment must be included in residual income calculations due to HUD not allowing borrowers to pay off debt to qualify for a HECM loan.

With a Chapter 13 bankruptcy:

The borrower continues with the bankruptcy and the reverse mortgage with court approval:

- The borrower must pay off any liens against the property and any federal debt.
- The court must provide written permission signed by the judge indicating that the borrower does not need to pay off the bankruptcy to proceed with the reverse mortgage. This permission must specify that the mortgage may be an adjustable-rate mortgage, if applicable.

Note: Request that the court not specify a rate. Approval should stipulate "current market rate," or the current rate plus a stated percentage. If the court allows a lower rate than the current rate at closing, we cannot close on the loan.

Chapter 11 Bankruptcies

Chapter 11 bankruptcy is most prominently used by businesses, whether a corporation or sole proprietorship.

Borrowers who have filed Chapter 11 bankruptcy must:

- Pay off any liens against the property and any federal debt.
- Receive court approval signed by the judge indicating that the borrower does not need to pay off the bankruptcy to proceed with the reverse mortgage. This permission must specify that the mortgage may be an adjustable-rate mortgage, if applicable.

Note: Request that the court not specify a rate. Approval should stipulate "current market rate," or the current rate plus a stated percentage. If the court allows a lower rate than the current rate at closing, we cannot close on the loan.

HECM Purchase – Bankruptcy

Chapter 7 Bankruptcy

A Chapter 7 liquidation does not disqualify a borrower for a Home Equity Conversion Mortgage (HECM) purchase if, at the time of case number assignment, at least two years elapsed since the date of bankruptcy discharge. During this time, the borrower must have:

- Reestablished good credit
- Not incurred new credit obligations

If a period of less than two years, but not less than 12 months has elapsed, the borrower might be eligible if he or she:

- Can show that the bankruptcy occurred due to extenuating circumstances beyond the borrower's control.
- Has exhibited a documented ability to manage financial affairs responsibly since the bankruptcy discharge.

The lender obtains additional documentation if the credit report does not verify the discharge date, or if additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy. The lender also documents that the borrower's current situation indicates that the events leading to the bankruptcy are not likely to recur.



Chapter 13 Bankruptcy Requirements

A Chapter 13 bankruptcy does not disqualify a borrower from consideration for a HECM purchase if the case number assignment occurs after at least 12 months of the bankruptcy pay-out period has elapsed.

The lender determines that, during this time, the borrower's payment performance has been satisfactory, and that all required payments were timely. The borrower must also provide written permission from the bankruptcy court to enter the mortgage transaction.

The lender includes the payment amount in the court-approved payment plan as an expense during the income calculation.

The lender obtains additional documentation if the credit report does not verify the discharge date, or if additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy. The lender also documents that the borrower's current situation indicates that the events leading to the bankruptcy are not likely to recur.

When a transaction is structured with a non-borrowing spouse (NBS) and the property is in a community property state, the same requirements apply to the NBS as stated above.



Counseling



Counseling

Revised October 2023

Requirements for FHA HECM Housing Counseling

A borrower applying for a Home Equity Conversion Mortgage (HECM) must receive counseling and a counseling certificate from a HUD-approved housing counseling agency before he or she can qualify for the mortgage. Non-borrowing spouses must also receive counseling.

The counseling agency should provide counseling to all interested persons. It is not necessary to contact a lender to receive counseling. The counselor must discuss the following matters with the potential borrower:

- The financial implications of obtaining a HECM.
- A disclosure that a home equity conversion mortgage may have consequences for the borrower's taxes, estate, and eligibility under federal and state programs.
- Other home equity conversion options that are, or may become available to the homeowner, such as sale-leaseback financing, deferred payment loans, and property tax deferrals.
- Options other than the HECM that are available to the borrower, such as other housing, social service, health and financial options.
- That the decision to apply for a reverse mortgage is the borrowers, while the decision regarding the borrower's eligibility is the lenders and HUD's.
- Other information that HUD may require.

Timing of Counseling

HECM counseling **MUST** always be completed, and the certificate executed, before ordering an FHA case number assignment. Counseling **MUST** be performed, and the certificate always **MUST** be signed by the borrowers and the counselor before the borrower can incur any fees or be charged for any services. Lenders must refund any fees incurred or charged to the borrower before the signing of the counseling certificate.

Steering

Per HUD guidelines, originators cannot steer or direct a client to any specific counseling agency, whether it appears on the counseling agency list or not, using any method of communication. Originators are also prohibited from contacting the counseling agent before, during or after the counseling session has been performed. Borrowers who have already counseled prior to contacting the originator or lender do not have to be provided a counseling list.

HUD considers it to be "steering" when we tell a borrower any specifics about a certain agent that could influence that borrower's counseling selection. This includes:

- Verbal or written direction informing a borrower of any of:
- Which agency allows certain payment types, such as payment at closing versus upfront payment
- Which agency provides the fastest turnaround times or weekend scheduling
- Which agency provides counseling in a specific language
- Providing "additional lists" that offer additional agents to choose from, and which do not comply with the HUD counseling list requirement.
- Starring, circling or otherwise emphasizing any particular agent on the counseling list.
- Including a certain agent's brochure or other material with the counseling list.

Avoid these things at all costs in order to properly allow the borrowers to select a counseling agency on their own, without influencing their decision.

Application Process

Each time we have a potential client who is ready for counseling, the loan officer provides the client with a list of 12 counseling agencies and the required pre-counseling brochures. The loan officer then instructs the client to call any of the agencies.

Note: Loan officers **CANNOT** steer or direct a client to any specific counseling agency, whether it appears on the list or not, using any method of communication. Loan officers are also prohibited from discussing the client's personal information, including the timing and scheduling of the counseling session. They cannot request information about what the client and the counselor discuss in the session.

After the client receives counseling, the counseling agency sends the borrower the counseling certificate. The borrower then provides the counseling certificate to the loan officer if he or she wishes to proceed with the loan. The processor logs the counseling referral list into the FHA Connection HECM Referral screen within 24 hours of case number assignment.



If the case number is ordered before counseling, or the application is dated after the case number assignment the case number must be cancelled and a new case number must be ordered.

Document Requirements

[HUD Handbook 7610.1](#) requires that the borrower receive the following documents at least 24 to 48 hours before counseling:

- Loan Comparison
- Total Annual Loan Cost (TALC)
- Amortization Schedule
- “Use Your Home to Stay at Home” booklet
- “How to Prepare Yourself for a Counseling Session” booklet

The counselor is ultimately responsible for providing these documents to the borrower. However, we recommend that you give them to the borrower before scheduling counseling to prevent any confusion with the other loan documents they will receive at that time.

List of HUD-Approved Counselors

The LOS prints the list of HUD-approved counselors. This list comes directly from the last published list on the FHA website.

The only way to change counselor contact information or remove that counselor from the list is to notify FHA at answers@hud.gov to update the website.

State-Specific

States Where Borrowers CANNOT Waive Counseling on HECM-to-HECM

State laws prevent borrowers from waiving counseling in the following states, even when those borrowers meet FHA requirements to waive counseling on HECM-to-HECM refinances:

- California
- Massachusetts
- Minnesota
- New York
- North Carolina
- Tennessee
- Texas
- Vermont

Counseling Prior to Application

A handful of states do not allow taking an “application” or a “final and complete application” until after counseling. For counseling purposes, FAR does not consider an application to be “complete” until it is ready for submission to the underwriting department, and includes credit, appraisal, title report, etc. **in addition to the Initial Form 1009** prior to counseling. See also [State-Specific Counseling Requirements Job Aid](#).

For counseling purposes:

- “Taking” an application means gathering the information necessary to provide the borrower the 1009 for review.
- “Accepting” an application means the borrower has reviewed the 1009 for completion, signed it, and provided ID verification so that the application package can be returned and submitted to FAR for acceptance.
- “Final and Complete Application” means it is ready for submission to underwriting.

The following states require that the borrower obtain counseling before loan application can be generated:

- California: Prior to counseling and prior to taking the initial application, FAR must provide the borrower with the Reverse Worksheet/Checklist and the CA Important Notice to Reverse Mortgage Loan Applicant disclosure unless the borrower met with the counseling agency prior to having contact with FAR. There must be evidence in the loan file that the borrower received these documents prior to counseling.
- Tennessee: The initial application can be generated and sent to the borrower prior to counseling. FAR cannot accept an application prior to counseling.
- Minnesota: The initial application can be generated and sent to the borrower prior to counseling. FAR cannot accept the final and complete application prior to counseling.
- Utah: The application can be taken and signed prior to counseling. The case number cannot be ordered until the borrower has been counseled.
- Vermont: The initial application can be generated and sent to the borrower prior to counseling. FAR cannot accept an application prior to counseling.



California

Documentation

California borrowers are required to receive the following documents prior to counseling:

List of HUD Approved Counselors

- Reverse Mortgage Worksheet Guide: Is a Reverse Mortgage Right for Me?
- Important Notice to Reverse Mortgage Loan Applicant

In addition, the file must contain proof that the borrower received these documents prior to counseling, such as:

- A signature date on the above forms that is prior to counseling
- A signed mail receipt
- A copy of the cover letter generated with the proposal package (which includes the required CA disclosures) or pulled from document history. This letter must display the date it was generated, and that date must be earlier than the counseling date.

Case Transfers

For loans that are case transfers, the file must contain proof that the borrower received the following before counseling.

- A signature date on the above forms that is prior to counseling,
- Or,
- A copy of the cover letter generated with the proposal package (which includes the required CA disclosures) or pulled from document history. This letter must display the date it was generated, and that date must be earlier than the counseling date,
- Or,
- A letter of explanation (LOE) from the counselor certifying that the borrower received the required CA disclosures prior to counseling.

Face-to-Face

- Effective for all counseling sessions performed on or after January 1, 2013, California borrowers must be counseled in person, unless the borrower elects to receive the counseling in another manner, such as telephone counseling.
- The counselor must indicate on the HECM Counseling Certificate how the counseling was conducted. If the HECM Counseling Certificate indicates counseling was not conducted face-to-face, the counselor must provide the Addendum to Certificate of Counseling fully executed by both the borrowers and the counselor.

Counseling Prior to Application/Cooling Off Period

- “California Cooling Off Period” requires that counseling be completed at least seven days before assessing any fees to the borrower or acceptance of a “final and complete” application, which includes application material sufficient to make a credit decision. This gives the borrower a “cooling off” period during which he or she can get educated about the product before being bound to any loan terms or fees.
- Note: Non-Borrowing Spouses (NBS) are not subject to the cooling off period. If a NBS switches to a borrower prior to closing the loan, the NBS would have to be counseled at least seven days prior to switching him or her to a borrower in the loan originating system.
- If any fees are incurred on the borrower’s behalf before the eighth day (except for the credit report and preliminary Title search, which can be ordered during the cooling off period) the loan is out of compliance and FAR can no longer accept it.
- In addition, you cannot order the case number until after the cooling off period.

Massachusetts

Documentation

Massachusetts requires borrowers to “opt in” by signing and dating the Massachusetts Opt-In disclosure. The borrower receives and signs this after counseling, but before any loan commitment or loan approval. The Opt-In disclosure cannot be dated prior to counseling under any circumstances.

Face-to-Face

Massachusetts requires that ALL borrowers receive face-to-face counseling. However, the temporary suspension for in-person counseling for reverse mortgage applicants in Massachusetts has been extended until March 31, 2024. Applicants may seek telephone or synchronous, real-time video counseling.

State Specific Agency Approval Requirements

Massachusetts requires that counselors be approved by the Executive Office of Elder Affairs. For more information, see <https://www.mass.gov/service-details/reverse-mortgage-counselors>



Minnesota

Documentation

Minnesota requires that agencies be approved by HUD and located within Minnesota.

North Carolina

Face-to-Face

Telephone counseling is permitted. Counselors must advise potential reverse mortgage applicants of the choice to have a face-to-face meeting or obtain counseling through another mutually agreed-upon format, such as the telephone. Counselors can also visit the borrower's home, if the borrower is unable to travel to the participating agency's office.

State Specific Agency Approval Requirements

North Carolina requires that counselors be approved by the [North Carolina Banking Commissioner](#).

- Any counselor who meets the requirements to appear on the HUD approved counseling agency list, including the national phone agencies and other counseling agencies not physically present in North Carolina, may provide counseling in North Carolina.

Rhode Island

Documentation

Rhode Island requires that we provide a statement from the Department of Elderly Affairs to the borrower prior to counseling.

South Carolina

Documentation

South Carolina requires proof that the borrower received the South Carolina State Housing Finance and Development Authority, "Reverse Mortgage Statement" and a statement regarding the advisability and availability of independent information and counseling services on reverse mortgages.

Vermont

Face-to-Face

Vermont requires face-to-face counseling sessions. If the borrower chooses not to travel to a counselor, and cannot receive an in-home visit from a counselor, telephone counseling is acceptable provided the counseling agency is authorized by the Department of Banking, Insurance, Securities and Health Care Administration.

State Specific Agency Approval Requirements

Vermont requires that only Vermont-approved agencies perform telephone counseling. For more information, see <https://dfr.vermont.gov/document/approved-reverse-mortgage-counselors>

Other Types of Counseling

In-Home Counseling

Housing counselors should attempt to conduct counseling sessions in the home of the potential borrower and should invite the participation of the children and other advisors of the borrower.

Telephone Counseling

Telephone counseling is an alternative only when face-to-face counseling is not feasible. Do not mention telephone counseling as an alternative unless the homeowner completely rules out face-to-face counseling.

Eligible Counseling Agencies

Housing agencies can provide counseling services required under the HECM program, provided they:

- Are approved in accordance with the procedures in [HUD Handbook 7610.1](#).
- Note: To search for approved HECM counseling agencies, visit [FHA Connection](#) and click Single Family FHA > Single Family Origination > Case Processing > FHA Approval Lists > HECM Counseling Agencies. Type the borrower's city or zip code into the appropriate search field and click Send to display a list of agencies. Or visit <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.
- Appear on the list of agencies provided to the borrower, unless the borrower was counseled prior to contacting the loan officer and not referred to a counseling agent.



Note: If the borrower was referred to a counselor through the list of 12 agents and did not select an agent on that list, the loan is flagged for a heightened review by the underwriter. This includes, but is not limited to, an explanation from the borrower indicating why he or she selected the agency and confirming that the loan officer did not direct them to any particular agency.

Who Can or Must be Counseled?

FAR follows the HUD guidelines for counseling. At the time the title search is completed, all borrowers, non-borrowing spouses, and any person vested on Title must be counseled, even if they will be removed from the deed before closing. This includes remaindermen. Trustees are not required to attend counseling.

HECM Borrower's Children:

Counseling for the child of a prospective HECM borrower is not required, unless that child is vested on the title. However, it is permissible, and will be made available by a HUD-approved counseling agency if the child requests it.

Note: See [Mortgagee Letter 2011-31](#) for more information.

Signatures

The HECM counselor inserts the date counseling was completed and the certificate expiration date. All signatories must date the certificate with THE DATE THEY SIGN IT, including:

- Counselor
- All borrowers
- Any non-borrowing spouses
- Any person appearing on the title (with interest in the property) at the time the title search is complete.
- Power of Attorney for non-competent borrowers

Note: The borrower(s) must sign and date the counseling certificate BEFORE any services, EXCEPT the credit report, are ordered. Borrower(s) must sign a mailed certificate the date the certificate is received. Backdating is not permissible.

Counseling Expiration

The counseling certificate is valid for 180 days from the counseling completion date. The counseling certificate must be valid and unexpired on the date of case number assignment. If for any reason the initial case number expires and a new case number is required during the loan process, the counseling certificate must also be valid and unexpired on that date.

Note: [Article 16, Section 50\(k\) \(8\) of the Texas Constitution](#) states that the borrower and the borrower's spouse must not receive counseling MORE than 180 days, or LESS than 5 calendar days before the closing date. If a borrower's counseling certificate expires during the loan process, the borrower must receive counseling again at least 5 days before closing. The loan does not require a new case number if the original case number is still active in FHA Connection.

Sources of Information for Counseling

The counseling agency must advise the borrower about the alternatives to reverse mortgages. HUD's "Options for Elderly Homeowners: A Guide to Reverse Mortgages and Their Alternatives" is available for \$4.00 from:

HUD User
PO Box 6091
Rockville, MD 20850

To pay by credit card, call 1-800-245-2691 or 1-301-251-5154.

The guide contains the phone numbers for state and local agencies on aging. Counseling agencies should have established a working relationship with these agencies and be aware of the resources available to older homeowners.

Borrowers Lacking Legal Competency

Counseling agents must determine the borrower's comprehension of the HECM products by asking [10 questions](#) throughout the session. The borrowers are required to answer five of these questions correctly. Counseling agents must withhold the counseling certificate if they determine that the borrower lacks an understanding of the HECM product and the financial implications of obtaining a reverse mortgage. The counseling agent then reschedules an additional session so the borrowers can better prepare.

Mentally and Physically Competent

These borrowers must be counseled and must execute the counseling certificate and all loan documents.

When borrowers cannot sign their full names on a large number of documents, they can sign with a mark, or "X." In these instances we require a [Jurat document](#), a letter of explanation from the borrower, and approval from the title company.



Physically Incompetent

THESE BORROWERS MUST STILL BE COUNSELED and must provide a doctor's letter certifying the nature of the incapacity.

Hearing Impaired Borrowers

Borrowers who are mentally competent but have a hearing impairment must still be counseled. The borrower may wish to locate a counselor who provides counseling with text telephone (TTY) or Telecommunications Device for the Deaf (TTD) services.

Power of Attorney (POA)

A Durable Power of Attorney (POA) is commonly used when senior borrowers are mentally incompetent and unable to manage their own affairs or are physically incapable of signing. If the borrower has a POA, the file must contain:

- A note from the loan processor indicating why the POA is necessary.
- A notarized copy of the POA and acknowledgement from the title company that the POA is acceptable.

Mentally and Physically Incompetent

Documentation for incompetent borrowers must include a letter from a physician certifying that the borrower is incapable of handling financial affairs. This letter must include the date of incapacity and be dated after the POA was executed. In addition, the counseling agent must have a copy of the POA on file.

See Also

- [Counseling Policy](#)

[Counseling Process](#)



COVID Topics



COVID Topics

Created January 2022

Overview

Various processes in the reverse mortgage industry have been impacted by COVID-19. Below are the topics and corresponding guidance that has been issued.

Temporary Guidance of Verification of Self-Employment and Rental Income

Mortgagee Letters:

- ML 2020-23
- ML 2020-24
- ML 2020-39
- ML 2020-46
- ML 2021-16
- Bulletins:
- [INTERNAL Bulletin 53-2020](#)
- [INTERNAL Bulletin 60-2020](#)
- [INTERNAL Bulletin 99-2020](#)
- [INTERNAL Bulletin 108-2020](#)
- [INTERNAL Bulletin 43-2021](#)

HUD Waiver of Appraisal/VOE Requirements for HECM Loans

Mortgagee Letters:

- ML 2020-14
- ML 2020-20
- ML 2020-28
- ML 2020-37
- ML 2020-47
- ML 2021-06

Bulletins:

- [INTERNAL Bulletin 35-2020](#)
- [INTERNAL Bulletin 65-2020](#)
- [INTERNAL Bulletin 90-2020](#)
- [INTERNAL Bulletin 107-2020](#)
- [INTERNAL Bulletin 8-2021](#)

HUD Waiver of Appraisal/VOE Requirements for HECM Loans Update for New Construction

Mortgagee Letters:

- ML 2020-05

Bulletins:

- [INTERNAL Bulletin 25-2020](#)

Temporary Guidance for Disaster Inspections Where Exterior Only Appraisal Was Utilized

Mortgagee Letters:

- ML 2020-28

Bulletins:

- [INTERNAL Bulletin 78-2020](#)

Massachusetts Counseling

Bulletins:

- [INTERNAL Bulletin 29-2020](#)
- [INTERNAL Bulletin 30-2020](#)



- [INTERNAL Bulletin 75-2021](#)

Tax Transcript/2019 Tax Returns

Bulletins:

- [INTERNAL Bulletin 21-2020](#)

Closing Loans and Recording Information

Bulletins:

- [INTERNAL Bulletin 19-2020](#)

California Notary Commission Expirations

Bulletins:

- [INTERNAL Bulletin 51-2020](#)

Title Insurance and Schedule B Requirements and Exceptions

Bulletins:

- [INTERNAL Bulletin 24-2020](#)



Death Certificates



Death Certificates

Reviewed January 2021

Overview

We require a certified copy of the death certificate to remove a deceased borrower from the title. This includes any person named in a trust.

Each state has different laws about removing deceased persons from the title to a property. The settlement agent or title company must state in writing that the deceased party can be removed from the title at closing, without probate.

If any deceased person is listed in the vesting of a title commitment, a death certificate is required. In addition to the death certificate, title must advise that the borrower is the sole owner of the property, and no other heirs have ownership interest. The title company should also advise whether probate, affidavit of heirship, or other documentation is required to provide a clear title.



Disaster Area Requirements



Disaster Area Requirements

Revised December 2021

Overview

The Federal Emergency Management Agency (FEMA) posts a major disaster update whenever an area is a federally declared disaster area. We receive an e-mail from FEMA with a link to the Disaster Event Page, which provides the following:

- The effective date of the declaration.
- Details of the incident.
- The period of the incident.
- Qualified counties for Individual Assistance and Public Assistance.

The full effect of the incident may not be known at the time of FEMA's initial publication, so the list of eligible counties may expand as the incident progresses and damage is reevaluated. The type of assistance might also change from the type described in the initial notice.

When the President declares an area is eligible for federal assistance, that assistance is classified on two levels:

- Individual: Aid to individuals or households.
- Public: Local or state governments, and certain non-profits.

Note: FEMA does not publish a new Major Disaster Declaration when counties are added to the initial declaration. Therefore, it is important to check FEMA's official web site to verify that the current watch list is accurate and current.

A re-inspection is required if FEMA declares a county eligible for Individual Assistance, if FAR requires it, OR if the warehouse bank requires it.

Disaster Inspection Requirements

All Properties with pending Mortgages or endorsements in areas under a Presidentially Declared Major Disaster Areas (PDMDA) designated for individual assistance must have a damage inspection report that identifies and quantifies any dwelling damage. The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the property, and the report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier. If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not necessary. If an end date is not published, the re-inspection can be performed. However, a second re-inspection is required if FEMA publishes an end date after the date of inspection:

- **Required Form:** The Federal Housing Administration (FHA) does not require a specific form for disaster inspections. However, FAR does prefer a Catastrophic Disaster Area Property Inspection Report, or an equivalent form, from the Appraisal Management Company (AMC).
- **Who can provide:** The original appraiser should complete the inspection. However, if the original appraiser is not available another FHA Roster Appraiser is acceptable, provided he or she is in good standing, and has geographic competence in the affected market. In this case, the lender must provide the new appraiser with a copy of the original appraisal report.

Final Repair Inspection Requirements

If the disaster inspection indicates that repairs are required a licensed contractor must complete them, OR they must be completed per local jurisdictional requirements.

NOT Funded

Follow these instructions for loans that have NOT funded:

- **Required Form:** The appraiser must use the Catastrophic Disaster Area Property Inspection Report, or an equivalent form from the Appraisal Management Company (AMC), to determine if there has been a change in the value of the property, and to confirm that repairs are complete.
- **Who can provide:** Any roster appraiser can provide the Catastrophic Disaster Area Property Inspection Report, or an equivalent form from the AMC, if the loan has not funded.
- Appraiser Certification Requirements:
 - An on-site inspection with interior and exterior photos.

Note: Interior photos must include a basement photo, if applicable, to determine if flooding has occurred.

- A statement regarding dwelling habitability.
- A list of repairs and their estimated cost.
- A statement as to whether sustained damage is:



- Below \$5,000
- Or,
- Above \$5,000

Note: A qualified third-party inspector must inspect damages over \$5,000.

- **Utilities:** Utilities may not yet be restored in affected areas, so FHA does not require the appraiser to ensure that utilities are on at the time of the inspection.
- **Additional Requirements:** If the market value has declined since the effective date of the original appraisal, a new appraisal is required to support the loan amount prior to closing.

Funded

Follow these instructions for loans that have funded:

- Required Form: Catastrophic Disaster Area Property Inspection Report, or an equivalent form from the Appraisal Management Company (AMC).
- Who can provide: Any roster appraiser can provide the Catastrophic Disaster Area Property Inspection Report, or an equivalent form from the Appraisal Management Company (AMC), for loans that are funded.
- Appraiser Certification Requirements:
 - A drive-by inspection with exterior photos.
 - A statement as to dwelling habitability.
 - A list of repairs and their estimated cost.
 - A statement that sustained damage is
 - Below \$5,000
 - Or,
 - Above \$5,000. Damages over \$5,000 must be inspected by a qualified third-party inspector.
- **Utilities:** Utilities may not yet be restored in affected areas, so FHA does not require the appraiser to ensure that utilities are on at the time of the inspection.

Required Repairs

If the disaster inspection indicates that repairs are required, a licensed contractor must complete them, per local jurisdictional requirements, and submit the appropriate and applicable documentation. All damages, regardless of amount, must be repaired and the property restored to its pre-loss condition.

Note: Properties with damage are eligible for an appraisal extension for up to one year.

Open

Follow these guidelines for open loans.

If...	Then...
The loan is not closed...	Inspect the property to determine if damage exists. Provide on-site inspection with interior and exterior photos.
There is no damage...	Close loan and document the inspection.
Damage exists, but is below \$5,000 and the property is habitable...	Complete repairs and close the loan or establish a repair set-aside and close the loan.
Damage is above \$5,000, or the property is not habitable...	Do not close the loan. Repairs must be complete prior to closing.
Repairs above \$5,000 are complete and inspected, with interior and exterior photos...	Document the inspection and close the loan.



Closed

Follow these guidelines for loans that are closed, but NOT endorsed.

If...	Then...
The loan is closed but not yet endorsed...	Inspect the property to determine if damage exists. Provide a drive-by inspection with exterior photos.
There is no damage...	Endorse the loan and document the inspection.
Damage exists, but is below \$5,000 and the property is habitable...	Complete repairs and endorse the loan.
Damage is above \$5,000, or the property is not habitable...	Do not endorse the loan.
Repairs above \$5,000 are complete and inspected, with interior and exterior photos...	Document the inspection and endorse the loan.

[Disaster Area Requirements Process](#)



FHA, FHA Connection, Government Lists



ADP Codes

Revised November 2020

Overview

Automated Data Processing (ADP) codes are used for Direct Endorsement (DE) processing of FHA-insured home mortgages. The codes correspond to the section of the National Housing Act, referred to as Section of the Act (SOA), under which home loans are insured by the FHA.

When you request a case number in FHA Connections you must enter an ADP code into the system for it to generate the case number.

See chart below for the correct ADP codes for HECM loans, the ADP code and the type of HECM loan must be the same for HUD to insure the file.

ADP Description	HECM Saver ADP Codes	HECM Standard ADP Codes
New HECM/Fixed	N/A	961
New HECM/ARM	N/A	962
New HECM Condo/Fixed	N/A	967
New HECM Condo/ARM	N/A	968

Note: Fixed or ARM site condos use the same ADP code options as Fixed or ARM condominiums.

Prior to generating closing documents verify in FHA Connections that the ADP code matches the loan type.

Reminders

You cannot order case numbers:

- Before the borrowers have completed counseling.
- Before the borrowers have executed a valid loan package.



CAIVRS

Revised December 2020

Overview

Every file the Underwriting Department receives must contain a Credit Alert Verification Reporting System (CAIVRS) printout for each borrower on the loan. Authorized employees of participating federal agencies use CAIVRS to prescreen direct loan applicants for credit worthiness. Also, approved private lenders acting on the Government’s behalf use CAIVRS to prescreen the credit worthiness of applicants of federally guaranteed loans.

CAIVRS is a shared database of defaulted Federal debtors and enables processors of applications for Federal credit benefit to identify individuals who are in default or have had claims paid on direct or guaranteed Federal loans, or are delinquent, or owe other debts to Federal agencies. All borrowers are checked on the site by Social Security number. If a borrower is currently in default, we may not be able to close on the loan unless the borrower can bring the loan current or pay the debt in full at the HECM closing.

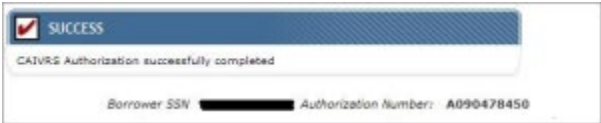
The database also reports if the individual has had a claim paid by a reporting agency. If a federal agency pays a borrower’s claim, that borrower is ineligible for a new FHA loan for three years from the date the claim was paid.

CAIVRS contains delinquent borrower records from:

- Department of Housing and Urban Development (HUD)
- Department of Veterans Affairs (VA)
- Department of Education (DOE)
- Department of Agriculture (USDA)
- Small Business Administration (SBA)
- Federal Deposit Insurance Corporation (FDIC)
- Department of Justice (DOJ)

CAIVRS Clearance

The FHA Connection website indicates CAIVRS clearance with an “A” that precedes the Authorization Number on the report.



Note: If the Authorization Number does not contain “A”, view the CAIVRS Is Not Clear section to determine if the borrower appears there.

CAIVRS Not Clear

If the borrower’s authorization number displays any code other than “A,” call the number listed on the CAIVRS authorization form to verify clearance status.

If CAIVRS is not clear because claims or defaults are on file for the individual, the processor contacts the appropriate Homeownership Center (HOC) and requests a printout or payoff statement showing information about the default. The underwriter then determines the borrower’s eligibility from the printout.

Claims

If the CAIVRS authorization number is preceded by “C” the borrower has a claim on file and is not eligible for FHA financing if that claim was paid in the previous three years.



Errors or Claim Payment Dates

If you suspect an error in the results of a CAIVRS report, or if you must establish the date of claim payment, contact the local HUD office for instructions or documentation to support the borrower’s eligibility. The HUD office can advise when the three-year waiting period has passed, or if the Social Security number in CAIVRS is wrong.



Exceptions

If CAIVRS indicates that the borrower has had a claim paid within the previous three years toward a loan made or insured by HUD on his or her behalf, the borrower is not eligible. Exceptions to this policy may be granted in the following situations:

- **Divorce:** A borrower may be eligible if the divorce decree or legal separation agreement awarded the property and responsibility for payment to the former spouse. However, the borrower is NOT eligible if a claim was paid on a mortgage in default at the time of the divorce.
- **Bankruptcy:** If a bankruptcy was caused by circumstances beyond the borrower’s control, such as the death of the principal wage earner, loss of employment due to factory closings, reductions in force, or serious long-term uninsured illness, the borrower may be eligible.

Defaults

If the CAIVRS authorization number is preceded by “D” the borrower has a default in the system and is required to pay the defaulted debt in full either at, or prior to, closing.

CAIVRS Authorization Results

Help Links

☒ SUCCESS

CAIVRS Authorization successfully completed

Borrower SSN	██████████	Authorization Number	D114461189
Agency Name	DEPT OF ED. - GUARANTEED	Case Number	040-000000
		Case Type	DEFAULT
		Phone Referral	(800) 621-3115

Foreclosure

If the CAIVRS authorization number is preceded by “F” the borrower's loan from the listed federal agency went through foreclosure due to nonpayment.

The processor contacts the agency reporting the foreclosure to learn if the property is in active foreclosure or has already been foreclosed on. If the property has not been foreclosed on and a claim has not been paid, the debt must be paid in full at closing.

CAIVRS Authorization Results

Help Links

☒ SUCCESS

CAIVRS Authorization successfully completed

Borrower SSN	██████████	Authorization Number	F114372756
Agency Name	FHA SINGLE FAMILY	Case Number	██████████
		Case Type	FORECLOSURE
		Phone Referral	(800) 225-5342

[CAIVRS Process](#)

Case Number Contact Points

Revised November 2020

Overview

Send all cancellations and reinstatements for all of the below homeownership center listed below to answers@hud.gov.

Homeownership Centers

HOC	Area Served			
Atlanta Phone: (800) CALL-FHA (800) 225-5342 E-mail: answers@hud.gov	Alabama	Caribbean	Florida	Georgia
	Illinois	Indiana	Kentucky	Mississippi
	North Carolina	South Carolina	Tennessee	
Denver Phone: (800) CALL-FHA (800) 225-5342 E-mail: answers@hud.gov	Arkansas	Colorado	Iowa	Kansas
	Louisiana	Minnesota	Missouri	Montana
	Nebraska	New Mexico	North Dakota	Oklahoma
	South Dakota	Texas	Utah	Wisconsin
	Wyoming			
Philadelphia Phone: (800) CALL-FHA (800) 225-5342 E-mail: answers@hud.gov	Connecticut	Delaware	District of Columbia	Maine
	Maryland	Massachusetts	Michigan	New Hampshire
	New Jersey	New York	Ohio	Pennsylvania
	Rhode Island	Vermont	Virginia	West Virginia
Santa Ana Phone: (800) CALL-FHA (800) 225-5342 E-mail: answers@hud.gov	Arizona	California	Idaho	Nevada
	Oregon	Washington	Hawaii	Alaska
	Pacific Island of American Samoa, Guam & the Commonwealth of the Northern Mariana			



Case Number Transfers

Reviewed December 2020

Overview

Federal Housing Administration (FHA) lenders can request specific FHA case numbers from other FHA lenders. Since only one FHA lender can access a case number at a time, the lender holding the loan must transfer that case number to the lender requesting it.

When the FAR Case Transfer area receives a request, they transfer the case number, and send an email confirmation to the new lender.

Brokers

If the current originator is a broker, the Finance of America Reverse (FAR) Case Transfer area sends a notification giving that broker 72 hours to obtain a letter from the borrower, requesting that we not transfer the case number. If we do not receive a letter, we transfer the loan after 72 hours.

Principal-Agents

When the originator is a principal-agent, we send the request directly to them to complete.

[Case Transfers Process](#)

[Case Cancellation Process](#)

[Case Number Reinstatement Process](#)



FHA Loan Limits

Revised April 2023

Overview

The Federal Housing Administration (FHA) maximum loan limit and claim amount for Home Equity Conversion Mortgages (HECMs) is \$1,089,300 for all case numbers assigned on or after January 1, 2022. This maximum loan limit will remain through December 31, 2023.

See Also

<https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-29mlhsg.pdf>



LDP and SAM

Revised August 2023

Overview

A borrower suspended, debarred, or otherwise excluded from participating the Department’s programs is not eligible for a Home Equity Conversion Mortgage (HECM). We must examine HUD’s Limited Denial of Participation (LDP) list and the government-wide System for Award Management (SAM), which replaced the Excluded Parties List System (EPLS) in 2012. If the name of any party to the transaction appears on the list, the application is not eligible.

Each file the Fulfillment Center receives must contain search results printouts for BOTH systems.

All Loans

All loan files must contain the following printouts for BOTH systems:

- Borrower(s)
- Broker/PA Company
- Loan originator
- Loan Processor
- Underwriter
- Title company
- Closing agent
- Appraiser

Purchase Loans ONLY

In addition to the above list, purchase loans require printouts for BOTH systems:

- Seller
- Listing and selling real estate agents
- Repair Contractors
- Final Inspector (if final inspection not done by appraiser)

[LDP Process](#)

[SAM Process](#)



Financial Assessment



Calculate Taxes on Income

Revised April 2023

Overview

To determine loan eligibility, calculate taxes on borrower's adjusted gross income. We can use federal and state tax tables or tax calculators to calculate the tax rate for income. We calculate both state and federal taxes using the required documentation for each income type. Then we enter the tax amount into the LOS.

Tax Tables

To use tax tables to estimate taxes, take the borrower's adjusted gross income, and multiply it by the state or federal tax rate for the appropriate tax bracket:

- State tax bracket tables: <http://www.tax-brackets.org/>
- Federal tax bracket tables: <https://www.irs.gov/pub/irs-pdf/i1040tt.pdf>

Locate tax rates and calculators on the following sites:

- Tax Form Calculator: <http://www.taxformcalculator.com/>
- State tax rates: www.tax-rates.org
- Federal tax rates: <https://www.irs.gov/Individuals/IRS-Withholding-Calculator>

Note: During the underwriting process we also require the final income documentation to determine the tax rates. If the borrower does NOT pay taxes, that documentation is not necessary.

IMPORTANT: This is not an exhaustive list of calculators; others may be available.

Income Types

We consider the following income types:

- Alimony, child support and maintenance: Income amounts are on the divorce decree or custodial documentation.

Note: These income types are not taxable.

- Annuities: Locate these on an annuity statement or bank statement showing annuity deposits.

Note: Calculate annuities as taxable income at the actual tax amount on the tax returns or tax charts. However, if annuities are used as dissipated assets, the tax rate is either 15%, or the actual tax rate, whichever is less.

- Capital gains and losses: Find these on income tax returns.
- Commission: Find this on tax returns.
- Disability benefits: These are on the disability awards letter.

Note: Social Security disability income is non-taxable. However, it is taxable if it is supplemented with additional income.

- Employment: Find this on paystubs.
- Employment, Family-owned business: Find this on income tax returns.
- Employment, overtime, and bonuses: Find this on paystubs.
- Employment, part-time and seasonal: Find this on paystubs.
- Government assistance and case benefits: Find these on the awards letter.

Note: These income types are not taxable.

- Investment interest and dividends: Find these on tax returns.
- IRA and 401K income: Find this on tax returns.

Note: The tax rate is usually 15%. Ask for non-tax documentation if income from the account is NOT taxable, such as with a Roth IRA.

- Military income: Find this on paystubs or the retirement military benefits letter.
- Notes receivable: Find this on the income tax returns.
- Pension: Find this on the pension awards letter.
- Rental and other real estate holdings: Find this on the income tax returns.
- Self-employment income: Find this on the income tax returns.
- Social Security retirement income:
- Federal and state taxes are not assessed for combined income totaling less than \$32,000 for a joint tax return. See <https://www.ssa.gov/planners/taxes.html>
- Federal and state taxes are not assessed for combined income totaling less than \$25,000 for an individual tax return, per <https://www.ssa.gov/planners/taxes.html>
- Individual federal tax return: If combined income is:
 - Between \$25,000 and \$34,000, the borrower pays income tax on up to 50 percent of Social Security benefits.
 - More than \$34,000, up to 85 percent of benefits are taxable.
- Joint return: If combined income is:
 - Between \$32,000 and \$44,000, they pay income tax on up to 50 percent of benefits.



- More than \$44,000, up to 85 percent of their benefits may be taxable.

Note: No one pays federal income tax on more than 85 percent of Social Security benefits, based on Internal Revenue Service (IRS) rules.

Combined Income

Use the following formula to calculate combined income:

(Adjusted gross income from transcripts or tax return Line 37) + (tax exempt interest from state and local bonds, Line 8b) + (Social Security benefits Line 20a X 50%) = (Combined Income)

Note: You can also use Worksheet A from Publication 915, <https://www.irs.gov/pub/irs-pdf/p915.pdf>, Page 4.

Worksheet A. A Quick Way To Check if Your Benefits May Be Taxable

Note. If you plan to file a joint income tax return, include your spouse's amounts, if any, on lines A, C, and D.

A. Enter the amount from **box 5** of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 2015, for 2015 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.) A. _____

Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Enter one-half of line A B. _____

C. Enter your total income that is taxable (excluding line A), such as pensions, wages, interest, ordinary dividends, and capital gain distributions. Do not reduce your income by any deductions, [exclusions \(listed earlier\)](#), or exemptions C. _____

D. Enter any tax-exempt interest income such as interest on municipal bonds D. _____

E. Add lines B, C, and D E. _____

Note. Compare the amount on line E to your **base amount** for your filing status. If the amount on line E equals or is less than the **base amount** for your filing status, none of your benefits are taxable this year. If the amount on line E is more than your **base amount**, some of your benefits may be taxable. You need to complete [Worksheet 1](#), shown later. If none of your benefits are taxable, but you otherwise must file a tax return, see [Benefits not taxable](#), later, under *How to Report Your Benefits*.

Calculate Taxes on Income Process



Compensating Factors/Extenuating Circumstances

Revised August 2017

Overview

Whenever the borrower's credit or property charge payment history does not meet the criteria, lenders must consider extenuating circumstances that led to the credit issues.

Extenuating Circumstances

Extenuating circumstances beyond the borrower's control may include, but are not limited to:

- Loss of income due to the death or divorce of a spouse that directly resulted in late payment of obligations.
- Loss of income due to the borrower's or spouse's unemployment.
- Reduced work hours or furloughs, or emergency medical treatment or
- Hospitalization that directly resulted in late payments of obligations; or
- Increased financial obligations due to emergency medical treatment or
- Hospitalization for the borrower or spouse, emergency property repairs not covered by homeowners or flood insurance, divorce, or other causes that directly resulted in late payments of obligations.

Lenders must document any extenuating circumstances as part of the financial assessment. This documentation must demonstrate:

- The connection between the specific occurrence(s) and the measurable impact of the occurrence(s) on the borrower's finances.
- That no action by the borrower contributed to the derogatory incident, such as voluntarily assuming new financial obligations, terminating employment or reducing hours, and so forth.
- A likelihood that these circumstances will not recur.
- The borrower has other non-HECM assets, additional sources of income, access to revolving credit or other factors enable him or her to endure financial challenges.

Note: The lender also considers the impact of the HECM on the borrower's circumstances through the elimination of financial obligations or through an increase in the borrower's income.

Example of Extenuating Circumstances

A borrower indicates an income loss due to unemployment. Required documentation includes the credit report, W-2s, tax returns, bank statements, and so forth.

The documentation should show that:

- The borrower had satisfactory credit and/or property charge payment history before being unemployed.
- The borrower's documented income, including any unemployment compensation, was insufficient to make timely payments on all outstanding accounts.
- The borrower did not incur new debt, indicated on the credit report, that contributed to his or her inability to meet all obligations in a timely manner.
- The borrower is employed again or has alternate sources of income.

Compensating Factors

Whenever the borrower's income does not meet the criteria, lenders must consider compensating factors when the borrower has income from an additional source, such as:

- Eligible non-borrowing spouse income: Documented residual income from an eligible non-borrowing spouse which, if counted, would result in a combined income that meets or exceeds the [standard amount](#) for that family size and geographic region.
- Overtime, seasonal, part-time or bonus income Documented overtime, bonus, part-time or seasonal income that meets the following requirements:
- The borrower received this income for at least six months, and it is likely to continue,

And,

- If counted, the total residual income would be equal to or exceed the standard amount for the borrower's family size and geographic region.
- Expected SSI or pension income: Upcoming pension or Social Security income within the next 12 months of an amount specified in the award letter that would, if counted, result in total residual income equal to or exceeding the [standard amount](#).
- Imputed income from HECM: Assets used as compensating factors that include any proceeds, whether first or second year, which are available to the borrower after subtracting mandatory obligations. These can be used in the residual income calculation.
- The following compensating factors can be used when the borrower's residual income is 80% to 99% of the applicable amount for his or her family size and geographic region:
- Property Charge Payment History: The borrower meets all of the following:



- Has paid his or her own property charges directly for at least the last 24 months (they were not paid by a lender from an escrow account or by another party) and meets the standard in Section 2.28 of the HECM Financial Assessment and Property Charge Guide.
 - Has made all property charge payments without incurring penalties during the last 24 months
- AND,
- Has current income not less than income during the previous 24 months
 - Assets Equal to Life Expectancy Property Charges: The borrower has assets (excluding HECM proceeds) equivalent to the anticipated property charge payments for the life expectancy of the borrower that were not dissipated or considered in the residual income calculation.
 - HECM Sufficient to Pay Off Debts: HECM proceeds remaining after closing (based on original principal limit less required Repair, Life Expectancy and Servicing Set-Asides and disbursements for Mandatory Obligations) that were not dissipated and counted as income, are sufficient to pay off revolving and installment debt, including revolving and installment accounts in collection, that would reduce monthly payments to the extent that residual income would meet or exceed the applicable standard for his or her family size and geographic region.

Supporting Documentation

Lenders MUST document:

- Any extenuating circumstances to address derogatory credit and property charge payment history.
- Compensating factors that support residual income shortfalls.
- All specific circumstances and factors the lender relied upon to make a favorable determination, in writing on the Financial Assessment Worksheet.



Foreign Income

Revised April 2023

Overview

“Foreign income” is any income the borrower receives from a country other than the United States. Review <https://www.state.gov/countries-and-areas-list/> to confirm the country the income is from has no sanctions.

Foreign Income Requirements

In order for us to consider this type of income, it MUST:

- Be deposited in a US Bank account or must be claimed on borrower’s tax returns in order to document receipt; and
- Be likely to continue for three years from the date of closing; and
- Come from a country with no sanctions (the underwriter determines through adequate research)

If using bank statements to document receipt, the underwriter applies a 12-month average income conversion rate.

If the borrower’s income is low enough to not require tax filing, he or she must provide [IRS form 4506-C](#) to verify non-filing change here.



Foster Care Income

Created July 2023

Overview

Foster care income refers to income received from a state or county-sponsored organization for providing temporary care for one or more individuals. Foster care income may be considered acceptable and stable income if the borrower has a two-year history of providing foster care services and receiving foster care payment and that the foster care payment is reasonably likely to continue.

Documenting Foster Care Income

Lenders must obtain written verification of foster care income from the organization providing it, verify and document that the borrower has a two-year history of providing foster care services and receiving foster care income, and that the foster care income is reasonably likely to continue.

Calculation of Foster Care Income

The lender must calculate the foster care income by using the lesser of:

- Average foster care income received over the previous two years; or
- Average foster care income received over the previous year.



Income from Dissipated Assets

Revised June 2023

Overview

Dissipated assets are liquid assets the borrower can sell off or cash in to provide income, if necessary. You can consider income from dissipated assets in addition to traditional sources of income in the income calculation. The borrower does not need to liquidate assets in order to obtain the loan.

Liquid assets are assets that can be converted to cash within one year without payment of an IRS penalty.

Note: Gift funds cannot be dissipated and used as income.

IMPORTANT: Do not count income twice. If you count any income as monthly income, you cannot also count it as income from the dissipation of the asset.

Discounted Rate

A “discounted rate” is the interest rate we use to calculate the value of a taxable asset, should the borrower choose to sell it or convert it into cash. The “discounted value” of the asset is its value minus the amount that would go toward federal taxes.

Discounted rate = 100% – (tax rate applied to a taxable asset, usually 15%)

Discounted Value = (asset value) – (federal taxes for that asset)

Refer to the Asset table below. Some assets are taxable when we convert them to cash, and others are not. If an asset is subject to federal taxes, we consider its value to be the amount of the asset minus the amount that would go toward taxes.

The standard tax rate we apply to the value of the taxable asset is 15%. So, the discounted value of the asset would be 100% of its value minus 15% of its value, or 85%.

Asset Source	Amount Counted
Savings/Checking Accounts, Certificates of Deposit, Roth IRAs and any other assets that are not subject to Federal taxes.	100%
Other assets that are subject to Federal taxes.	85%

Note: If the borrower’s actual tax rate is less than 15%, the underwriter can use that actual tax rate based on federal tax returns from the previous tax year. If the borrower does not pay taxes, we do not apply a discount, and calculate the value of an otherwise taxable asset at 100%.

Jointly-held Assets

You can count assets held jointly with a non-borrowing spouse or other party if the borrower provides documentation that he or she has unrestricted access to that asset.

Asset Value Calculation

The underwriter calculates the combined value of assets, and any income from these sources, then divides the total adjusted value by the remaining life expectancy (in months) of the borrower.

Total Discounted Asset Value – Funds to Close (if applicable) ÷ Life expectancy in months = Total Monthly Income from Assets

IMPORTANT: Example: The borrower has \$50,000 cash and \$100,000 in a 401K. The life expectancy is nine years, or 108 months.

Per the table, we calculate 100% of assets that are NOT subject to federal taxes, and 85%, or the actual percentage of federal taxes for, assets that ARE subject to federal taxes, such as funds withdrawn from a 401K.

\$50,000 + (\$100,00 X 85%)

\$50,000 + \$85,000 = \$135,000.

\$135,000 ÷ 108 = \$1250 per month income

The calculation chart is located on page 56 of the [guide](#).



Required Documentation

The file must contain documentation of all assets included in the dissipation.

Assets Used as Compensating Factors

Include in the residual income calculation any first or second year proceeds that can be dissipated, and which are available to the borrower AFTER subtracting mandatory obligations.

Note: Any **first year** proceeds that are available to the borrower AFTER removing mandatory obligations and repair set-asides, etc., and which hypothetically can pay debts, can be used to reduce expenses. We can then remove those debts from the residual income calculation. However, if you use them to hypothetically pay off debts to reduce expenses, you cannot also dissipate them.

Divide assets used for dissipation by the borrower’s life expectancy in months to obtain the amount of dissipated assets:

(Available proceeds) ÷ (life expectancy in months) = (dissipated assets). Then calculate New Residual Income **(shortfall) + (dissipated assets) = (new residual income)**. If residual income does not meet the Residual Income Requirement, there is a shortfall. If residual income meets or exceeds the requirement, there are additional remaining funds.

If all available proceeds **(\$20,000 + \$35,000 = \$55,000)** are dissipated, the borrower only has \$305 in additional monthly income, leaving a \$145 shortfall. The borrower still fails the residual income test.

However, **Year 1 HECM Proceeds** of \$20,000 can theoretically pay off the \$20,000 expenses. This reduces the borrower’s monthly expenses by \$500 and increases the \$450 residual income to \$950 per month, leaving a shortfall of only \$48. To theoretically pay off debt, the borrower’s baseline must be at 80% of residual income or greater, per FA Guide Sec. 4.5.

The **Post Year 1 HECM Proceeds** of \$35,000 can then be dissipated over the borrower’s 180 month life expectancy ($\$35,000 \div 180 \text{ months} = \194.44), to give the borrower a residual income of \$1144.44 ($\$950 + \194.44), which is above the minimum requirement of \$998.

Below is an example of using HECM proceeds to supplement income or reduce debts in the residual income calculation.

Borrower 1	
Residual Income	\$450
Residual Income Requirement (RIR)	\$998
Residual Income Shortfall	\$548
Year 1 HECM Proceeds (after MO, etc.)	\$20,000
Post-Year 1 HECM Proceeds	\$35,000
Life Expectancy (in Months)	180
Expenses	\$20,000 Total, or \$500 Monthly

Calculations	
Dissipated assets	$\$55,000 \div 180 = \305
New Residual Income	$\$548 + 305 = \853
Shortfall Balance	$\$998 - 853 = \145

Note: Borrowers cannot pay revolving or installment debt through the HECM proceeds AT CLOSING, but once they receive the funds, they can spend them however they like. The example applies hypothetical logic so the borrower can pass the residual income test. All mandatory obligation requirements must be followed.

[Income from Dissipated Assets Process](#)



Income from Dissipated Proceeds

Revised October 2023

Overview

Imputed income from dissipation of HECM proceeds is allowable to meet residual income requirements on its own, provided it is not combined with other compensating factors.

IMPORTANT: The borrower must pass financial assessment for credit and property charges without extenuating circumstances to be eligible for use of HECM proceeds as the sole source of income.



Late Payments

Revised June 2023

Overview

Payments are “late” if the borrower does not make payment within the month due and they roll over into the next month. A documented extenuating circumstance is needed. We cannot apply an additional grace period. We review payments on:

- Credit obligations
- Property taxes
- Homeowners insurance
- Homeowner’s Association (HOA) dues
- Other property charges, as defined by the Financial Assessment Property Charge Guide.

Lenders can determine, based on documentation, the reason for any late payments. If late payment is due to the borrower’s disregard for financial obligations, or an inability to manage debt, a Life Expectancy Set-Aside (LESA) is necessary. However, the borrower might not require a fully-funded LESA if there are documented extenuating circumstances.



Liability Table

Revised March 2023

Expense Type	Payment	Comments
Alimony/Child Support	As per court documents or agreement indicating monthly amount	¹ See FA guidelines for full details 3.36 ² See 4000.1 II. A. 4. B. (3)
Business Debt	To be included unless it can be evidenced that the debt is paid out of company funds and that said debt was included in S/E cash flow analysis.	¹ See FA guidelines for full details 3.86
Charge Off Accounts	Not required to be included in the borrowers' expenses.	¹ See FA guidelines for full details 3.91
Collection Accounts	If aggregate collection balances are >=\$2000, 5% of the balance can be used to calculate payment for each collection.	¹ See FA guidelines for full details for alternative documentation if not paying off. 3.90
Contingent Liability (i.e.- co-signed)	Include in calculation OR if excluded, evidence of 12 months timely payments was made by other party	If court ordered to pay, the final divorce decree indicating that the spouse is obligated to make payments. 3.89
Deferred Obligations (excluding student loans)	5% of the outstanding balance if payment not provided	¹ See FA guidelines for full details 3.81
Disputed Derogatory Accounts (disputed collection, disputed accounts with late payments in last 24 months)	If aggregate total of disputed accounts is >=\$1,000, then must include in monthly expenses.	EXCLUDED: Disputed medical collections, disputed derogatory credit due to identity theft, credit card theft, or unauthorized use. 2.19
Installment Loans (Excluding student loans)	As per credit report or other documentation	If <10 months payments remaining, UW may exclude from calculation if the payment does not exceed 5% of the qualifying income. 3.82
Revolving Debt	5% of the outstanding balance if payment not provided	¹ See FA guidelines for full details 3.84
Student Loans	0.5% of the outstanding balance if payment not provided.	¹ See FA guidelines for full details 3.83
30-Day Accounts	5% of outstanding balance.	Account may be excluded if evidenced that balance paid in full each month in the last 12 months. 3.85

¹ Refer to FA Guidelines for full details for each debt type indicated above.
² Refer to 4000.1 Guidelines for full details for each debt type indicated above.



Property Charges

Revised October 2023

Overview

Include the following property charges in the Financial Assessment:

- All property taxes, including school, city, county, and state.

Exception: When a taxing authority has permanently waived payment of property taxes for the borrower, so taxes are not due and payable and do not accrue or result in a lien against the property, you can exclude these taxes from the financial assessment. The file must contain documentation for the waiver or exemption.

Note: FAR does not allow borrowers to participate in real estate tax deferral programs during the life of the loan. These taxes must be paid off prior to or at closing, and the deferral must not recommence until the HECM loan is satisfied.

- Homeowner's/hazard insurance and flood insurance.
- Homeowners' association (HOA), condominium and planned unit development (PUD) fees.
- Ground rents.
- Other assessments levied by municipalities or under state law.

Insurance Verification

We require verification that the borrower paid a 12-month policy in full.

Note: We require evidence that the previous policy was paid in full. However, if the borrower was not required to carry insurance, we pay a full year's premium at closing from the borrower's proceeds.

Acceptable documentation includes:

- The current Declarations page, and a previous Declarations page showing insurance is paid in full.
- A written statement from the insurance agent verifying that the previous policy was paid in full.

Tax Verification

We require verification of a 24-month payment history on all properties owned, no exceptions. If borrower has changed residences in the prior 24 months, we require verification of a cumulative 24-month payment history on the current and prior residence.

Note: In counties that do not provide this documentation, the borrower can submit cancelled checks or equivalent proof of payment.

Documentation for tax verification must show:

- Tax amount
- Due date
- Date paid
- Penalties/Interest

Acceptable documentation includes:

- Written statement from county assessor's office
- Tax printout from the county assessor's website
- Tax bills and copies of cancelled checks
- Title commitment that reflects all required information.

Subject Property and Other Real Estate Owned

"Other real estate owned" includes rental properties and second homes, etc.

We require verification of property tax payment history, as well as HOA, condominium, or PUD payment history on all properties the borrower currently owns. We consider the borrower to have satisfactory property charge payment history if, at the time of application:

- All property taxes for all owned real estate are current, and there are no property tax arrearages in the prior 24 months.
- All HOA, condominium, or PUD fees for all owned real estate are current, and there were no arrearages in the prior 24 months.

If the borrower pays homeowner's insurance on an additional property, we must include that amount in the Expense Analysis. We require the Declarations page to document premium amount.



Note: We do not require evidence of payment history.

Property Charges Included in the Life Expectancy Set-Aside (LESA)

If the borrower has not demonstrated the willingness and/or capacity to meet his or her property obligations, a LESA is required. This is an amount withheld from the mortgage proceeds for the payment of property charges during the life of the borrower, including:

- Property taxes
- Hazard insurance premiums
- Flood insurance premiums, if applicable

Note: The borrower is responsible for all other property charge payments.



Rental Income – Accessory Dwelling Units

Revised October 2023

An accessory dwelling unit (ADU) refers to a single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit single family dwelling, which together constitute a single interest in real estate. No income from commercial space may be included in the rental income calculations.

The minimum requirements for a living unit include:

- a continuing and sufficient supply of safe and potable water under adequate pressure and of appropriate quality for all household uses
- sanitary facilities and a safe method of sewage disposal. Every living unit must have at least one bathroom, which must include, at a minimum, a water closet, lavatory, and a bathtub or shower.
- space adequate for healthful and comfortable living conditions
- heating adequate for healthful and comfortable living conditions
- domestic hot water
- electricity adequate for lighting and for mechanical equipment used in the living unit

And,

- kitchen facilities adequate for the preparation and cooking of food. Every living unit must have at least one area with kitchen facilities, which must include, at a minimum, a sink with potable running water and a stove utility hookup.

IMPORTANT: A single family residential one-unit property with a single ADU remains a one-unit property. A single-family residential property with two individual dwelling units and one accessory dwelling unit (ADU) is considered a 3-unit property and three individual dwelling units and one ADU is considered a 4-unit property.

NOTE: A renter of an ADU is not a boarder. Refer to Boarder Income guidelines.

ADU Rental Income from The Subject Property

History of ADU Rental Income

When the borrower has a history of rental income from the subject property since the previous tax filing, the mortgagee must verify and document the existing rental income. This is done by obtaining the existing lease and rental history over the previous 24 months, free of unexplained gaps greater than three months. Such gaps could be explained by student, seasonal, or military renters or by property rehabilitation. Also, the borrower's most recent tax returns, including Schedule E, must be obtained from the previous two years. For properties owned for less than two years, the mortgagee must document the date of acquisition by providing the deed, closing disclosure, or other legal document.

The mortgagee must calculate the rental income by averaging the amount shown on Schedule E. Depreciation, mortgage interest, taxes, insurance, and any HOA dues shown on Schedule E may be added back to the net income or loss. If the property has been owned for less than two years, the mortgagee must annualize the rental income for the length of time the property has been owned.

Limited or No History of ADU Rental Income

Where the borrower does not have a history of rental income from the subject property since the previous tax filing, the mortgagee must verify and document the proposed rental income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report (URAR), and a Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, showing fair market rent and, if available, the prospective lease.

To calculate the effective income from the subject property where the borrower does not have a history of rental income from the subject property since the previous tax filing, the mortgagee must use 75% of the lesser of:

- fair market rent reported by the appraiser
- Or,
- the rent reflected in the lease or other rental agreement.

Note: The amount of the rental income from an ADU used as effective income must not exceed 30% of the total monthly effective income.

- ADU Rental Income - Other REO



ADU rental income from other real estate holdings may be considered effective income if the documentation requirements listed below are met. Suppose rental income is being derived from a property being vacated by the borrower. In that case, the borrower must be relocating to an area more than 100 miles from the borrower's current principal residence. The mortgagee must obtain a lease agreement of at least one year's duration after the mortgage is closed and evidence of the payment of the security deposit or first month's rent.

History of ADU Rental Income from Other REO

The mortgagee must obtain the borrower's last two years' tax returns with Schedule E.

The mortgagee must calculate the net rental income by averaging the amount shown on Schedule E provided the borrower continues to own all properties included on Schedule E. Depreciation shown on Schedule E may be added back to the net income or loss.

If the property has been owned for less than two years, the mortgagee must:

- annualize the rental income for the length of time the property has been owned; and
- document the date of acquisition by providing the deed, closing disclosure, or other legal document.

Positive net rental income must be added to the borrower's effective income. Negative net rental income must be included as a debt/liability.

- Limited or No History of ADU Rental Income

Where the borrower does not have a history of rental income for the property since the previous tax filing, including the property being vacated by the borrower, the mortgagee must obtain an appraisal evidencing market rent and that the borrower has at least 25% equity in the property. The appraisal is not required to be completed by an FHA roster appraiser.

The mortgagee must verify and document the proposed rental income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report, and a Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, showing fair market rent and, if available, the prospective lease.

To calculate the effective net rental income from other real estate holdings where the borrower does not have a history of rental income since the previous tax filing, the mortgagee must deduct the principal, interest, taxes, and insurance payment (PITI) from 75 percent of the lesser of:

- fair market rent reported by the appraiser
- Or,
- the rent reflected in the lease or other rental agreement

See [ML 2023-17](#)



Rental Income Calculations

Revised August 2017

Overview

Rental income includes income the borrower received from properties he or she owns, other than subject property. This income must be likely to continue for three years.

Note: There are separate requirements when borrowers rent out a portion of their primary residence.

History of Rental Income

If borrowers have a history of rental income, obtain the tax returns with Schedule E for the last two years. The underwriter calculates the rental income by obtaining the average of the amounts shown on the Schedule E. You can add depreciation, mortgage interest, taxes, insurance, and any HOA dues shown on Schedule E back into the net income or loss.

Less than Two Years

For properties with less than two years of rental income history, the underwriter must obtain the property deed, settlement statement, or other legal documentation showing the date of acquisition. The lender must then annualize the rental income for the length of time the borrower has owned it. For instance, if they have rented it for 8 months, calculate how much rent they would receive for a full 12 months.

Schedule E

To determine Schedule E monthly income, calculate the following:

- Take bottom line income (Line 26)
- Add depreciation (line 18)
- Add back taxes and insurance
- Add back mortgage interest

(Bottom line income) + (depreciation) + (back taxes and insurance) + (back mortgage interest) = Total Rent

Divide this total by 12 months for monthly rent.



Limited or No History of Rental Income

If the borrower does not have a history of rental income since the previous filing, the lender must obtain an appraisal showing evidence of market rent and confirming that the borrower has at least 25% equity in the property. The appraisal does not need to be completed by an FHA appraiser.

Two-to-Four Units

The underwriter must verify and document the proposed rental income by obtaining an appraisal that shows fair market rent and the prospective leases, if available.

Note: Use Fannie Mae Form 1025, Small Residential Income Property Appraisal Report.

One Unit

The underwriter must verify and document the proposed rental income by obtaining an appraisal that shows fair market rent and the prospective lease, if available.

Use the following forms:

- Fannie Mae Form 1025, Small Residential Income Property Appraisal Report
- Fannie Mae Form 1007, Single Family Comparable Rent Schedule
- Fannie Mae Form 216, Operating Income Statement

Calculating Rent

The underwriter calculates the net rental by deducting the principal, interest, taxes, and insurance payment (PITI) from the lesser of:

- The monthly operating income reported on Fannie Mae Form 216,
- Or,
- 75% of the lesser of:
 - Fair market rent reported by the appraiser,
- Or,
- The rent reflected in the lease or other rental agreement.

If the borrower is going to receive rental income from the property he or she is vacating, the borrower must be relocating more than 100 miles from the current principal residence. The lender must obtain a copy of the lease, which must be for at least one year, and provide evidence that the renter has paid the security deposit or first month's rent.

[Rental Income Calculations Process](#)



Retirement, Pension, Annuity Income

Reviewed August 2017

IRAs

Retirement income refers to income the borrower received from an individual retirement account, such as an IRA or 401K.

The borrower must verify and document that he or she receives recurring IRA/401(k) distribution income, and that it is reasonably likely to continue for three years.

The lender must obtain the most recent IRA/401(k) statement AND either of the following:

- Federal tax returns (reported on line 12b),
- Or,
- The most recent bank statement showing receipt of income.

Consistent Income

For borrowers who have been and will continue to consistently receive IRA/401(k) income, the lender uses the current amount of IRA/401(k) income to calculate effective income.

Fluctuating Income

For borrowers with fluctuating IRA/401(k) income, the lender calculates effective income from the average of the IRA/401(k) income over the previous two years. If the borrower received IRA/401(k) income for less than two years, the lender uses the average over the period of time the borrower received it.

We require the most recent statement to document the borrower’s income for three years. **Multiply the monthly income payment amount by 36.** The current balance of the retirement account must meet or exceed this amount.

IMPORTANT: Example: A borrower receives \$500 per month.

$\$500 \times 36 = \$18,000$

The minimum retirement account balance is \$18,000.

Pensions

Pension income is income the borrower receives from his or her former employer(s). The lender must verify and document that the borrower is receiving continuous payments from his or her pension, and that the payments **are likely to continue for at least three years.**

Note: Lenders are not required to document that income from a federal pension is likely to continue.

The lender must obtain the most recent statement and one of the following documents:

- Federal tax returns (reported on line 16a).
- The most recent bank statement showing receipt of income from the former employer.
- A copy of the borrower’s pension/retirement letter from the former employer.

Calculating Pensions

The lender must use the current amount of the pension income the borrower receives to calculate effective income.

Annuities

Annuity income refers to a fixed sum of money periodically paid to the borrower from a source other than employment.

The lender must obtain the legal agreement establishing the annuity and guaranteeing the continuation of the annuity for the first three years of the mortgage. The lender must also obtain a bank statement or transaction history from the bank showing the borrower received the annuity.

Contract Number Owner Name(s) Annuitant	Type: IRA	Contract Issue Date Annuity Date	08/21/2003 08/21/2003
Please review your statement and contact us within 30 days if you find any information you believe to be inaccurate. The living or death benefit values you have are provided in the "Your Benefits" section of this statement. If you do not see a benefit that you selected, please contact us.			
Your Portfolio			
Year Annuity Activity	Current Period	Year-to-Date	** "Contract Fees and Charges" reflect certain fees and charges imposed on this statement date, including but not limited to Contract Withdrawal/Early Charge (CWEC), monthly fees, annual maintenance fees, or if applicable or imposed during the period immediately following, what benefit fees or charges. It does not reflect interest fees that are included in the daily calculation of the unit price of the applicable portfolio. These are reflected in the values provided under "Portfolio Share". Please refer to your annuity prospectus for information regarding these fees.
Beginning Account Value	\$80,314.38	\$74,966.05	
Purchase Payments	.00	.00	
Credits	.00	.00	
Withdrawals	(\$867.95)	(\$2,835.64)	
Contract Fees and Charges**	.00	.00	
Investment Performance	\$4,518.54	\$11,705.30	
Ending Account Value**	\$83,764.91	\$83,784.91	
This annuity statement for testing purposes only			
Your Benefits			
Annuity Death Benefit			\$83,784.91

Calculating Annuities

The lender must use the current rate of the annuity to calculate effective income.

HECM for Purchase Loans

Subtract the amount of cash the borrower is bringing to closing from the borrower’s liquid assets before calculating any annuity income.



Social Security Income Calculations

Revised March 2022

Overview

When lenders use Social Security income to qualify a borrower, they must verify the amount of Social Security retirement or disability income the borrower receives, and that it is likely to continue for at least three years past the case number assignment date. HUD requires lenders document **receipt** and **continuance** of Social Security income.

Required Documentation

Social Security Retirement Income Verification

In order to document receipt of Social Security income provide one of the following:

- Most recent 1099
- Most recent bank statements
- Most recent tax returns

In order to document **continuance**, provide one of the following:

- Benefit Verification Letter from SSSA website. Sometimes referred to as a
- “budget letter”, “benefits letter”, or “proof of income letter”:
- Notice of Award Letter. This is mailed to the borrower when retirement benefits begin or when retirement benefits change.
- Equivalent documentation from the SSA that clearly shows:
 1. It is for Retirement income
 2. The date benefits began
 3. The amount
- Form SSA-1099

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT		
2012 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name		Box 2. Beneficiary's Social Security Number
Box 3. Benefits Paid in 2012 \$16,973.00	Box 4. Benefits Repaid to SSA in 2012 \$2,300.00	Box 5. Net Benefits for 2012 (Box 3 minus Box 4) \$14,673.00
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
Paid by check or direct deposit \$14,673.00		Deductions for work or other adjustments \$2,300.00
Deductions for work or other adjustments \$2,300.00		Benefits repaid to SSA in 2012 \$2,300.00
Total Additions \$16,973.00		
Benefits for 2012 \$16,973.00		
Box 6. Voluntary Federal Income Tax Withheld NONE		
Box 7. Address		
Box 8. Claim Number (Use this number if you need to contact SSA.)		
Form SSA-1099-SM (1-2013) DO NOT RETURN THIS FORM TO SSA OR IRS		

- Unacceptable for Verifying Social Security Income

Prevent identity theft—protect your Social Security number

What's inside...

Your Estimated Benefit

Your Earnings Record

Some Facts About Social Security

If You Need More Information

To Request This Statement in Spanish

WANDA WORKER

456 ANYWHERE AVENUE

MAINTOWN, USA 11111-1111

September 5, 2007

www.socialsecurity.gov

See inside for your personal information

→

What Social Security Means To You

This Social Security Statement can help you plan for your financial future. It provides estimates of your Social Security benefits under current law and updates your latest reported earnings.

Please read this Statement carefully. If you see a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of your Statement with your financial records.

Social Security is for people of all ages...

We're more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family after you die.

Work to build a secure future...

Social Security is the largest source of income for most elderly Americans today, but Social Security was never intended to be your only source of income when you retire. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire.

Saving and investing wisely are important not only for you and your family, but for the entire country. If you want to learn more about how and why to save, you should visit www.savemoney.gov, a federal government website dedicated to teaching all Americans the basics of financial management.

About Social Security's future...

Social Security is a compact between generations. For decades, America has kept the promise of security for its workers and their families. Now, however, the Social Security system is facing serious financial problems, and action is needed soon to make sure the system will be sound when today's younger workers are ready for retirement.

In 2017 we will begin paying more in benefits than we collect in taxes. Without changes, by 2041 the Social Security Trust Fund will be exhausted* and there will be enough money to pay only about 75 cents for each dollar of scheduled benefits. We need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations.

Social Security on the Net...

Visit www.socialsecurity.gov on the Internet to learn more about Social Security. You can read our publications, use the Social Security Benefit Calculators to calculate future benefits or use our easy online forms to apply for benefits.

Michael J. Astrue

COMMISSIONER

* These estimates are based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.

Amount of Benefits

FAR must use the current amount of Social Security income the borrower received. Review the Social Security Administration benefit letter to determine when benefits began, and the amount of monthly income the borrower receives from the Social Security Administration (SSA).

Note: If we are using tax returns, refer to Page 1, Income Section, Line 6a and 6b for Social Security income, if the borrower receives enough income to require reporting. If we use the Social Security Benefit Statement Form 1099 or benefit letter, use the total before deductions. The benefit statement displays this amount in Box 5.

Form 1040

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return

2013

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning 2013

Your first name and initial

Last name

If a joint return, spouse's first name and initial

Last name

Home address (number and street). If you have a P.O. box, see instructions.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below

Foreign country name

Foreign province/state

Filing Status

1 ☐ Single

4a IRA distributions

4b Taxable amount

5a Pensions and annuities

5b Taxable amount

6a Social security benefits

6b Taxable amount

7 Capital gain or (loss). Attach Schedule D if required. If not required, check here

7

c Dependents:

60 Dependent's social security number

(i) First name

Last name

If more than four dependents, see

Page 162 of 295



Social Security Administration
Retirement, Survivors and Disability Insurance
Notice of Award

Date: Jan 1, 2013
Claim Number: 1234567891A

John Doe
1 Main Street
Anytown, PA 12345

You are entitled to monthly disability benefits beginning [REDACTED]

What We Will Pay And When

- You will receive [REDACTED] around [REDACTED]
- This is the money you are due for [REDACTED]
- Your next payment of [REDACTED] which is for [REDACTED] will be received on or about the second Wednesday of [REDACTED]
- After that you will receive [REDACTED] on or about the second Wednesday of each month.
- There and any future payments will go to the financial institution you selected. Please let us know if you change your mailing address, so we can send you letters directly.

The day we make payments, this record is based on your date of birth.

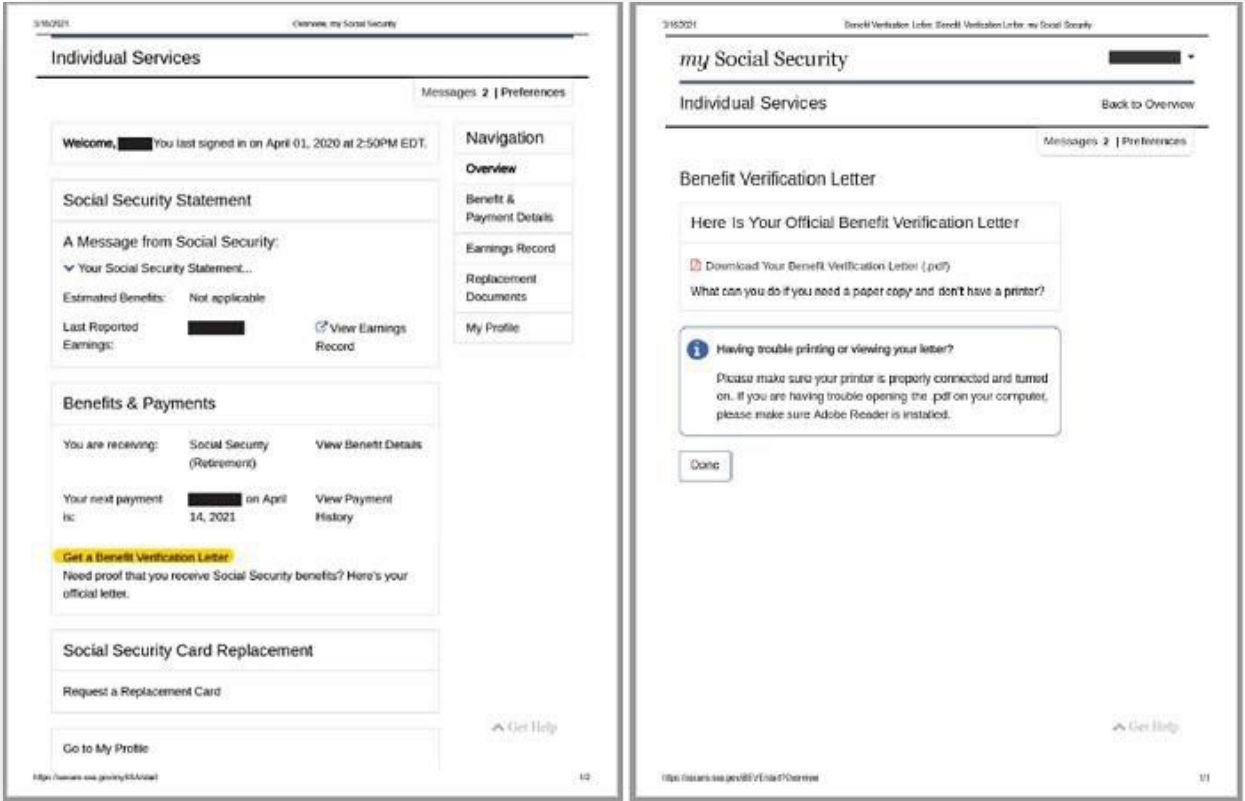
The Social Security Awards Letter can ONLY be used to document that benefits will continue.

Equivalents to Awards Letter



How to Pull Benefit Verification Letter Online

1. Login to ssa.gov/my account
2. Create new account or Login
3. Security code will be sent to your cell phone or your email (whichever you set up for verification)
4. Agree to the terms of service
5. Overview page appears
6. Scroll down & click on “Get a Benefit Verification Letter
7. Next page pops up & you click on Download Your Benefit Verification Letter (.pdf)
8. You can print or you can save to your computer as a pdf.



Social Security Administration
Benefit Verification Letter

Date: A
BNC#
REF: [REDACTED]



You asked us for information from your record. The information that you requested is shown below. If you want anyone else to have this information, you may send them this letter.

Information About Current Social Security Benefits

Beginning December 20, the full monthly Social Security benefit before any deductions is \$ [REDACTED].

We deduct \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment is \$ [REDACTED].
(We must round down to the whole dollar.)

Social Security benefits for a given month are paid the following month. (For example, Social Security benefits for March are paid in April.)

Your Social Security benefits are paid on or about the second Wednesday of each month.

Information About Past Social Security Benefits

From May 2020 to November 2020, the full monthly Social Security benefit before any deductions was \$ [REDACTED].

We deducted \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment was \$ [REDACTED].
(We must round down to the whole dollar.)

Type of Social Security Benefit Information

You are entitled to monthly retirement benefits.

Information About Current Social Security Benefits

Beginning June 1976, the full monthly Social Security benefit before any deductions is \$0.00.

We deduct \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment is \$0.00.
(We must round down to the whole dollar.)

Benefits were stopped beginning June 1976.

Social Security benefits for a given month are paid the following month. (For example, Social Security benefits for March are paid in April.)

Your Social Security benefits are paid on or about the third of each month.

Type of Social Security Benefit Information

You are entitled to monthly benefits as a dependent of the wage earner.

Date of Birth Information

The date of birth shown on our records is [REDACTED]

Suspect Social Security Fraud?

Please visit <http://oig.ssa.gov/> or call the Inspector General's Fraud Hotline at 1-800-269-0271 (TTY 1-866-501-2101).

If You Have Questions

We invite you to visit our web site at www.socialsecurity.gov on the Internet to find general information about Social Security. If you have any specific questions, you may call us toll-free at 1-800-772-1213, or call your local office at 1-866-931-7106. We can answer most questions over the phone. If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778. You can also write or visit any Social Security office. The office that serves your area is located at:

SOCIAL SECURITY
SUITE 900
14002 EAST 21ST STREET
TULSA OK 74134

If you do call or visit an office, please have this letter with you. It will help us answer your questions. Also, if you plan to visit an office, you may call ahead to make an appointment. This will help us serve you more quickly when you arrive at the office.

Social Security Administration

How to Pull Benefit Verification Letter via Automated Phone System

1. Borrower calls 1-800-772-1213
- NOTE:** Initial recorded announcement is approximately 2 minutes before borrower can make a selection.
2. Once the automated system picks up, borrower will make selection for Request Proof of Income Letter or Benefits Verification
3. Automated system will state, “Income Verification”
4. “If doing taxes and need proof of income for taxes or tax statement 1009”, Press 1 or say, “1099”
5. “Or if you need proof of income, press 2 or say, “Benefits Verification Letter”
6. Borrower will need to verify their Name, Date of Birth, and Social Security Number



7. Once everything is confirmed via the automated system, the borrower will receive the information in the mail within 1-2 weeks.

NOTE: If borrower recently moved and has not updated their info, this method will not work for them as verification will be mailed to the old address.



State Tax Liens

Revised August 2017

Overview

State liens are public records indicating that state tax debt has not been paid. These DO NOT appear on the credit report as of July 1, 2017. Finance of America Reverse (FAR) pulls a lien and judgments report at submission to review for state and tax liens. These may or may not be attached to the borrower's property.

ALWAYS include state tax liens as part of the borrower's overall credit history pattern to determine if a Life Expectancy Set-Aside (LESA) is required.

State Liens Attached to Property

Liens that are attached to the borrower's property must be paid in full at or prior to closing. They can also be subordinated behind the HECM loan. However, if the balance remains unpaid the borrower must be on a payment plan and have made three payments prior to closing.

The borrower CANNOT prepay these payments to close. The monthly amount must be included in the borrower's expenses in residual income calculations.

State Tax Liens NOT Attached to Property

Review any liens that are NOT attached to the borrower's property. They do not have to be paid in full at, or prior to closing.



Third Party Verification

Revised June 2021

Overview

Effective February 15, 2019, HUD revised its requirements for employment, income, and asset information is verified to include the use of Third Party Verification (TPV) services.

TPV refers to a process through which a borrower's employment, income, and asset information is verified directly by the mortgagee with a borrower's employer or financial institution through the services of a third party vendor.

Items that can be verified through TPV include but are not limited to:

- Traditional current employment
- Alternative current employment
- Past employment
- Earnest money deposits
- Checking and savings accounts

Refer to [Mortgagee Letter 2019-01](#) for more information.



Flood Certificates



Flood Certificates

Created March 2022

Overview

Every loan file must contain a flood certificate that indicates whether flood insurance is a requirement. The life-of-loan flood certificate contains a flood hazard designation that is independent of any appraiser assessment.

A special flood hazard has one of the following designations: **A, AO, AH, A1-30, AE, A99, VO or V1-30, VE or V**. Only properties within these zones require flood insurance.

Note: Properties within zones **B, C, and X** do *not* require flood insurance.

Process

When you review a flood certificate, verify the following:

- Borrower Name**
The flood certificate should indicate the primary borrower’s name. The name must be accurate, but it does not need to be exact. For instance, middle initial, suffix, and so forth, are not required.
- Property Address**
The property address should exactly match the address as it appears throughout the loan file.
- Client**
The client on all flood certificates must be Finance of America Reverse LLC 8023 East 63 Place, Suite 700, Tulsa, Oklahoma 74133, EXCEPT for wholesale loans, where the principal-agent or Full Eagle Correspondent is closing in their own name.
Note: Loans that close in New York in Finance of America Reverse’s (FAR) name must show **FARreverse LLC i/l/t/n Finance of America Reverse LLC** 8023 East 63 Place, Suite 700, Tulsa, Oklahoma 74133. If the full company name does not fit, **FARreverse LLC** is acceptable in New York.
- Loan Identifier**
The loan identifier is either the loan number or Federal Housing Administration (FHA) case number.
- Flood Zone**
The Federal Emergency Management Agency (FEMA) determines Special Flood Hazard Areas (SFHA) nationwide. FEMA issues Flood Hazard Boundary maps to designate these areas within a community. View Box B-4 on the flood certificate to determine if the property is in a flood zone:
 - If Box 4 in Section B contains X, and Box 1 in Section B contains a mapping number, the property is *not* in a flood zone.
 - If Box 4 in Section B contains A or V, the property is in a flood zone.
 - If Box 1 does not contain a mapping number, flood zone status is “undetermined.”

B. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING BUILDING/MOBILE HOME			
1. NFIP Map Number or Community-Panel Number (Community name, if not the same as "A")	2. NFIP Map Panel Effective/ Revised Date	3. LOMA/LOMR	4. Flood Zone
13067C 0017G	12/16/08	<input type="checkbox"/> Yes <input type="checkbox"/> No	X

- The underwriter reviews the flood zone and flood insurance availability sections of every flood certificate. If the property is located within a SFHA, and National Flood Insurance Program (NFIP) is not available within the community, the property is not eligible for FHA mortgage insurance, and the loan is declined.
Note: See [HUD Handbooks 4150.1](#) and [4150.2](#) for more information.
- Coastal Barrier Resources Act (CBRA)**
Per [Mortgagee Letter 2010-43](#), properties located in a CBRA area are ineligible for FHA insurance. The appraiser should note this, but you will also find it on the flood certification. These properties must be declined.
Note: CBRS boundaries are established and mapped by the Fish and Wildlife Service (USFWS). Location maps and additional information regarding CBRA are at <http://www.fws.gov/cbra/>.
- Flood Map Indicator**
Each flood certificate should have the National Flood Insurance Program (NFIP) map number and date. If the information is not on the certificate, reject it.



A. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) COMMUNITY JURISDICTION				
1. NFIP Community Name	2. County(ies)	3. State	4. NFIP Community Number	
TIVERTON, TOWN OF	NEWPORT	RI	440012	
B. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING BUILDING/MOBILE HOME				
1. NFIP Map Number or Community-Panel Number (Community Name, if not the same as "A")	2. NFIP Map Panel Effective/ Revised Date	3. LOM/LOMR	4. Flood Zone	5. No NFIP Map
44005C 0037H	04/05/10	<input type="checkbox"/> Yes Date	X	
C. FEDERAL FLOOD INSURANCE AVAILABILITY (Check all that apply)				
1. <input checked="" type="checkbox"/> Federal Flood insurance is available (community participating in NFIP) <input checked="" type="checkbox"/> Regular Program <input type="checkbox"/> Emergency Program				
2. <input type="checkbox"/> Federal Flood insurance is not available because community is not participating in the NFIP.				
3. <input type="checkbox"/> Building/Mobile Home is in a Coastal Barrier Resources Area (CBRA) or Otherwise Protected Area (OPA), Federal Flood insurance may not be available. CBRA/OPA designation date:				

- **Mapping and Participation**
When an area is not mapped or NFIP is not available, the property may not be eligible. Refer to following chart:

Mapping (Box 1, 2, 5)	Flood Zone (Box 4)	NFIP Participation (C1 and C2)	Is property eligible?
Mapped	In a flood zone	NFIP Available	Eligible
Mapped	In a flood zone	NFIP NOT Available	Ineligible
Mapped	NOT in a flood zone	NFIP NOT Available	Eligible
Not Mapped	Undetermined	NFIP Available	Lender Discretion
Not Mapped	Undetermined	NFIP NOT Available	<ul style="list-style-type: none">• Manufactured: Ineligible• Stick-built: Lender discretion

Note: If the table indicates “Lender Discretion” the underwriter or underwriter manager review the area for local bodies of water, annual rain falls, last flood, and availability of NFIP coverage to determine eligibility.

- **Disputing a Flood Zone**
If a borrower feels the subject property is located outside of a flood hazard area, he or she must obtain a Letter of Map Revision (LOMR) or Letter of Map Amendment (LOMA) from FEMA. The underwriter will not waive flood insurance unless one of these has been issued.
- **Life of Loan**
All flood certificates must extend through the entire life of the loan. This appears at the bottom of the certificate in the DATE OF DETERMINATION box as “Life of Loan” or “LOL.”

This determination is based on examining the NFIP map, any Federal Emergency Management Agency revisions to it, and any other information needed to locate the building/mobile home on the NFIP map.	
F. PREPARER'S INFORMATION	
NAME, ADDRESS, TELEPHONE NUMBER (if other than Lender)	DATE OF DETERMINATION
CoreLogic Flood Services 11902 Burnet Road Austin, TX 78758 1-800-447-1772	08/08/11 at 5:25 PM CDT FloodCert #: 1108233786 *** LIFE-OF-LOAN ***

FEMA Form 81 - 93, DEC 08

- **Order Date**
The underwriter reviews the order date of the flood certification in the DATE OF DETERMINATION box to ensure that certification was not ordered before the HECM counseling session. If it was, the fee cannot be charged to the borrower. Communicate this to the closer through the Prior to Funding conditions.

Flood Certificates Process



Flood Zone Requirements

Revised August 2023

	New / Proposed Construction	Existing Construction	Manufactured Homes	Condo Projects	All Other Properties
Life-of-Loan flood zone determination certificate	Required	Required	Required	Required	Required
Property within Coastal Barrier Resource System (protected areas)	Ineligible for FHA insurance	Ineligible for FHA insurance	Ineligible for FHA insurance	Ineligible for FHA insurance	Ineligible for FHA insurance
Property within Special Flood Hazard Areas (SFHA)	Ineligible for FHA insurance	Adequate flood insurance for term of loan. If National Flood Insurance Program (NFIP) insurance is not available, property is ineligible.	Ineligible for FHA insurance	Adequate flood insurance for term of loan. If National Flood Insurance Program (NFIP) insurance is not available, property is ineligible.	Adequate flood insurance for term of loan. If National Flood Insurance Program (NFIP) insurance is not available, property is ineligible.

Exceptions	New / Proposed Construction	Existing Construction	Manufactured Homes	Condo Projects	All Other Properties
Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR)	Property is eligible for FHA insurance. No flood insurance required	No flood insurance required.	Property is eligible for FHA insurance. No flood insurance required.	No flood insurance required.	No flood insurance required.
FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 81-31) indicating property is above Base Flood Elevation.	Property is eligible for FHA insurance. Flood insurance is required if property is in SFHA.	Flood insurance is required if property is in SFHA.	Property is ineligible unless an elevation survey proves the lowest portion of the improvement is above the flood zone. Flood insurance is required.	Flood insurance is required if property is in SFHA.	Flood insurance is required if property is in SFHA.



Fraud Detection



Red Flags: Elder Abuse

Know the Signs



Unpaid bills, eviction notices, or notices to discontinue utilities



Withdrawals from bank accounts or transfers between accounts that the older person cannot explain



New "best friends"



Legal documents, such as powers of attorney, which the older person didn't understand at the time he or she signed them



A caregiver expresses excessive interest in the amount of money being spent on the older person



Suspicious signatures on checks or other documents



Implausible explanations given about the elderly person's finances by the elder or the caregiver



The elder is unaware of, or does not understand, financial arrangements that have been made for him or her

If you suspect...

If you suspect that an individual or company may be involved in a reverse mortgage scam, false advertising, or other fraudulent behavior, let your HECM counselor, lender, or loan servicer know. Then, file a complaint with the Federal Trade Commission, your state Attorney General's office, or your state banking regulatory agency.

Members of the National Reverse Mortgage Lenders Association adhere to a strict Code of Ethics and Professional Responsibility.
Learn more at www.reversemortgage.org

This brochure was prepared by the National Reverse Mortgage Lenders Association for distribution on World Elder Abuse Awareness Day with information from: the Administration for Community Living, National Adult Protective Services Association, National Center on Elder Abuse, National Committee for the Prevention of Elder Abuse, and Women's Institute for a Secure Retirement

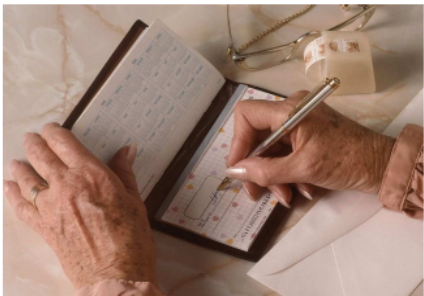


Recognize & Report Elder Financial Abuse

www.reversemortgage.org

What is Elder Financial Exploitation?

Elder financial abuse, also known as financial exploitation, is the illegal or unauthorized use of an older adult's funds or resources for the benefit of someone other than the older adult. This includes fraud, theft, and acts of deception to gain control over a senior's money or property.



Common Scams & Fraud

Grandparent Scam

Pretending to be a grandchild in trouble in order to convince the senior to wire money or send prepaid debit cards.

Identity Theft and Credit Card Fraud

Gaining access to a senior's personal information to take money and property. Includes fraudulently filing a tax return and stealing the refund, or impersonating the IRS and telling the senior the IRS is owed money.

Sweepstakes and Lottery Scams

A widely practiced form of telemarketing fraud, scammers tell seniors that they have won a lottery or sweepstakes. The catch is, the senior must make a small payment or pay a fee to receive the alleged prize.

Investment Schemes & Fraud

Unscrupulous professional investors try to sell inappropriate, unethical, or confusing investment products to seniors, or from con artists claiming to be the "Nigerian prince" or some other wealthy foreigner who asks for your bank account number to transfer millions of dollars into your banking account.

Healthcare Scams

Getting information about a senior's medical accounts –like Medicare and Medicaid– in order to make fraudulent claims and take advantage of these taxpayer programs.

Report It

If the situation is threatening or dangerous call 911 or the local police for immediate help

Adult Protective Services- State/Local Resources
<http://www.napsa-now.org>

National Center on Elder Abuse
1-800-677-1116, <https://ncea.acl.gov>

Consumer Fraud and Identity Theft
Federal Trade Commission, 1-877-FTC-HELP, 1-877-ID-THEFT, www.ftc.gov

Securities Fraud
Securities & Exchange Commission, 1-800-SEC-0330, www.sec.gov

General Fraud and Other Criminal Matters
FBI, 202- 324-3000, <https://tips.fbi.gov>

Health Care Fraud, Medicare/Medicaid Fraud, and Related Matters
Department of Health and Human Services OIG, 1-800-HHS-TIPS, www.oig.hhs.gov

Internet Fraud and Lottery/Sweepstakes Fraud by Internet
Internet Crime Complaint Center (IC3), www.ic3.gov

Mail Fraud and Lottery/Sweepstakes Fraud
U.S. Postal Inspection Service, 1-800-372-8347, <https://postalinspectors.uspis.gov>



Red Flags: Underwriting Escalation

Created December 2013

Overview

All HECM loans are reviewed by an underwriter with Direct Endorsement (DE) authority and an active CHUMS number. The DE underwriter reviews the entire file prior to loan approval. Any red flags, potential fraud, or misrepresentation noted during the underwriting process are immediately referred to the Fraud Risk Manager for review and appropriate action.

Red flags may include, but are not limited to:

- Evidence of elder abuse
- Forged or altered documents
- Signature discrepancies
- Occupancy or seasoning concerns
- Inflated values
- Appraisal/property misrepresentation
- Property flipping.

If the Fraud Risk manager believes fraud or material misrepresentation exist in a loan file, he or she immediately escalates the file to senior management. Depending on the type of finding, the Fraud Risk manager also reports the findings to the U.S. Department of Housing and Urban Development (HUD), Finance of America Reverse of America's (FAR) Anti-Money Laundering Officer, and the appropriate regulatory agencies, if applicable.

Senior management discusses further action and outcomes, which may include placing any parties to the misrepresentation on an internal exclusionary or watch list or banning them from participation in future transactions with the lender.

Any escalated items, regardless of whether or not they are determined to be fraud or material misrepresentation, are logged on an internal tracking document. That document is reviewed during quarterly QC meetings to identify and discuss any trends that could lead to adverse outcomes. The lender takes additional action as appropriate.

[MIDEX Process](#)



Funds to Close



Funds to Close

Reviewed July 2021

Overview

The Underwriting and Closing Department reviews all verification of funds before releasing the clear to close and closing package to the closing agent.

We must obtain documentation when a borrower intends to bring funds to the closing table because they are short to close, regardless of the amount. Then, we verify all sources of funds.

IMPORTANT: Financing, such as cash advances on credit cards, personal loans, or other similar financing is NOT an acceptable source of funds.

Acceptable sources of funds vary but can include anything in the following sections.

The lender must authenticate documents obtained from the Internet and examine portions of printouts downloaded from the Internet including the URL, as well as the date and time the documents were printed. The Lender must visit the URL, or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the Lender's visit to the URL and website. Documentation obtained through the Internet must contain the same information as would be found in an original hard copy of the document.

Below are instructions on obtaining bank print outs from the Internet instead of obtaining stamped printouts in person, at the bank.

On any website in Chrome:

- Select CTRL+P on your keyboard to bring up the print dialog box
- Click More Settings on the left side of the screen
- Put a check in Headers and Footers

By doing this, it will add the date to the top of the printout and the URL and number of pages to the bottom of the printout.

Savings or Checking accounts

The accounts must have a sufficient balances and account history to support the amount of funds to close. The borrower must provide the following:

- Verification of Deposit (VOD), and all pages of the most recent bank statement showing that the current balance over the previous two months is sufficient to cover the amount of the funds being brought to closing.

OR,

- Bank statements covering the most recent three-month period.

Note: Two statements are acceptable if the older statement reflects the balance for the prior month.

Large Balance Increases

If the borrower's account balance reflects large increases over the most recent three-month period, we may require information about the source of the funds to verify that they are not borrowed funds.

If there is a large increase in funds or the account was recently opened, the underwriter requests that the borrower provide documentation and a credible explanation for the source of the funds. Bank statement printouts or print screens from an online resource are acceptable only if a bank representative acknowledges the statement with a date, stamp and signature.

Note: Bank statement printouts must display the bank name, borrower name, and account number.

Business Bank Statements

Bank statements must be from the borrower's personal account. Business bank statements require additional verification including, but not limited to proof the borrower is:

- The owner of the business, and the sole signor on the account,
- OR,
- Acknowledgement of the withdrawal by all signors on the account.

Gift Funds

Gift funds refer to the contributions of cash with no expectation of repayment.



Acceptable sources of gift funds can come from a family member of the borrower, or a close friend with a clearly defined and documented interest in the borrower.

Donor's source of funds cannot be cash on hand.

The lender must obtain a gift letter signed and dated by the donor and borrower that includes the following:

- The donor's name, address, telephone number.
- The donor's relationship to the borrower.
- The dollar amount of the gift; AND
- A statement that no repayment is required

Documenting the Transfer of Gift Funds

The lender must verify and document the transfer of gift funds from the donor to the borrower:

- If the gift funds have been verified in the borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the borrower's account.
- If the gift funds are not verified in the borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.
- If the gift funds are paid directly to the settlement agent, the lender must verify that the settlement agent received the funds from the donor for the amount of the gift, and that it was an acceptable source.
- If the donor borrows the gift funds, and documentation from the bank or other savings account is unavailable, the lender must have the donor provide written evidence that the funds were borrowed from an acceptable source, and not from a party to the transaction.

Regardless of when gift funds are available to a borrower, the lender must make a reasonable determination that the gift funds were not provided by an unacceptable source.

Stocks, Bonds and Mutual Funds

Funds from a borrower's stocks, bonds or mutual funds are acceptable sources, as long as their value can be verified. Acceptable documentation includes the most recent monthly or quarterly statement provided by the financial institution, as well as proof of the withdrawal from the source, and deposit into the borrower's own account.

Retirement Accounts/IRAs/401Ks

Vested funds from retirement accounts or retirement savings accounts are acceptable as a source of funds to close. Required documentation includes ALL of the following:

- The most recent monthly or quarterly statement provided by the financial institution, indicating the current value less any federal income tax and withdrawal penalties.
- Evidence of liquidation of the amount required for closing.
- Evidence of the deposit into the bank account from which funds will be withdrawn, AND evidence the funds were not borrowed against the account.

Real Estate Sale Proceeds

Net proceeds from a recent arms-length sale of real estate owned by the borrower are acceptable, provided that we receive the final HUD-1 Settlement Statement from the sale of the property and evidence of the funds transfer.

Sale of Personal Property

The sale of personal property, such as a car, recreational vehicle, stamps, coins, baseball card collections, and so forth, is an acceptable source of funds to close. Required documentation includes ALL of the following:

- Conclusive evidence the item or items were sold.
- Acceptable documentation from an uninterested third-party expert that provides a satisfactory estimate of worth from a published value estimate. The estimated worth of the items being sold may be in the form of:
- A published value estimate issued by an organization, such as an automobile dealer.

Or,

- A separate written appraisal by a qualified appraiser with no financial interest in the loan transaction.

Note: The LESSER of the estimated value or actual sale price is the amount considered to be "assets to close."

Life Insurance Policies

We can accept life insurance policies as a source of funds to close, provided the borrower submits the following:

- Proof of net worth when the policy is cashed in.
- Proof that the proceeds of the policy were deposited into the borrower's account.



- Proof that the funds to close were drawn from that account, AND evidence the funds were not borrowed against the life insurance.

Cash Saved at Home

Borrowers who have saved cash at home and are able to adequately demonstrate how they were able to do this can include this money as an acceptable source of funds to close. To include cash saved at home when assessing the borrower’s cash assets:

- The money must be verified and deposited in a financial institution.
- The borrower must provide satisfactory evidence that he or she was able to accumulate those savings.

Borrower

Required documentation includes a written explanation from the borrower stating:

- How the funds were accumulated.
- How long it took to accumulate the funds.

Lender

The lender must determine that the accumulation of funds is reasonable based on:

- The time period during which funds were saved.
- The borrower’s:
- Income stream
- Spending habits
- Documented expenses
- History of using financial institutions

Note: Borrowers with checking and savings accounts are less likely to save money at home than individuals with no history of such accounts.



Guardianship or Conservator



Guardianship or Conservator

Revised September 2023

Overview

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 no durable Power of Attorney (POA) or has a POA that is void because it was not signed before the date the borrower became incompetent.

Documentation

If the borrower has a guardian, the file must contain the following documents:

- A copy of the court order appointing the person as guardian or conservator.
- Limited Denial of Participation (LDP) and System for Awards Management (SAM) printouts.
- Letter from title that the guardianship or conservatorship is acceptable to insure.
- A court order stating that the court approves the loan transaction for a Home Equity Conversion Mortgage (HECM). The words “reverse mortgage” and “adjustable rate, negative amortized loan” must be included in the court order, as applicable. This court order:
 - Must be signed by a judge.
 - Should not include any interest amount. If an interest rate does appear, the court order must state that it is an “initial rate” and note that it is an adjustable rate for a negative amortized loan, if applicable.
 - Should not indicate a loan amount. If a loan amount does appear, it must not be less than the recorded deed amount, which equals one and one half times the maximum claim amount.
 - Must authorize the trustee to act on behalf of the trust if the property is in trust.

Application, Counseling and Competency

The guardian or conservator must attend the counseling session. The borrower does not need to attend.

The loan officer confirms the guardian or conservator’s identity with:

- State or government-issued identification
- Customer Identification Certification (an application form)

Document Signing

The guardian’s or conservator’s signature must follow the guidelines in the guardianship documents.

IMPORTANT: Example: [Borrower’s full name] by [guardian’s full name] as [Guardian/Conservator]
“Jane Doe by John Smith as Guardian” or “John Jones by Jane Smith as Conservator”

Face-to-Face Requirement

Borrowers must meet the HUD face-to-face requirement at application, counseling or closing OR be seen by their doctor during the time frame of the loan. The doctor must include this certification in the doctor’s letter.

- The borrower is present when the application is being signed and the loan officer marks that the meeting was face-to-face on the 1009.
- The counseling session was performed face-to-face and is reflected on the counseling certificate.
- The borrower is seen by their physician during the loan process and the doctor completes the Face-to-Face Certification that the borrower was met in person or makes a similar statement on their own letterhead.
- The borrower attends closing, and the Face-to-Face Certification is completed by the closing agent and notarized by the closing notary.

Temporary Guardianship or Conservatorship

Temporary guardianships or conservatorships are not allowed. A guardianship or conservatorship must be valid, and in force with no expiration date so the borrower has a legal representative for the life of the loan.



Insurance



Flood Insurance

Revised October 2023

Overview

Each file must contain a flood certificate that indicates whether flood insurance is required, and if so, whether it is available. We do not accept the loan if the community related to the property does not participate in National Flood Insurance Program (NFIP).

If insurance is required:

- The borrower must provide a copy of the insurance Declaration page showing adequate proof of insurance before the loan will be cleared to close.
- The borrower must obtain flood insurance if he or she does not have any.
- Borrowers who must obtain a new policy, or increase an existing one, must sign the “Notice to a Borrower in a Special Flood Zone” flood insurance disclosure attached to the flood certification 10 days prior to loan closing.
- In addition, Massachusetts borrowers must receive the Massachusetts Notice of Flood Insurance Coverage disclosure when new or increased coverage is required on flood insurance. This disclosure automatically prints in the closing package for any Massachusetts file located in a flood zone.

Note: The disclosure must be provided when coverage is required at underwrite but can be signed at closing.

- Flood insurance coverage must be the appraised value of the property minus the site value, or the maximum \$250,000 flood insurance limit for the area.
- The insurance must be effective on the closing date, and for 60 days after closing.
- The processors change the mortgagee clause prior to closing.
- Manufactured homes require one of the following:
 - A Federal Emergency Management Agency (FEMA) Letter of Map Amendment (LOMA)
 - A FEMA Letter of Map Revision (LOMR)

Special Flood Hazard Areas (SFHA)

Each file must contain proof of flood insurance whenever a property is within a Special Flood Hazard Areas (SFHA).

IMPORTANT: If the property is located within a SFHA and insurance under the National Flood Insurance program is not available within the community, the property is NOT eligible for Federal Housing Administration (FHA) insurance.

The underwriter reviews the following flood insurance requirements on SFHA loans:

- Insured: All borrowers are named on the flood insurance policy.
- Property Address: The flood insurance policy reflects the correct property address.
- Mailing Address: The mailing address can be different from the insured property address. However, the underwriter performs adequate due diligence to determine occupancy status if the mailing address is a physical address, rather than a PO Box.
- Mortgagee Clause: The policy must list the following in the mortgagee clause of all policies:
 - Finance of America Reverse LLC
- ISAOA
- P.O. Box 39457
- Solon, OH 44139-0457
- **Note:** We can accept a copy of the request to change the mortgagee to FAR if we receive proof that the clause has been changed, or sufficient evidence that the clause will be changed.
- **Note:** A copy of the fax confirmation showing that a request to change the clause was sent to the insurance company would be sufficient evidence.
- Effective Period: All flood insurance policies must be in effect at closing, and coverage must extend no less than 60 days past the closing date.
- **Note:** If a policy is expiring less than 60 days past closing, we require evidence of renewal.
- Premiums: The total premium for the existing policy must be paid in full at closing. If a policy will expire less than 60 days past closing, we also require evidence of renewal. Any currently due premiums and renewals within 60 days are paid through the loan on all LESA files. The premium to renew should be paid at closing, along with any outstanding premium on the current policy. Add this requirement as a Prior to Funding condition in LOS to communicate it to the closer.
- Deductible: Per FEMA, the minimum allowable deductible for flood insurance is:
 - Pre-FIRM Subsidized policies:
 - Properties under 100,000, the greater of \$1,500 or 1%
 - Properties over 100,000, the greater of \$2,000 or 1%

Note: Subsidized policies display on the flood declaration page.



○ Full-Risk Rated policies:

- For Properties under 100,000, the greater of \$1,000 or 1%
- For Properties over 100,000, the greater of \$1,250 or 1%

Note: The changes to the minimum deductibles only apply to new business and renewal policies that are effective on or after June 1, 2014, in accordance with [Section 100210 of BW-12](#).

- FAR allows a MAXIMUM deductible of \$5,000. States may have their own deductible requirements, which must also be met, when applicable.

Exceptions to NFIP Policies

FAR reviews private flood policies from private insurers in alignment with FHA/HUD requirements:

- Coverage Amounts
- Lower of:
 - 100% replacement cost of the insurable value of the improvements, which consists of the development or project cost less estimated land cost
 - The maximum amount of the NFIP insurance available with respect to the particular property type
 - The outstanding principal balance of the loan
- Deductible:
 - No higher than the specified maximum
- Include similar non-applicability provisions, as under a standard flood insurance policy under the NFIP for any total policy coverage amount up to the max available under the NFIP at the time the policy is provided to the lender
- Carrier must be licensed, admitted, or otherwise approved to engage in the business of insurance in the state or jurisdiction in which the insured building is located, by the insurance regulator of that state or jurisdiction.
- Compliance aid from insurer attesting that a PFI policy meets the requirements of flood insurance
- “This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for FHA-insured mortgages.”

See additional requirements in [ML 2022-18](#)

Other Acceptable Insurance Underwriters

FAR also accepts the following insurance policies:

- Policies written by a state’s *Fair Access to Insurance Requirements* (FAIR), if it is the only coverage the borrower can obtain.
- Policies through state insurance plans, such as *Hawaii Property Insurance Association* (HPIA), *Florida’s Citizens Property Insurance Corporation*, or other state-mandated windstorm and beach erosion insurance pools, if it is the only coverage available.
- A separate hurricane insurance policy issued by the *Hawaiian Hurricane Relief Fund* for properties in Hawaii, provided the companion non-catastrophic fire and extended coverage, or homeowner’s, policy is from an insurer that meets Fannie Mae’s rating criteria.

Massachusetts Policies

In Massachusetts, the lender cannot require a deductible amount of less than \$5,000; however, the borrower can ELECT to have a deductible below this threshold.

- Coverage Amount: The flood insurance policy must cover 100% of the insurable value of improvements up to a maximum of \$250,000. The amount of coverage must be either:
- The appraiser’s evaluation of “total estimate of cost new,”
 - Or,
- The appraised value of the property minus land value.
- **Note:** Both the Cost Approach and the land value are typically on Page 3 of the appraisal report. If the flood insurance policy does not contain sufficient coverage, the borrower must request an increase in coverage from the insurance company.

Proof of Coverage: A declaration page is sufficient proof of coverage. In some instances, an insurance binder or quote is also sufficient. The binder or quote must indicate an effective date on or before the closing date, and the insurer must confirm that this date will not change upon receipt of premium payment at funding.

Condominiums: See Single Unit Approval Topic for requirements.



Mass. Gen Laws Ch. 183 § 69

The amount of coverage in Massachusetts must be based upon the LEAST of:

The OUTSTANDING principal balance of the loan,

- The maximum amount of the NFIP insurance available with respect to the property type,

Or

- The development cost of the property, less estimated land cost; but not considering the full value of any line of credit.

The amount of insurance coverage is not frozen at closing, so the servicer can require increased coverage as the HECM balance increases. Also, Massachusetts borrowers can ELECT higher coverage. However, we cannot require it.



Hazard Insurance

Revised October 2023

Overview

A hazard insurance policy must be in effect at the time of closing, and in effect at least 60 days past the closing date. The borrower must ensure all improvements on the property serving as collateral for the HECM against any hazards, casualties, and contingencies, including but not limited to fire and flood. This pertains to all improvements, whether in existence at the time of origination, or erected subsequently.

Each file must contain proof of hazard insurance coverage. The underwriter reviews the following requirements on each reverse mortgage loan:

- Insured:** The hazard insurance policy lists all borrowers as insured under the policy.
- Property Address:** The correct property address appears on the insurance policy.
- Mailing Address:** The mailing address can be different from the insured property address. However, the underwriter performs adequate due diligence to determine occupancy status if the mailing address is a physical address, rather than a PO Box.
- Mortgagee Clause:** All policies must list the appropriate mortgagee clause, below, in the mortgagee clause section. However, we can accept a copy of the request to change the mortgagee to FAR if we receive proof that the clause has been changed, or sufficient evidence that the clause will be changed.

Note: A copy of the fax confirmation showing that a request to change the clause was sent to the insurance company would be sufficient evidence.

Mortgagee Clauses include:
All states:
Finance of America Reverse LLC
ISAOA
P.O. Box 39457
Solon, OH 44139-0457

- Effective Period:** All hazard insurance policies must be in effect at closing, and coverage must extend no less than 60 days past the closing date.
Note: If a policy is expiring less than 60 days past closing, we require evidence of renewal.
- Premiums:**

Policy Type	Renewal Date	At Closing Requirement
Continued Policy Auto-Draft	n/a	n/a
Continued Policy Paid Yearly	Within 60 days of closing	Collect full premium at closing; if invoice is not available, use current premium x 104%
Continued Policy Paid Yearly	Outside of 60 days of closing	Do not pay at closing
Brand New Policy (Refi/Purchase)	n/a	Pay in full at closing
Closing in a LESA	Within 90 days of closing	Collect remaining due at closing
Closing in a LESA	Outside of 90 days of closing	Collect as many months as there are up until the next renewal.
Monthly/Quarterly Payment Plan (not auto-draft)	n/a	Collect next monthly/quarterly premium at closing

- Endorsements:** A policy can contain other endorsements not required by the lender. However, the underwriter reviews them for any effect they might have on other areas of due diligence. For example, a hazard policy may contain a “home daycare” endorsement, indicating that children are present, and a business is operating out of the subject property. Other endorsements include agricultural endorsements, farmland endorsements, equipment endorsements, and so forth.
- Deductible:** The maximum allowable deductible is 5% of the face amount of the insurance policy UNLESS state law requires a lower deductible amount.
- Coverage Amount:** The hazard insurance policy must cover 100% of the insurable value of the improvements, unless the policy contains an endorsement that guarantees replacement costs. The amount of coverage must be either:



- The appraiser's evaluation of "total estimate of cost – new,"
Or,

- The total appraised value of the property minus the land value.

Note: Both the Cost Approach and the land value are typically on Page 3 of the appraisal report. If the hazard insurance policy does not contain sufficient coverage, the borrower must request an increase in coverage from the insurance company.

- **Type of Coverage:** Property insurance must include protection against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage should provide replacement costs, or else include provisions for inflation adjustments. Hazard binders that limit or exclude coverage, in whole or in part, from windstorm, hurricane, hail damages, earthquakes, or any other perils normally in an extended coverage endorsement are not acceptable.
- **Proof of coverage:** A declaration page or Certificate of Insurance is sufficient proof of coverage.
- **Condominiums:** See Condominiums for requirements.



Loan Comparison Requirements

HECM Loan Comparison Requirements

Revised August 2023

Overview

We are required to offer certain products on the Loan Comparison disclosure for Home Equity Conversion Mortgage (HECM) loans.

Acronyms

- ARM: Adjustable Rate Mortgage
- HECM: Home Equity Conversion Mortgage
- FAR: Finance of America Reverse
- CMT: Constant Maturity Treasury

Requirements

The below table reflects which products are required on the Loan Comparison for HECM products.

These are minimum requirements. Add additional products based on the borrower’s needs. For example, multiple adjustable and fixed rate options at different rates can be added to show the borrower different levels of available proceeds.

Note: If the principal limit is \$300,000 or higher, a HomeSafe® product should be provided on the Loan Comparison as well as long as the partner offers HomeSafe® and it is available in the borrower’s state.

HECM
HECM Fixed B
CMT Annual B
CMT Mo 5 B
CMT Month 10 Brk

NOTE: The HECM Annual CMT product does NOT need to be reflected on the loan comparison if the HECM FHA-Insured HECM Products Disclosure is signed by the borrower at application. This document currently populates in the HECM application packages.



Loan Terms



LIBOR to CMT Transition for HECM ARMs

Revised November 2020

Overview

HUD authorizes two interest rate indices for the Home Equity Conversation Mortgage (HECM) program: the London Interbank Offered Rate (LIBOR) and the Constant Maturity Treasury (CMT).

Nearly 98% of federally insured reverse mortgages originated today are adjustable rate mortgages (ARMs). For those loans originated after 2007, interest accruals have been tied to fluctuations in either the 1-month LIBOR or 1-year LIBOR indices.

LIBOR stands for “London Interbank Offered Rate” and has been used globally as the basis for variable rate products since the 1980s.

At the end of 2021, British officials will no longer support and publish LIBOR index rates. This does not mean we can continue to originate LIBOR ARM products through the end of 2021. In fact, Ginnie Mae (GNMA), who handles the securitization of HECM mortgage backed securities is no longer willing to allow LIBOR products to be pooled under their guidance.

The HECM ARMs tied to the CMT are not new. In fact, the HECM CMT was the dominant reverse mortgage product from 1990 until late 2007.

The Product – HECM Monthly CMT and HECM Annual CMT Options

HECM Adjustable Rate Products			
Product:	CMT Monthly Cap50	HECM Annual CMT	CMT Monthly Cap5
Rate Type:	Adjustable	Adjustable	Adjustable
Index:	CMT	CMT	CMT
Interest Rate:	Margin + 1-year CMT index	Margin + 1-year CMT index	Margin + 1-year CMT index
Expected Rate:	Margin + 10-year CMT index	Margin + 10-year CMT index	Margin + 10-year CMT index
Adjustments:	Monthly, first of every month	Annually	Monthly, first of every month
Periodic Cap:	None	2% above previous adjusted rate	None
Lifetime Cap:	10% above start rate	5% above start rate	5% above start rate

***Note:** Unlike the Monthly LIBOR, the Monthly CMT uses the 1-year CMT.

Rate Locks

Consistent with our existing process, the borrower will receive the better expected rate from the date they signed their application or their loan closes. The rate is calculated as the margin at closing plus the better index from application signature or closing date for the product/index with which the borrower closes. For example, if the borrower closes with a CMT product, it will choose the better CMT index rate from application or closing. Also consistent with existing policy, FAR does not offer rate locks for the initial interest rate. The initial rate is calculated as the margin at closing plus the weekly average of the 1-year CMT Index in effect at the time the borrower closes.

Transition

This transition away from the LIBOR index is happening much faster than the industry had hoped. Fortunately, HUD already allows the CMT index for HECM loan origination. CMT stands for **Constant Maturity Treasury** and is published daily by the Federal Reserve.

The expedited timing means we’ll need to originate CMT products instead of the preferred index the Secured Overnight Financing Rate (SOFR), at least for a little while. The Secured Overnight Financing Rate (SOFR) was expected to be the preferred US-based LIBOR substitute but is not yet ready use in the reverse mortgage space. The reason for this is that the 10-year maturity needed to calculate principal limits is not yet developed.

Effective October 21, 2020, the new CMT Monthly products will go live in both Link and ReverseVision. All new HECM ARM applications printed on or after 10/21/2020 must be originated on a CMT indexed product. All new applications printed on or after that date will automatically be originated on the CMT index with a monthly reset.

Existing LIBOR indexed loans will have until November 30th, 2020 to fund or be purchased. This date allows for loans to close, fund, and be securitized in time for GNMA’s cutoff. Any existing loans not closed and funded or purchased must be re-disclosed to a CMT at that time. Additionally, borrowers will be provided a letter of explanation explaining the reason for the transition.



Note: HECM Fixed rate loans and HomeSafe® Standard and Select loans are not impacted by these changes.

Existing Loans

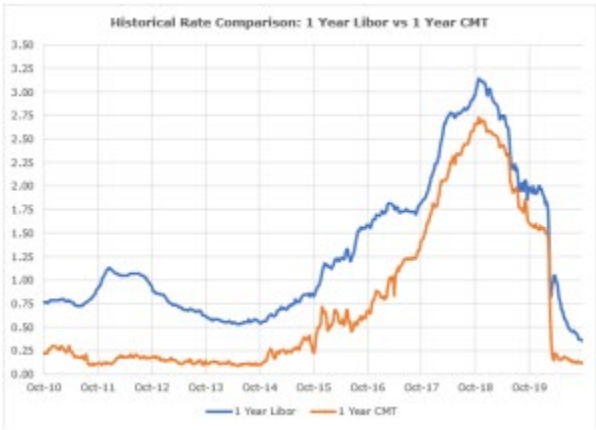
Existing LIBOR ARMs in servicing won’t see index changes until 2022. These loans are not expected to require a change in the selected index until their scheduled rate change on, or after, January 1, 2022. At that time, we expect the index to be the SOFR.

The HECM Adjustable Rate Note outlines specific rate details, including when rates change and limits on rate changes. In this section, HUD also explains the process for handling an expiring index when the LIBOR is no longer published.

“If the Index is no longer available, Lender will use as a new Index any index prescribed by the Secretary. Lender will give Borrower notice of the new Index.”

This provision allows the lender to make the needed change and should give the borrower peace of mind that a change in index is not at the whim of their lender; the HUD Secretary must approve a comparable index.

Historical Rate Comparison





Line of Credit Payments

Created February 2012

Overview

The line of credit requires a minimum balance of \$50.00 in order for the borrower to receive additional withdrawals. If less than \$50.00 remains in the account after a withdrawal, FAR can require that the entire balance be disbursed to the borrower. This makes the outstanding balance equal to the principal limit, so the borrower can no longer draw from the line of credit, except under the circumstances described in the ARM Note section, below.

The borrower can withdraw the entire net principal limit on the first day of the mortgage. When that occurs the outstanding balance and the principal limit are equal, so the borrower cannot receive any additional draws, except under the circumstances described in the ARM Note section, below.

The borrower may choose to receive a lump sum at closing, up to the principal limit, to satisfy an existing mortgage. This increases the borrower's cash flow because he or she no longer has to make payments toward that mortgage. Or the borrower may choose to receive the maximum amount at closing to pay a lien to a contractor who has made repairs.

If the borrower does not withdraw the maximum amount at closing, he or she can withdraw funds at the times, and in the amounts, of his or her choosing until the outstanding balance equals the principal limit. Withdrawals are not permitted if they would cause the outstanding balance to exceed the principal limit for the month during which the withdrawal is being made.

ARM Note

The "expected rate" is the interest rate that was in effect on the date the borrower signed the loan application. We lock this rate for 120 days from the date of the case number assignment. During the rate lock the borrower receives the rate that provides the most proceeds, rather than the lower rate. After the lock period expires the borrower receives the rate effective on the day of closing.

An Adjustable Rate Mortgage (ARM), or "accrual" rate, sometimes drops lower than the expected fixed rate used to calculate the principal limit. When this happens the customer earns interest, and the principal limit grows. Even if the outstanding balance equals the principal limit at some point, the interest growth on the principal limit can enable us to reactivate the line of credit. If this occurs, the borrower can resume borrowing funds when the principal limit is \$50.00 above the outstanding balance.



Minimum Loan Balance

Revised March 2023

Overview

Borrowers can pay closing costs in cash if they wish. After they pay for closing costs the remaining unpaid principal balance (UPB) must be \$100.00 or more, and the underwriter must verify the source of the funds.

The sub-servicer, Finance of America Reverse, requires a minimum UPB of \$100.00 to board a loan. If the borrower pays off all closing costs so the UPB is \$0.00, FAR does not accept it. Therefore, the borrower should pay all but \$100.00 of closing costs or choose to receive \$100.00 at closing so the UPB meets the required minimum.

The underwriter verifies the source of all funds, and then approves the borrower’s request to bring cash to closing. The underwriter adds a Prior to Funding condition to the loan with the borrower’s request.

The closer inputs the cash amount. The borrower pays the title company directly, and the closer adjusts the wire amount, as necessary.



Modified Term/Tenure Line of Credit

Revised February 2021

Overview

A borrower can select a “modified term” or “modified tenure” payment plan, which combines a line of credit with tenure or term payments.

The amount set aside for the line of credit becomes the line of credit’s initial principal limit. Monthly payments are then calculated from the remaining, or “net,” principal balance. In other words, the principal limit for term or tenure payments PLUS the principal limit for the line of credit equals the principal limit for a term or tenure payment plan that does NOT include a line of credit.

Note: Borrowers must select an Adjustable Rate Mortgage (ARM) to qualify for modified term or tenure. Fixed rate Home Equity Conversion Mortgages (HECMs) only permit borrowers to receive lump sum disbursements.

- **Principal Limit:** This consists of the mortgage and any payoff amounts, closing costs, and any funds the borrower receives at closing.
- **Line of Credit:** This is the portion of the principal set aside to enable the borrower to make withdrawals over time. We add these withdrawals to the loan balance as we disburse them, so the principal limit increases by the amount of the withdrawal each month. The remaining line of credit increases each month by the compounding interest rate we apply to it.
- **Net Principal Limit:** This includes the total principal MINUS the Line of Credit set-aside and all financed fees and charges. This is the amount used to calculate monthly payments.

Note: If the borrower has a modified tenure or term plan and receives monthly payments, or if he or she draws from the line of credit, we charge interest on those payments at the time we disburse them.

The borrower can draw from the line of credit as long as the line of credit’s outstanding balance, including accrued interest and Mortgage Insurance Premium (MIP), does not exceed the line of credit’s principal balance. We maintain separate outstanding balances for the line of credit and the term or tenure portion of the loan. Lenders must keep current records of the line of credit’s outstanding balance.

The borrower contacts the current loan servicer for available balances, payment plans, and other loan information.



Mandatory Obligations



Mandatory Obligations

Revised October 2023

Overview

Mandatory Obligations are fees and charges related to the origination of the Home Equity Conversion Mortgage (HECM). They include the amounts required to discharge any existing liens on the property that are paid at loan closing. Disbursements at loan closing, and within 12 months of closing, when applicable, cannot exceed the greater of:

- 60% of the principal limit
- Or,
- Mandatory obligations plus 10% of the principal limit
- Note: This pertains to all case numbers assigned on or after September 30, 2013

Traditional and Refinance Transactions

Mandatory obligations for traditional and refinance transactions include:

- Initial MIP.
- Loan origination fee.
- HECM counseling.
- Reasonable and customary amounts, but not more than the amount actually paid by the mortgagee for any of the following items:
 - Recording fees and recording taxes
 - Credit report
 - Survey, if required by the mortgagee or the mortgagor
 - Title examination
 - Mortgagee's title insurance
 - Fees paid to an appraiser for the initial appraisal of the property.
 - Repair administration fee.
 - **Note:** This does not apply to HECM for Purchase transactions.
 - Repair Set-Asides.
 - **Note:** This does not apply to HECM for Purchase transactions.
 - Funds to pay contractors who performed repairs as a condition of closing, in accordance with standard FHA requirements for repairs required by appraiser.
 - **Note:** This does not apply to HECM for Purchase transactions.
 - Delinquent Federal debt.
 - Amounts required to discharge any existing liens on the property.
 - **Note:** This does not apply to HECM for Purchase transactions.
 - Customary fees and charges for warranties, inspections, surveys, engineer.
 - Certifications.
 - Property tax and flood and hazard insurance payments scheduled for payment from the Property Charge LE Set-Aside, or from HECM proceeds within the First 12-Month Disbursement Period.
 - **Note:** Use the actual insurance premium and actual tax amount. If a new tax bill has not been issued, use the prior year's amount multiplied by 1.04.
 - Property tax, flood and hazard insurance payments required by the lender to be paid at closing.
 - Other charges as authorized by the Secretary.

IMPORTANT: Settlement agreements to an ex-spouse per the divorce decree or between family members as part of an inheritance MAY be considered a mandatory obligation if the filed agreement specifies an amount that must be satisfied through the refinance of the property and if a lien has been put on the property. The underwriter reviews the filed agreement and makes a determination.

HECM for Purchase Transactions

Mandatory obligations for HECM for Purchase transactions include all of items in the previous section, except those noted, as well as the following additional items:

- The amount of the principal that is advanced towards the purchase price of the subject property.
- Fees and charges for real estate purchase contracts, warranties, inspections, surveys, and engineer certifications.

Seasoning of Liens

Loans that have been recently acquired, and which will be paid by the HECM loan, are subject to a higher level of scrutiny. This is to ensure that the borrower did not acquire a lien in order to circumvent the Principal Limit restrictions.



The underwriter reviews any lien taken out in the 12 months prior to application to determine its validity and may also ask the borrower to explain the reason for the recent loan acquisition.

Effective for case numbers assigned from December 15, 2014 to September 18,2017, only liens that have been in place for longer than 12 months OR resulted in less than \$500 cash to the borrower, whether at closing or through cumulative draws (as with a Home Equity Line of Credit (“HELOC”)) may be paid at closing. This requirement excludes existing HECM liens that are being refinanced.

If the lien seasoning is not acceptable, the lien must be paid outside of closing, or the borrower is ineligible for HECM financing. Any funds used to pay liens outside of closing must be documented under normal funds to close guidelines.

In order to document compliance with this requirement, the following documentation must be submitted on all existing liens tied to a subject property:

- HUD-1 Settlement Statement
Note: If the Title Commitment clearly documents that the lien is over 12 months old, the HUD-1 Settlement Statement is not required.
- Payoff Statement
- Most recent HELOC statement, or its equivalent, if applicable

Lien Type	Under 12 months from new loan closing	Over 12 months from new loan closing	Must be Paid at Closing?
HECM	No Seasoning Restrictions. However, the standard 12-month wait for refinances applies.	No Seasoning Restriction. However, the standard 12 month wait for refinances applies.	Yes
HELOC	If \$500 or greater was drawn, the HELOC must be paid through non-mandatory obligation proceeds, or the borrower's personal funds brought to closing.	No Seasoning Restriction	Yes
All Other Liens	If \$500 or greater was drawn, the HECM is not eligible to close until 12 months has passed.	No Seasoning Restriction	Yes
HomeSafe®	No seasoning restrictions. However, the standard 12-month wait for refinances applies.	No seasoning restrictions. However, the standard 12-month wait for refinances applies.	Yes

Case Numbers After September 19, 2017

Effective for case numbers after September 19, 2017, seasoning of non-HECM liens is based on the date of HECM closing, rather than the date of application.

IMPORTANT: Example: If the borrower closed on a non-HECM lien 11 months ago, he or she can complete a HECM application. However, 12 months must pass from the date the last non-HECM lien closed before we can close on the HECM.

Home equity lines of credit (HELOC) that do not meet seasoning requirements can be paid, at closing, with borrower funds, HECM funds, or a combination of HECM funds and borrower funds, provided the draw from the HECM funds does NOT exceed 60%, or mandatory obligations plus 10%.

Non-Mandatory Obligations

Non-Mandatory obligations are debts that are paid through the HECM loan. They reduce the cash available to the borrower at closing, or funds available in the LOC, but do not increase the mandatory obligation amounts. They CANNOT be included as a mandatory obligation for calculating the available Principal Limit.

An example of a non-mandatory obligation is an FHA loan attached to another property that will be paid through the HECM loan because the borrower can only have one FHA insured loan at a time. In this case, the lien must be paid but you cannot include it as a mandatory obligation.

Underwriter

The underwriter determines whether an item is a mandatory versus non-mandatory obligation and enters it into the LOS.

Closer

The closer verifies that all payoffs in LOS are mandatory or confirms any non-mandatory payoffs with the underwriter.

[Mandatory Obligations Process](#)



Seasoning Matrix

Revised March 2023

Lien Type	Under 12 months from new loan closing	Over 12 months from new loan closing	Must be Paid at Closing?
HECM	No Seasoning Restrictions. However, the standard 12-month wait for refinances applies.	No seasoning restriction. However, the standard 12-month wait for refinances applies.	Yes
HELOC	If \$500 or greater was drawn, the HELOC must be paid through non-mandatory obligation proceeds, or the borrower’s personal funds brought to closing.	No seasoning restriction	Yes
All Other Liens	If \$500 or greater was drawn, the HECM is not eligible to close until 12 months have passed.	No seasoning restriction	Yes
HomeSafe®	No seasoning restrictions. However, the standard 12-month wait for refinances applies.	No seasoning restrictions. However, the standard 12-month wait for refinances applies.	Yes



Multiple FHA Loans



Multiple FHA Loans

Revised August 2023

Overview

The Federal Housing Administration (FHA) will not insure more than one mortgage for any borrower. Any person who owns an FHA-insured home, either individually or jointly, cannot purchase or refinance another principal residence with an FHA-insured mortgage, EXCEPT in the circumstances below.

In all other cases, the borrower must either pay off the FHA-insured mortgage on the previous residence before financing another FHA-insured mortgage.

IMPORTANT: A borrower can only have one active Home Equity Conversion Mortgage (HECM) loans at any given time. FHA exceptions DO NOT apply to HECM loans. Married borrowers must be legally separated via a court order to obtain individual reverse mortgages.

Vacating a Jointly Owned Property

If the borrower vacates a residence that a co-borrower remains in, such as with a divorce, the borrower can obtain another FHA-insured mortgage. In these instances, Finance of America Reverse (FAR) requires all of the following:

- Proof that the mortgage is current, and not in default,
- A copy of the recorded divorce decree awarding the previous residence and the FHA lien to the ex-spouse.
- A copy of the recorded deed giving the prior residence to the ex-spouse.

Non-Occupying Co-Borrower

A co-borrower who jointly purchases a residence with other family members, but does not live in the property, can purchase or refinance an FHA-insured principal residence of his or her own. In these instances, we require ALL of the following:

- A copy of the final 1003 loan application from the existing FHA mortgage.
- A copy of the Note, mortgage or Deed of Trust.
- Proof that the mortgage is current, and not in default.
- Proof that the mortgage payments have been paid by the family member who is the primary borrower on that loan. We require payment history for the past twelve months.

[Multiple FHA Loan Process](#)



NMLS State Licensing



NMLS State Licensing

Created January 2021

Overview

Nationwide Multistate Licensing System & Registry (NMLS) is the legal system of record for licensing in all participating states, the District of Columbia, and U.S. territories. In these jurisdictions, NMLS is the official and sole system for companies and individuals seeking to apply for, amend, renew, and surrender licenses managed in the NMLS on behalf of the jurisdiction's governmental agencies. NMLS itself does not grant or deny license authority.

Note: In Massachusetts, North Carolina, and Tennessee, the entity (individual, branch, or company) must have state approval to be a reverse mortgage lender. Unless the entity is exempt, it must also have a separate license for both brokering and lending if it plans to do both.

NMLS is also the system of record for all federal registrations required of federally regulated mortgage loan originators. Even if exempt from individual licensing requirements, loan originators sponsored by federally regulated institutions must register in the NMLS as an individual MLO.

All licenses in NMLS have a uniform expiration date of December 31 annually for all companies, branches, and loan originators.

NMLS assigns each record in the system a unique identifier called the NMLS Unique ID. The system creates this four to 12-character identifier at the time the entity first creates a record. The ID cannot be changed once assigned.

[NMLS State Licensing Process](#)



Temporary Authority Licensing Status

Revised March 2023

Overview

Finance of America Reverse must issue a special internal approval in order to accept applications originated by MLOs whose state license status shows “Temporary Authority” in the NMLS.

What does Temporary Authority cover?

- Originators moving from a federally regulated bank/CU to a state licensed lender
- A state-licensed originator that is already employed and sponsored by a state-regulated lender looking to get licensed in another state.

What isn’t covered by Temporary Authority?

- A licensed originator moving from one state-licensed lender to another state-licensed lender. That process does not change and the normal turn times for sponsorship approval by the state still apply.

These requirements have been put into place to ensure loans originated by MLO’s who hold a state license under Temporary Authority are able to close under a properly licensed MLO.

FAR Retail Temporary Authority Approval Process:

MLO license status is to be checked at three points during the process: upon submission to processing, upon issuance of CTC and prior to closing.

Jr. Processor: Upon receipt of loan file:

- Processors access the NMLS consumer access site to verify license status.
- A screenshot of the NMLS is uploaded to the file.
- If license status shows Temporary Authority, the MLO must be asked to complete the FAR Retail Temporary Authority Application Request form.
- Upon receipt, form must be submitted to Licensing at Licensing@financeofamerica.com.
- Licensing will review and issue an approval to proceed
- Copy of the Application and the approval from Licensing must be uploaded to the file.

Jr. Underwriter: Upon receipt of submission:

- Jr. UW accesses the NMLS consumer access site to verify license status.
- A screenshot of the NMLS is uploaded to the file.
- If license status shows Temporary Authority, the MLO must be asked to complete the FAR Retail Temporary Authority Application Request form (if one has not previously been submitted and approved within the past 30 days).
- Upon receipt, form must be submitted to Licensing at Licensing@financeofamerica.com.
- Licensing will review and issue an approval to proceed
- Copy of the Application and the approval from Licensing must be uploaded to the file.

Closing:

- Closer accesses the NMLS consumer access site to verify license status.
- A screenshot of the NMLS is uploaded to the file.
- If license status shows Temporary Authority, the MLO must be asked to complete the FAR Retail Temporary Authority Application Request form (if one has not previously been submitted and approved within the past 30 days).
- Upon receipt, form must be submitted to Licensing at Licensing@financeofamerica.com.
- Licensing will review and issue an approval to proceed
- Copy of the Application and the approval from Licensing must be uploaded to the file.

FAR Wholesale Temporary Authority Approval Process:

MLO license status is to be checked at three points during the process: upon submission to FAR, upon issuance of CTC and prior to closing.

Submissions: Upon receipt of loan file:

- Wholesale Submissions Processor accesses the NMLS consumer access site to verify license status.
- A screenshot of the NMLS is uploaded to the file.
- If license status shows Temporary Authority, put the loan on HOLD and ask the MLO to complete the FAR TPO Temporary Authority Application Request form (unless one was provided in the submission package).



- Upon receipt, Application should be reviewed.
- If all questions were answered in the affirmative, indicate approval and sign/date.
- If all questions are not answered in the affirmative, submit a copy via a Service Now ticket to the Compliance-FAR group.
- Compliance will review and provide guidance
- A copy of the Application and any communications from Compliance must be uploaded to the file.

Underwriting: Upon receipt of submission:

- Wholesale underwriting support accesses the NMLS consumer access site to verify license status.
- A screenshot of the NMLS is uploaded to the file.
- If license status shows Temporary Authority, the MLO must be asked to complete the FARTPO Temporary Authority Application Request form (unless one was provided and approved in the past 30 days).
- Upon receipt, Application should be reviewed.
- If all questions were answered in the affirmative, indicate approval and sign/date.
- If all questions are not answered in the affirmative, submit a copy via a Service Now ticket to the Compliance-FAR group.
- Compliance will review and provide guidance
- A copy of the Application and any communications from Compliance must be uploaded to the file.

Closing:

- Closer accesses the NMLS consumer access site to verify license status.
- A screenshot of the NMLS is uploaded to the file.
- If license status shows Temporary Authority, the MLO must be asked to complete the FAR TPO Temporary Authority Application Request form (unless one was provided and approved within the past 30 days).
- Upon receipt, Application should be reviewed.
- If all questions were answered in the affirmative, indicate approval and sign/date.
- If all questions are not answered in the affirmative, submit a copy via a Service Now ticket to the Compliance-FAR group.
- Compliance will review and provide guidance
- A copy of the Application and any communications from Compliance must be uploaded to the file.



Non-Borrowers



Non-Borrowing Owner

Revised October 2023

Overview

A non-borrowing owner (NBO) or “mortgagor” is an individual that will remain on title to the property but will not be a borrower on the loan. NBO’s are not required to live in the property.

If an NBO is part of the loan process a NBO under the Home Equity Conversion Mortgage (HECM) Final Rule and the Truth in Lending Act (Regulation Z), the NBO must:

- Attend counseling and sign the counseling certificate; and
- Provide ID; and
- Provide evidence of residency for confirmation of household size; and
- Sign the Security Instruments and their riders; and
- Sign the Notice of Right to Cancel



Non-Borrowing Spouse

Revised October 2023

Overview

Mortgagee Letters [2014-7](#) and [2015-2](#) indicate that we must treat non-borrowing spouses as “ineligible” or “eligible” according to the Federal Housing Administration (FHA) definition. For case numbers on or after August 4, 2014, the Principal Limit is based on the age of the youngest mortgagor or ELIGIBLE non-borrowing spouse using the new Principal Limit Factor (PLF) tables.

Note: The PLF factor is NOT impacted by the age of an INELIGIBLE non-borrowing spouse.

It is important to enter the information pertaining to the non-borrowing spouse into the calculation software so that the proper PLF is used for the youngest of the borrower or non-borrower.

Note: The non-borrowing spouse must be in the system as a ‘non-borrower’.

Definition

A “spouse” is defined by the law of the state in which the borrower and spouse reside, or by the “state of celebration” (the state where the marriage took place). Depending on state law, this may include domestic partners and common-law spouses. A “non-borrowing spouse” is married to the HECM borrower at the time of closing and is NOT also a mortgagor.

- Ineligible non-borrowing spouse: A non-borrowing spouse who does not meet the Qualifying Attribute requirements in [Mortgagee Letter 2014-7](#).
- [Eligible non-borrowing spouse: A non-borrowing spouse who DOES meet the definition in Mortgagee Letter 2014-7.](#)

Note: Per state regulation, only INELIGIBLE non-borrowing spouses are allowed on Texas loans.

IMPORTANT: All non-borrowing spouses who will continue to hold title to the property serving as collateral for the HECM and who are NOT borrowers on the loan, must sign the mortgage as MORTGAGORS. This serves as evidence of their commitment to use the property as security for the mortgage. Additionally, any non-borrowing spouses that are over the age of 62 and are NOT borrowers on the loan, must provide a letter of explanation as to why they are not participating as a borrower on the loan.

Qualifying Attribute Requirements

The non-borrowing spouse must have:

- Been the borrower’s spouse when the loan closed, and throughout the duration of the borrower’s lifetime.
- Been properly disclosed to the lender at origination and be named as non-borrowing spouse in the HECM documents.
- Occupied, and continue to occupy, the subject property as a primary residence.

Lenders must determine eligibility of the non-borrowing spouse at application, based on the above criteria. The non-borrowing spouse CANNOT elect to be either eligible or ineligible. In addition, a non-borrowing spouse who is ineligible at application cannot later become eligible. However, a non-borrowing spouse who is eligible at application can later become ineligible if he or she no longer meets one or more of the criteria.

A non-borrowing spouse who meets the definition of eligible non-borrowing spouse in Mortgagee Letters [2014-7](#) and [2015-2](#) has a deferral period when the loan becomes due and payable upon the death of the last surviving borrower, provided he or she was married to the borrower, and was identified as the non-borrowing spouse at the time of closing.

Required Disclosures

All Borrowers

All borrowers must sign the following disclosures at application:

- Marital Status Information Disclosure

Non-borrowing Spouses Present

At closing, we require the following documentation whenever a non-borrowing spouse is present:

- Married Mortgagor Certification
Note: This disclosure applies to borrowers with a non-borrowing spouse. Married co-borrowers do not need to sign this disclosure.
- Borrower Certification: Ineligible Non-Borrowing Spouse, for borrowers with an ineligible non-borrowing spouse.



- Ineligible Non-Borrowing Spouse Certification, for borrowers with an ineligible non-borrowing spouse.
- Borrower Certification: Eligible Non-Borrowing Spouse, for borrowers with an eligible non-borrowing spouse.
- Eligible Non-Borrowing Spouse Certification, for borrowers with an eligible non-borrowing spouse.

Note: All other unmarried borrowers must sign the Unmarried Mortgagor Disclosure at closing.

Required Documentation

We require the following documentation:

Credit Report (only required when using income from the non-borrowing spouse)

IMPORTANT: Non-borrowing spouses that have an open Chapter 13 bankruptcy and are in a community property state are required to obtain Trustee or court approval. They must also meet the same requirements as shown in Finance of America (FAR) bankruptcy guidelines.

Note: This is not a requirement in non-community property states.

- FHA Connection Case Query printout.
- Date of birth and social security number (SSN) verification.
- Completed and executed Counseling Certificate.
- For any non-borrowing spouses that are over age 62 and are NOT borrowers on the loan, he or she must provide a letter of explanation as to why they are not participating as a borrower on the loan.

Counseling

Non-borrowing spouses must attend Home Equity Conversion Mortgage (HECM) counseling and must sign and date the certificate to acknowledge their participation and completion of HECM counseling, regardless of the state homestead or community property rights.

The HECM counselor inserts the date of counseling and the certificate expiration date. All signatories must date the certificate with the date they sign it. Signatories include:

- Counselor
- Homeowner(s)
- Non-borrowing spouse
- Power of Attorney (POA), or guardian/conservator, if applicable
- **Note:** If the borrower has a POA, the name of the POA appears at the top of the certificate, along with the name of the homeowner. The POA signs and dates the certificate the Homeowner Signature & Date field at the bottom of the document.

See also: [Non-borrowing Spouse BEFORE Aug 2014](#)



Occupancy



Occupancy

Revised October 2023

Overview

There may be occupancy AND seasoning concerns present in a loan file. However, each has its own guidelines and should be reviewed individually. For instance, borrowers can meet seasoning requirements, but not occupy the property as their primary residence. For this reason, we must take into account the requirements for each separately.

Note: This is not an all-inclusive list of occupancy requirements. The underwriter may require additional documentation, depending on the situation.

Occupancy

“Occupancy” is the length of time the borrowers have resided in the subject property, regardless of when they purchased it. Home Equity Conversion Mortgages (HECMs) require that borrowers occupy the subject property as their primary residence for the majority of any calendar year, as set forth in FHA guidelines.

Primary residency must be established and documented in the loan file before Federal Housing Administration (FHA) endorsement. Whenever occupancy is in question, we have additional documentation requirements. For ALL files with questionable occupancy, we require a letter of explanation from the borrower that provides:

- The date the borrower moved into the subject property.
- A list of all properties the borrower and/or spouse owns.
- The current use of any property the borrower owns, and applicable documentation, such as rental agreements, evidence of sale, and so forth.
- Explanation of any alternative addresses reported on the credit report, whether the borrower owns them or not.
- Explanation of any property attached to other mortgages on the credit report.
- Explanation of any address discrepancies in the file.
- Future occupancy intentions of the borrower.
- Months of the year that borrowers spend in each home, if they split their time between multiple homes.

Note: The underwriter verifies all the information the borrower provides.

Acceptable Occupancy Documentation

The borrower must reside in the subject property long enough to adequately document that the property is his or her primary residence. It often takes between 30 and 90 days for borrowers to have access to this documentation, so the underwriter reviews each scenario on a case-by-case basis.

Borrowers must provide three or more of the following items to prove sufficient occupancy, as determined by the underwriter:

- Signed 4506C authorization to pull tax returns.
IMPORTANT: This is NOT acceptable if the borrower has resided in the home for less than 12 months.
- Copy of a recent Social Security Benefits Awards letter, or a copy of the monthly Social Security check mailed to the subject property.
- Paystubs
- Statements covering the most recent 90-day period for one of the following:
 - Electricity
 - Gas
- **Note:** Utility bills must display the service and mailing address.
- Cell phone
- Cable
- Credit card
- Medical bills, and so forth
- Bank statements covering the most recent 90-day period showing transaction history.
- **Note:** Statements must show the mailing address in order for us to accept them.
- Vehicle registration
- Voter registration
- An explanation, if mail is routed to a Post Office box that is not within a reasonable distance of the subject property.
- Occupancy inspection.

Note: This is not an all-inclusive list. The underwriter may request additional documentation.



Properties Listed for Sale (currently or previous 12 months).

In order for us to consider a property that was previously listed for sale in the past 12 months, the borrower must provide the following:

- Evidence, such as a Multiple Listing Service (MLS) cancelation, indicating that the subject property is no longer listed for sale.
- An explanation for why the home had been, or is currently, for sale, and a statement that they intend to continue to occupy the property.
- A valid explanation, if the property was listed, OR the borrower lowered the listing price on a continuously marketed property after the date of the reverse mortgage application.

Note: If we do not receive a valid explanation, deny the loan application for non-intent to occupy.

- A borrower-executed Owner Occupancy affidavit from Application or Annual Occupancy Certification from Link Closing packages stating that any misrepresentation will result in the loan being called due.



Overlays



Overlays

Revised August 2023

Overview

An “overlay” is a set of guidelines Finance of America Reverse (FAR) follows IN ADDITION to U.S. Department of Housing and Urban Development (HUD) requirements. We have overlays for the following situations:

- [HECM for Purchase](#)

HECM for Purchase

HUD Requirements

HUD introduced the HECM for Purchase in 2009 to allow borrowers an option to purchase a home with HECM financing. However, HUD does not want borrowers using the HECM for Purchase as a vehicle to obtain additional properties they will not occupy as a primary residence or will use in order to abandon another mortgaged property. HUD requires that HECM for Purchase borrowers have sufficient cash to bring to closing from an allowable funding source.

Borrowers are subject to a full Financial Assessment review of their credit and income in accordance with the HECM Financial Assessment and Property Charge Guide. The maximum claim amount used for closing is the lessor of the national loan limit of \$1,089,300, the purchase price, or the appraised value.

FAR Guidelines

In order to ensure HUD guidelines are met and the HECM for Purchase product is being used as intended, FAR applies the following overlays to purchase loans:

- To protect senior borrowers, FAR applies a limit on the difference between appraised value and purchase price of the lessor of \$25,000 or 10%, when the property appraises for less than the purchase price. VP or higher approval required.
- Due to the complicated nature of HECM for Purchase transactions, generally FAR does not allow Power of Attorney or guardianship on behalf of the borrower. Borrowers must be mentally and physically competent, and sign loan documents. VP or higher approval required.
- Borrower can only retain three properties including subject property. Exceptions are made on a case-by-case basis for borrowers with documented reasons for retaining multiple properties, and proof that they intend to occupy the subject property. VP or higher approval required.

Reason for Overlay

HECM for Purchase transactions are highly scrutinized and are more susceptible to fraud and riskier loans in general. HUD does not want borrowers using the HECM for Purchase as a vehicle to obtain additional properties they will not occupy as a primary residence or will use to abandon another mortgaged property. HUD underwriters review 100% of these loans. If the loan is not properly documented, it will result in a Post Endorsement Technical Review finding.

See Also

- [HECM for Purchase](#)

The borrower purchased the property within 12 months with an arms-length transaction.

The borrower was deeded the property within the prior 12 months by an immediate family member.



Power of Attorney



Power of Attorney

Revised September 2023

Overview

Follow these guidelines when a Power of Attorney (POA) executes documents for a reverse mortgage.

IMPORTANT: The use of a POA is NOT allowable on purchase transactions.

All Power of Attorney documents must meet state requirements.

- When a POA is used on a transaction with a trust: The security instrument will be signed by the trustee, no POA used. The POA will be used for the FAR loan docs, so FAR will review the POA internally.
- When a POA is used on a transaction without a trust: The POA will be signing the loan docs and security instrument on behalf of the borrower (or one of the borrowers) as an individual, so title will review and approve the POA.

The POA must also be Durable, meaning it is valid even after the incapacity of the borrower, and it must be permanent. No “temporary” POAs are allowable “Springing” POAs (POAs that go into effect after the incapacity of the borrower) are allowable if the borrower is already incompetent, and the POA meets all other requirements.

Note: Springing POAs are valid only after the incapacity of the borrower, and temporary POAs are valid only for the length of time specified in the Power of Attorney document.

If the property is in Texas, see: [Texas Durable Power of Attorney](#)

All requirements outlined in the POA document must be met. For example, if the POA requires two doctor’s letters to determine competency, or a letter from a specific doctor, these must be in the file. In addition, the POA document must specifically grant the Power of Attorney the authority to encumber the property with a mortgage.

Borrowers and non-borrowing spouses who sign documents at closing must meet the following requirements. In all cases:

- If the POA must sign the security instrument, record the ORIGINAL POA as a Prior to Funding condition.
- If the individual acting as POA signs any application documents, the POA must be valid BEFORE the execution of the application documents.

Note: See HUD Mortgagee Letter [2004-25](#), [2004-48](#), and [4235.1 Rev-1](#), Chapters 4-6, 4-7, and 6-7.

Process

Borrower is Mentally Competent and Physically Capable of Signing

When the borrower is mentally competent and physically capable of signing, he or she must:

- Execute all application and closing documents.
- Attend the counseling session and execute the counseling certificate.

IMPORTANT: Use of a POA is NOT allowable for these cases unless the borrower meets the Blind Borrower Signature Requirements.

Note: Borrowers who cannot sign their full names can execute the documents with a mark, provided a witness and notary are present per state requirements. This includes persons who can sign their names but have difficulty signing large volumes of closing documents. See [Signing with a Mark \(“X”\)](#) for more information.

Borrower is Mentally Competent but Physically Incapable of Signing

When the borrower is competent but is physically incapacitated with a condition that makes signing difficult, such as arthritis or paralysis, he or she must meet the HUD face-to-face requirement at application, counseling, or closing, OR be seen by their doctor during the time frame of the loan. The doctor must certify that the borrower was seen in person in the doctor’s letter. These borrowers must still be counseled and must provide a doctor’s letter clarifying the nature of the incapacity.

Face-to-face requirements may be met by one of the following:

- The borrower is present when the application is being signed and the loan officer marks that the meeting was face-to-face on the 1009.
- The counseling session was performed face-to-face and is reflected on the counseling certificate.
- The borrower is seen by their physician during the loan process and the doctor completes the Face-to-Face Certification that the borrower was met in person or makes a similar statement on their own letterhead.



- The borrower attends closing, and the Face-to-Face Certification is completed by the closing agent and notarized by the closing notary.

In addition, we require:

- A doctor’s letter that confirms the borrower’s physical incapacity, and certifies that he or she is mentally competent, but unable to sign.
- The POA’s signature on ALL application and closing documents.

Example: If the borrower’s name is John A. Smith and the POA, guardian or conservator is Jane Doe, she signs the borrower signature line as “John A. Smith by Jane Doe as attorney in fact,” (or as “Guardian,” or “Conservator.”)

- The borrower’s name on the top of the counseling certificate, with the POA’s signature on behalf of the borrower.
Note: The borrower must attend the counseling session. We highly recommend that the POA be present during the counseling session.
- A notarized copy of the fully executed Durable POA.
- Confirmation from the title company that the POA is acceptable to insure.
- An Alive and Well Affidavit, even if the closing is taking place at the borrower’s home or the borrower is present at closing.

Borrower is Mentally Incompetent

When the borrower is mentally incompetent with a condition such as dementia or Alzheimer’s, he or she must meet the HUD face-to-face requirement at application, counseling or closing OR be seen by their doctor during the time frame of the loan. The doctor must certify that the borrower was seen in person in the doctor’s letter.

Face-to-face requirements may be met by one of the following:

- The borrower is present when the application is being signed and the loan officer marks that the meeting was face-to-face on the 1009.
- The counseling session was performed face-to-face and is reflected on the counseling certificate.
- The borrower is seen by their physician during the loan process and the doctor completes the Face-to-Face Certification that the borrower was met in person or makes a similar statement on their own letterhead.
- The borrower attends closing, and the Face-to-Face Certification is completed by the closing agent and notarized by the closing notary.

In addition, we require:

- A doctor’s letter certifying that the borrower is no longer capable of handling his or her own financial affairs. This letter must include the date the borrower became incapable of handling financial affairs. The date on the doctor’s letter must be AFTER the date the borrower executed the POA. If the borrower signed the POA SHORTLY before being declared incompetent, the letter should verify that the borrower was capable of handling financial affairs on the POA date. The definition of “shortly” depends on the individual borrower’s situation, but generally means within less than 12 months of being declared incompetent.
- Additional documentation when property is vested in a Trust Agreement, as outlined in the Trust Agreement.

Example: The trust requires a specific doctor to verify competency.

- The POA’s signature on ALL application and closing documents.

Example: If the borrower’s name is John A. Smith and the POA, guardian or conservator is Jane Doe, she signs the borrower signature line as “John A. Smith by Jane Doe as attorney in fact,” (or as “Guardian,” or “Conservator.”)

- The person acting as POA to attend the counseling session on behalf of the borrower.
- Note: The borrower’s name appears at the top of the counseling certificate. However, the POA must attend the session and execute the certificate.
- A notarized copy of the fully executed Durable POA document.
- Confirmation from the title company that they reviewed the POA document, and determined it was acceptable to insure.
- An Alive and Well Affidavit, even if the closing is taking place at the borrower’s home or the borrower is present at closing.

POA used on Closing Documents ONLY

When the POA signs at closing but NOT at application because of the borrower's mental incapacitation or physical disability during the loan process, we require that the borrower’s situation meets ONE of the following set of guidelines:

- [Borrower is Physically Incapacitated](#)
- Or,
- [Borrower is Mentally Incompetent](#)



In addition, we require a letter of explanation from the borrower or an independent third party indicating why they are now using a POA.

Note: All borrowers who are mentally competent and physically capable of signing **MUST** sign the closing package.

Required Documentation for POA

We require the following documents for POA loans:

- Photo Identification
- Clear [Limited Denial of Participation](#) (LDP)
- Clear [System for Award Management](#) (SAM)

POA Used to Change Vesting

A POA can **ONLY** be used to change vesting when the appointed Power of Attorney is not transferring title from the borrower's name into his or her own name. This type of transfer is called "self-serving," and is a conflict of interest, with the POA benefiting from his or her authority over another person.

Finance of America Reverse (FAR) does not allow self-serving transactions. If the title change would benefit the POA, the POA must first obtain a court order authorizing the transfer to remove the borrower from the title.



Texas Durable POA

Revised February 2021

Overview

The Texas Power of Attorney statute (HB 1974) is effective on 9/1/17 for all loans in Texas where a Durable Power of Attorney (DPOA) is presented on behalf of a DPOA Principal (borrower) who lacks capacity. Under the new statute, the lender can rely on the DPOA, if the lender accepts the POA in good faith and does not have actual knowledge that the POA is void or invalid.

IMPORTANT: Definition: A Durable Power of Attorney (“DPOA”) means a written instrument or other record that:

- Designates another person as agent and grants authority to that agent to act in the place of the principal, regardless of whether the term “power of attorney” is used.
- Is signed by an adult principal or in the adult principal’s conscious presence by another adult directed by the principal to sign the principal’s name on the instrument.
- Contains the words “This power of attorney is not affected by subsequent disability or incapacity of the principal,” or “This power of attorney becomes effective on the disability or incapacity of the principal,” or similar words to those above that clearly indicate that the authority conferred on the agent will be exercised notwithstanding the principal's subsequent disability or incapacity; and
- Is acknowledged by the principal or another adult directed by the principal as authorized before an officer authorized under the laws of Texas or any other state.

DPOA / Certification or Legal Opinion

The statute introduces several requirements, including:

- When lenders receive a DPOA, either from a broker or Principal-Agent, they must accept, reject, or request a certification or legal opinion within 10 business days of receiving it.
Note: We must request translation of the documentation into English, if necessary, no later than 5 business days after the date we receive the DPOA.
- Lenders with concerns about facts related to the DPOA can request the DPOA Agent’s certification, or a legal opinion within this 10-day period as to whether the DPOA Principal lacks capacity, per the statute during this 10-business-day period.
- When lenders receive the requested certification or legal opinion, they must accept or reject it within seven business days.
Note: If the DPOA Agent does not supply the requested certification or legal opinion, FAR does not have to accept the DPOA. However, FAR and the DPOA Agent can agree to extend the deadlines.

IMPORTANT: FAR requests a certificate on ALL Texas DPOAs, as well as a legal opinion and translation, as applicable.

DPOA Rejection

- FAR refuses to accept a DPOA when we believe in good faith that the DPOA is invalid, or that the DPOA Agent does not have the authority to act.
- If FAR rejects a DPOA, we must provide reasons for the rejection within 10 business days after receiving the DPOA, provided we did not request certification or legal opinion within that 10-business-day period.
- If we requested certification or legal opinion, we must provide reasons for the rejection within seven business days of receiving the certification or legal opinion.

Recording Requirements

The DPOA must be recorded with the county clerk of the county where the property is located no later than the 30th day after the date the instrument is filed for recording.

Certification of DPOA

This is recommended in all cases, including legal and medical opinions.

Unless we have one or more grounds for refusal, we must do one or more of the following:

- Accept the DPOA.
- Request an DPOA Agent certification or an attorney’s opinion of counsel no later than the 10th business day after the date we receive the DPOA, unless all parties agree to extend the period,
- Request an English translation no later than the 5th business day after we receive the DPOA, unless all parties agree to extend the period.



Note: We are not required to accept a DPOA if the DPOA Agent refuses, or does not provide, a requested certification, opinion of counsel, or English translation.

Certification of Durable Power of Attorney by Agent

Certification of Durable Power of Attorney by Agent

I, _____ (agent), certify under penalty of perjury that:

- 1. I am the agent named in the power of attorney validly executed by _____ (principal) ("principal") on _____ (date), and the power of attorney is now in full force and effect.
- 2. The principal is not deceased and is presently domiciled in _____ (city and state/territory or foreign country).
- 3. To the best of my knowledge, after diligent search and inquiry:
 - a. The power of attorney has not been revoked by the principal or suspended or terminated by the occurrence of any event, whether or not referenced in the power of attorney.
 - b. At the time the power of attorney was executed, the principal was mentally competent to transact legal matters and was not acting under the undue influence of any other person.
 - c. A permanent guardian of the estate of the principal has not qualified to serve in that capacity.
 - d. My powers under the power of attorney have not been suspended by a court in a temporary guardianship or other proceeding.
 - e. If I am (or was) the principal's spouse, my marriage to the principal has not been dissolved by court decree of divorce or annulment or declared void by a court, or the power of attorney provides specifically that my appointment as the agent for the principal does not terminate if my marriage to the principal has been dissolved by court decree of divorce or annulment or declared void by a court.
 - f. No proceeding has been commenced for a temporary or permanent guardianship of the person or estate, or both, of the principal; and
 - g. The exercise of my authority is not prohibited by another agreement or instrument.
- 4. If under its terms the power of attorney becomes effective on the disability or incapacity of the principal or at a future time or on the occurrence of a contingency, the principal now has a disability or is incapacitated, or the specified future time or contingency has occurred.
- 5. I am acting within the scope of my authority under the power of attorney, and my authority has not been altered or terminated.
- 6. If applicable, I am the successor to _____ (predecessor agent), who has resigned, died, or become incapacitated, is not qualified to serve or has declined to serve as agent, or is otherwise unable to act. There are no unsatisfied conditions remaining under the power of attorney that preclude my acting as successor agent.
- 7. I agree not to:
 - a. Exercise any powers granted by the power of attorney if I attain knowledge that the power of attorney has been revoked, suspended, or terminated; or
 - b. Exercise any specific powers that have been revoked, suspended, or terminated.
- 8. A true and correct copy of the power of attorney is attached to this document.

Date: _____, 20__.

_____ (signature of agent)



PUDs and HOAs



PUDs and HOAs

Revised July 2022

Planned Unit Development (PUD) and Homeowner's Association (HOA)

A PUD is a community that requires homeowners to pay a mandatory fee for their maintenance and use of common areas to a homeowner's association. All fees to the HOA association must be paid at closing. PUDs take on a variety of forms ranging from small clusters of houses combined with open spaces, to new and developing towns with thousands of residents and various land uses.

The appraiser must mark "PUD" on the top of Page 1 of the appraisal report. The underwriter verifies on [FHA Connection](#) that the PUD field on the Single Family FHA > Single Family Origination > Appraisal Logging screen is marked Yes.

Insurance Requirements

If there is a master policy, we require:

- A Master Hazard insurance policy in the amount of \$1,000,000, or the condominium replacement cost, whichever is greater with the following items listed:
 - Project name/HOA name
 - Management company name, address, and phone number
 - Unit owner name, property address, and unit number
 - Insurance agent name, address, and phone number
 - Coverage amount
 - Deductible
 - Effective coverage dates
 - Mortgagee clause
- HO-6 insurance covering 20% of the appraised value, at the underwriter's discretion, if the master hazard insurance policy does not have "walls in" coverage.
Note: An "HO-6" is the form used for a condominium insurance policy. The policy provides for coverage on the interior walls and for personal property within the dwelling. This policy also usually provides liability coverage for the owner.

If there is NOT a master policy, follow the guidelines in [Hazard Insurance](#)



Purchase Transactions



HECM for Purchase

Revised September 2023

Overview

Home Equity Conversion Mortgage (HECM) for purchase allows seniors to purchase a new principal residence and obtain a reverse mortgage within a single transaction.

All HECM borrowers must be on the sales contract, and all persons on the sales contract must be eligible HECM borrowers.

Documentation

Required documentation includes:

- Fully executed sales contract.
- The Amendatory/Escrow Clause must be signed by ALL parties. If the disclosure is not included in the contract, ALL parties MUST sign the one that is in the application package. Parties who MUST sign include:
 - Borrowers
 - Sellers
 - Real Estate Agents
- Seller's Property Condition Disclosure provided by the realtor and signed by the selling party.
- Application documents.
- A letter signed and dated by the borrower(s) stating why their current home no longer meets their needs and describing their future plans for it.
Note: If the borrower(s) have outstanding Federal Housing Administration (FHA) loans, as with HECM refinances, we require full documentation that they meet FHA Guidelines for an exception.
 - Exact borrower name(s) for vesting.
- Lead-based paint seller's disclosure.
- Real Estate Certification.
- HECM Purchase Occupancy Affidavit.
- Limited Denial of Participation (LDP) and System for Award Management (SAM) reports for each of the following:
 - Borrower(s)
 - Loan originator
 - Loan processor
 - Underwriter
 - Title company
 - Closing agent
 - Appraiser
 - Sellers
 - Listing and selling realtors and companies
 - Final Inspectors (if final inspection not done by appraiser)
 - Repair contractors
- A Good Faith Estimate (GFE) to the borrower that includes normal closing costs PLUS the following costs:
 - One year's premium for hazard insurance, and flood insurance, if applicable
 - Home inspection fee, if applicable
 - Pest inspection fee, if applicable
 - Survey fee, if applicable

Note: No fees should be paid outside of closing (POC) until the time of closing. If the GFE and/or the HUD-1 show POC fees, the borrower must provide copies of checks for these items, and evidence that the checks have CLEARED BEFORE the most recent account balance verification.

IMPORTANT: If the borrower does not have a traditional credit history or score, request a Non-Traditional Credit Report (NTMCR) from the credit reporting company to independently develop the borrower's credit history

Inspections

Home and Pest Inspections

A home inspection report from a licensed inspector for existing construction is necessary at the underwriter's discretion, or when any of the following require it:

- State regulations
- Appraiser



Example:

\$300,000 X 10% = \$30,000, which is GREATER than \$25,000, so use \$25,000. Therefore, the sale price for a home appraised for \$300,000 cannot exceed \$325,000.

\$100,000 x 10% = \$10,000, which is LESS than \$25,000, so use 10% of the appraised value. Therefore, the sale price for a home appraised for \$100,000 cannot exceed \$110,000.

If the any of the above applies, the inspection report must be provided to us for review.

If the home inspection is not required, and the borrower opts out by signing the “Right to Inspections” disclosure located in the application package, the home inspection will not be required.

Survey

We require a survey from a licensed surveyor at the underwriter’s discretion, and when:

- There is a discrepancy in the legal description, lot size, or the ingress or egress.
- Well and septic distances are in question.
- Encroachments are present.
- The appraiser calls for it.

If the underwriter does not require a survey, and the borrower opts out by signing the “Right to Inspections” disclosure located in the application package, the survey is not required.

Buyer/Seller Responsibilities

Seller

With a HECM for Purchase transaction the seller pays for ALL repair costs. All repairs must be completed prior to closing.

Note: There can be NO seller concessions of any kind, or contributions from any other parties connected with the transaction.

Buyer

The borrower must occupy the property within 60 days of closing.

Owner Occupancy Requirement

The borrower must occupy the property within 60 days of closing. The borrower signs the Occupancy Affidavit in the closing package to certify occupancy. An occupancy inspection is performed post-closing.

Principal Limit

The principal limit is based on:

- The age of the youngest borrower.
- The current interest rates.
- The lowest of the following:
 - Appraised value
 - Sales price
 - Loan limit

Sales Price

The sales price can only exceed the appraised value by the LESSER of \$25,000 or 10%.

Note: If the sales price exceeds the appraised value, the borrower must write a letter acknowledging that the appraised value is less than the sales price and express his or her intent to proceed with the reverse mortgage transaction at the sales price.

Flipping Guidelines

Federal Housing Administration (FHA) flipping guidelines apply. Resale of the property may not occur 90 or fewer days from the last sale. If a resale occurs between 91 and 180 days, and the new sales price exceeds 100% of the previous sales price, we require a second appraisal, and may also require additional documents, as determined necessary.

If the resale occurs 181 days to 12 months following acquisition FHA and the lender reserve the right to require additional documentation, including but not limited to a second appraisal.

Non-Arm’s Length Transactions

All transactions must be arms-length transaction where the buyer and seller are uninterested parties.



Qualifying Borrowers

Borrowers applying for a HECM for Purchase loan on a new residence may retain up to TWO other properties. Borrowers are ineligible if they own more than three total properties, including the property they are purchasing. Borrowers who choose to retain another property must have sufficient income to qualify on the residence they are departing or the second home, and property they are purchasing. Borrowers must also document acceptable property charge payment history for any property owned at the time of application.

Note: FAR reviews exceptions to this guideline if there is a documented explanation and mitigating factors, such as cash reserves, excellent credit, and so forth.

Credit

Non-traditional Credit

When borrowers do not have a credit score the lender must obtain a Non-traditional Mortgage Credit Report (NTMCR) from a credit reporting company, or independently develop the borrower's credit history following the requirements in Section 2.10 of the HECM Financial Assessment and Property Charge Guide.

NTMCR

An NTMCR accesses the credit history of a borrower who does not have the types of trade references that appear on a traditional credit report. Lenders use these as substitute for a Three Repository Merged Consumer Report (TRMCR) or a Residential Mortgage Credit Report (RMCR), or as a supplement to a traditional credit report that shows an insufficient number of trade items.

Lenders can use an NTMCR to verify the following for all non-traditional credit references:

- The existence of the credit providers.
- That credit was actually extended to the borrower.
- The creditor's published address or telephone number.

The NTMCR must not include subjective statements, such as "satisfactory" or "acceptable." It must be formatted in a similar fashion to traditional references, and provide:

- Creditor's name
- Date of opening
- High credit
- Current status of the account
- Required monthly payment amounts
- Unpaid balance
- Payment history in the delinquency categories, such as "0X30" to indicate zero delinquencies in the past 30 days.

Independent Verification

The lender can independently verify the borrower's credit references by documenting the existence of credit providers, and that they extended credit to the borrower. To do this, lenders review public records from the state, county, or city, or other documents that provide a similar level of objective information.

To verify credit information:

- Use published addresses and phone numbers for credit providers, and do NOT rely solely on information the borrower provides.
- Obtain canceled checks for the most recent 12 months, or equivalent proof of payment that demonstrates the timing of payment to the credit provider.

Rental Payment History

To verify rental payment history, the lender obtains a rental reference from the rental management company showing payments for the most recent 12 months, provided the borrower is not renting from a family member. The lender can also accept canceled checks or other proof of payment.

Credit References

To be sufficient, the credit history must include three credit references, including AT LEAST one of the following:

- Rental housing payments, subject to independent verification.
- Telephone service.
- Utility company service, if not included in the rental payment:
 - Gas
 - Electricity
 - Water
 - Cable or television service
 - Internet



If the borrower cannot obtain all three references, the lender can use the following sources of unreported recurring debt:

- Insurance premiums NOT payroll-deducted, such as medical, auto, life, or renter's insurance
- Payment to childcare businesses
- School tuition
- Retail store credits, such as department, furniture, appliance or specialty stores
- Rent-to-own, such as furniture or appliances
- Payment of medical bills not covered by insurance
- A 12-month history of regular savings deposits that increase the account balance, and which:
 - Were made at least quarterly
 - Were not payroll deducted
 - Caused no insufficient funds (NSF) checks
- Automobile lease
- A personal loan from an individual with repayment terms in writing and supported by canceled checks that document payments

Bankruptcy

Chapter 7

A Chapter 7 liquidation does not disqualify a borrower for a HECM for Purchase if, at the time of case number assignment, at least two years elapsed since the date of bankruptcy discharge. During this time, the borrower must have:

- Reestablished good credit
- Not incurred new credit obligations

If a period of less than two years, but not less than 12 months has elapsed, the borrower might be eligible if he or she:

- Can show that the bankruptcy occurred due to extenuating circumstances beyond the borrower's control.
- Has exhibited a documented ability to manage financial affairs responsibly since the bankruptcy discharge.

The lender obtains additional documentation if the credit report does not verify the discharge date, or if additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy. The lender also documents that the borrower's current situation indicates that the events leading to the bankruptcy are not likely to recur.

Chapter 13

A Chapter 13 bankruptcy does not disqualify a borrower from consideration for a HECM for Purchase if the case number assignment occurs after at least 12 months of the bankruptcy pay-out period has elapsed.

The lender determines that, during this time, the borrower's payment performance has been satisfactory, and that all required payments were timely. The borrower must also provide written permission from the bankruptcy court to enter into the mortgage transaction.

The lender includes the payment amount in the court-approved payment plan as an expense during the income calculation.

The lender obtains additional documentation if the credit report does not verify the discharge date, or if additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy. The lender also documents that the borrower's current situation indicates that the events leading to the bankruptcy are not likely to recur.

Acceptable Income Documentation

Verify income in accordance with the Financial Assessment and Property Charge Guide.

The lender subtracts from the borrower's liquid assets any cash the borrower must bring to closing before calculating interest or dividend income.

Unacceptable Income

Income not reported on the tax returns is generally considered unacceptable. In addition, the following types of income are not acceptable:

- Rent credits, trade equity or sweat equity, etc.
- Income that cannot be verified.
- Income that is not expected to continue for three years.

Compensating Factors/Extenuating Circumstances

A non-borrowing spouse can voluntarily provide information about his or her income, and lenders can use this income:

- As a compensating factor,



- Or,
- To reduce family size by one.

Any other non-borrowing household member can provide income information to reduce family size by one.

Proof of Funds to Close

Acceptable documentation for proof of funds includes:

- Most recent certified copies of all the last three bank statements, all pages. If they are computer-generated, they must:
 - Clearly identify the borrower(s) as the owner(s) of the account.
 - Display the account number.
 - Display the name of the depository.
 - Be stamped, signed and dated by an official of the depository.

Note: Two statements are allowable if the borrower provides documented balances for three months.

- Full documentation of all bank account deposits for funds necessary to close. This documentation must clearly identify them as coming from acceptable sources.
- A fully-executed gift letter, if applicable, for any funds the borrower received as a gift. This letter must be signed by the donor and the borrower, and it must display:
 - The donor's name, address and telephone number.
 - The amount of the gift.
 - The relationship of the donor to the borrower.
 - Stipulation that NO REPAYMENT is necessary.
 - Signatures of the donor and the borrower (gift recipient).
- Documentation of a gift transfer, if applicable, including:
 - Evidence of the donor's ability to gift the funds.
 - Evidence of the transfer of gift funds to either the borrower's account, or to the title company just prior to closing.
 - Note: Additional documentation may be required, as deemed necessary by the underwriter.
- Copy of the earnest money check, with evidence that it has cleared the borrower's account.
- Proof that funds necessary for closing are liquid, and that they DO NOT INCLUDE any of the following:
 - Grants.
 - Seller, lender or realtor contributions, or contributions from anyone else connected with the transaction.
 - Secondary financing.
 - Equity trades or gifts of equity.

Earnest money that is over 1% of the purchase price is considered excessive and is subject to source and seasoning requirements.

Note: If the borrower has non-liquid assets, such as stocks and securities, he or she must sell them for cash before closing and provide documentation that this sale is the source of the cash deposit.

Credits

No credits are allowed on HECM for Purchase loans by the seller, broker, or lender.

Eligible Property Types

Properties that are eligible for a HECM for Purchase loan include:

- Existing single-family residences more than one year old
- Existing single-family residences less than one year old, where the Certificate of Occupancy or an acceptable equivalent has been issued BEFORE closing.

Note: An "acceptable equivalent" is a copy of the permit and inspection card indicating all necessary inspections have been completed, such as electrical, mechanical, plumbing, etc.

IMPORTANT: FAR reminds originators that the appraisal may not be ordered until the property is complete and the appraiser can mark the report "as-is" or "subject to the following repairs". Appraisals marked "subject to the completion per plans and specifications" are viewed as Under Construction properties, which are not allowable under HECM program guidelines.

- Manufactured homes

Note: these must be built after June 15, 1976, have never been moved, and meet all FHA and FAR requirements.

- Modular homes
- FHA-approved condominiums
- Site condominiums
- 2-4 Unit Properties



- Mixed Use

Ineligible Properties

Properties that are ineligible for a HECM for Purchase loan include:

- Cooperative Units (“Co-ops”)
- Bed and Breakfast properties
- Boarding houses
- Manufactured housing that does not meet FHA and FAR requirements
- Non-FHA-approved condominium units
- Existing single-family residences that are less than one year old, or new construction properties where the Certificate of Occupancy or its equivalent was not issued prior to closing.

New Construction

“New” construction is property built within the previous 12 months, and which has not been previously occupied. Finance of America Reverse (FAR) requires specific documentation for all new construction.

Certificate of Occupancy from the Local Authority

The Federal Housing Administration (FHA) requires that the Certificate of Occupancy, or its equivalent, be issued by the local authority before a loan can close.

If the local authority does not issue a Certificate of Occupancy, FAR requires the building permit issued by the local authority, showing that all necessary inspections were completed.

Note: In unincorporated areas, primarily in Texas, the county cannot issue either of these. In these instances, the underwriter can accept certification from an FHA Roster Inspector or other third-party inspector who is qualified to assess the construction quality, like an International Code Council (ICC) Certified Inspector, engineer, and so forth. The certification must confirm that the building complies with building code standards and FHA requirements.

HECM for Purchase

FAR reminds originators that the appraisal may not be ordered until the property is complete, and the appraiser can mark the report “as-is” or “subject to the following repairs”. Appraisals marked “subject to the completion per plans and specifications” are viewed as Under Construction properties, which are not allowable under HECM program guidelines.

This appraisal is made ☐ "as is," ☒ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:

The subject is under construction and the report is being made subject to the completion of the property.

GENERAL DESCRIPTION	
Units	<input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit
# of Stories	2
Type	<input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit
	<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Under Const.
Design (Style)	Craftsman
Year Built	2018
Effective Age (Yrs)	0

Repair Requirements

Properties must meet FHA’s minimum property requirements to qualify for a HECM for Purchase loan.

The appraiser, inspector, engineer, or termite company identifies problems with the property. Repairs are required as necessary to protect:

- The health and safety of the occupants.
- The security of the property.
- The soundness of the structure.

The SELLER must complete FHA-required repairs before closing. Repair set-asides are not allowed.

Power of Attorney (POA) or Guardianship

FAR only accepts POA on HECM for Purchase transactions if the borrower is physically incapacitated. If the borrower is mentally incapacitated or under a court ordered guardianship, FAR will review on a case-by-case basis approved by VP or higher.



Closing Costs

The borrower must pay for all closing costs typically associated with purchasing a property and obtaining financing, and the seller must pay for all costs typically associated with selling a property. The seller cannot pay for any portion of the buyer’s fees, except as listed below. The seller may not pay for any other borrower fees or make any credits to the borrower for closing costs. Some closing costs specific to purchase transactions are in the following table.

Sellers can pay for any of the following:

- Fees the seller must pay under state or local law.
- Fees that sellers customarily pay in the subject property’s area.
- Home warranties.

Borrower

Fee Description	HUD Line Item	HUD Page #
Loan Origination	801	2
Counseling	1303	2
Credit	805	2
Appraisal	804	2
Flood Certificate	808	2
Doc prep	808	2
Notary	1112	2
Survey, if applicable	1304	2
Buyer attorney fee, if applicable	1305	2
Recording/Tax stamps	1202/1205 and 1206	2
HOA dues	1304	2
MIP	902	2
Owner’s Title Insurance Policy	1103	2
Property taxes and assessments paid by borrower	106-109 and 210-212	1
Hazard insurance premiums	903	2
Flood insurance premiums	904	2
Home warranty, if applicable	1306	2
Home inspection	1305	2
Pest inspection	1302 and 817	2
Occupancy inspection	815	2

Seller

Fee Description	HUD Line Item	HUD Page #
Doc prep for deed	1109	2
Document transfer tax	1205 and 1206	2
City transfer conveyance tax	1205 and 1206	2
Repairs	1307	2
HOA dues	1304	2
HOA transfer fees	1304	2
Seller’s attorney fee, if applicable	1305	2
Bonds or assessments	1308	2



Recording charges to provide clear title	1202	2
Real estate commission	703	2
Property taxes and assessments paid by seller	406-408 and 510-512	1

See also: [HECM for Purchase BEFORE 9-19-17](#)



Refinances



HECM-to-HECM Refinances

Revised October 2023

Overview

When borrowers consider refinancing a Home Equity Conversion Mortgage (HECM), we must review the refinance transaction to ensure all state and FHA requirements have been met, and the loan is a benefit to the borrower. The refinance must be considered a true advantage to the borrower.

Seasoning Requirement

- If there is an existing HECM, issuance of the new FHA case number assignment must be at least 12 months after the closing date of the prior HECM.
- If the borrower passes the Loan Proceeds and Closing Cost test and seasoning is greater than 12 months, we will accept.
 - If the borrower does not pass both tests but the reason is to add a spouse, we will accept.
 - If the borrower does not pass both tests and seasoning is at least 12 months and the reason is to reduce the rate, we will require:
 - 12-month seasoning must be met
 - At least a 1% rate reduction in rate required
 - Borrower must recapture closing costs within 24 months

If the loan does not pass the seasoning requirement, VP or higher must sign off.

Add Non-Borrowing Spouse or Family Member

All borrowers must pass the [Seasoning Requirement](#).

However, if a borrower sends a written request to refinance the HECM in order to add a non-borrowing spouse or other non-borrowing family member who resides in the subject property to the loan, the borrower does NOT have to pass the remaining tests.

Note: The borrower’s written request must be in the file.

Closing Cost Test

The increase in the borrower’s principal limit from the prior HECM to the new HECM must equal or exceed five (5) times the closing costs paid by the borrower.

IMPORTANT: Example: An eligible borrower has closing costs of \$6,500 with a Principal Limit increase of \$33,800.

IMPORTANT: $33800 \div 6500 = 5.2$

IMPORTANT: The refinance factor is 5.2, which is greater than 5. The borrower passes the closing cost test.

If the loan does not pass the closing cost test, VP or higher must sign off.

Loan Proceeds Test

The Available Benefit Amount from the new HECM is the amount of Principal Limit available to the borrower MINUS the HECM loan balance being paid off and the closing costs for the new HECM. This must equal or exceed 5% of the HECM Refinance Principal Limit.

IMPORTANT: Example: An eligible borrower has a Principal Limit of \$200,000. The prior loan balance is \$170,000 and the closing costs are \$6,500.

IMPORTANT: $200,000 - (170,000 + 6,500) = \$23,500$

IMPORTANT: The Available Benefit Amount is \$23,500. To obtain the percentage, divide the Available Benefit Amount by the Principal Limit amount.

IMPORTANT: $23,500 \div 200,000 = 0.1175$, or 11.75%.

IMPORTANT: Since the percentage is greater than 5%, the borrower passes the test.

If the loan does not pass the loan proceeds test, VP or higher must sign off.



Loan Type Test

NRMLA's Loan Type Test is in addition to the other tests. A HECM-to-HECM refinance with the sole purpose of changing the type of HECM loan does not, by itself, provide a true advantage to the borrower.

A change in loan type includes, but is not limited to, a change from a fixed rate to an adjustable rate loan, a change between a monthly and an annual adjustable rate loan, or a change in rate cap.

A HECM-to-HECM Refinance for the sole purpose of changing the type of HECM loan does not, by itself, provide a true advantage to the borrower. The loan must also meet the requirements of the other tests.

If the loan does not pass the loan type test, VP or higher must sign off.

MIP Credit Exceptions

If the difference results in a credit, the borrower is NOT eligible for that credit when the previous HECM was not insured, and the MIP was credited back to the borrower. The underwriter must review the case query for the prior loan to ensure that it was insured.

Increases in Value Since Original Loan

Any increase in value since the original HECM was closed will be subject to underwriter review and approval. If the increase is due to repairs or upgrades, we require substantiating documentation with the submission.

Disclosures

All HECM-to-HECM refinances require the following disclosures at submission:

- Anti-Churning Disclosure
- HECM Refinance Worksheet and Payoff Statement from the previous lender
- Correct and current information in FHA Connection and LOS

Waive Borrower Counseling

If a borrower has a current HECM loan and is refinancing with a new HECM loan, he or she may be eligible to waive their counseling, provided they meet ALL the following requirements:

- We have received the required Department of Housing and Urban Development (HUD) Anti-Churning Disclosure form, disclosing all figures to the borrower(s).
- The increase in the loan's principal limit exceeds the total cost of the refinancing by an amount equal to five times the cost of the transaction.
- The time between the closing on the original HECM that is to be refinanced and the assignment date of the new case number for refinancing is NOT more than five years (**NOTE:** So long as counseling has been performed within five years and the closing cost test is passed, we can waive counseling, even if it was waived once before within the five-year time frame).
- We have received the borrowers written consent to waive the counseling.
- The property state permits counseling to be waived.

Note: California, Massachusetts, Minnesota, New York, North Carolina, Tennessee, Texas, and Vermont DO NOT permit counseling to be waived, even if he or she meets the 5:1 ratio.

Taxes, Insurance and Repair Defaults

Borrowers who are in default for any of these reasons are not eligible for a HECM loan until the default is satisfied. Delinquent taxes and insurance can be satisfied through the HECM closing.

The current lender or servicer of the loan lists any defaults, if applicable, on the HECM Refinance Worksheet. This worksheet typically accompanies the payoff statement.

FAQs

Q. Can a third-party originator (TPO) give a lender credit?

A. No, A TPO can only give a broker credit, and ONLY on adjustable-rate loans.

Q. Can a Principal-Agent (PA) give a broker credit?

A. No, PAs can only give a Lender Credit.

Q. What if the benefit factor falls below 5:1 after the underwriter issues the clear to close?

A. The underwriter creates a PTF condition, "Attention Closer: return to file to the UW if the benefit drops below 5:1 after final fees are entered". The underwriter must then verify the loan is still eligible.



Q. Where can I find the current HECM's Original HECM MIP Rate and if the current HECM is insured?

A. In the FHA Connection Case Query screen.

Q: What does the Case Query screen system error, “Low Cost Loan – Please Contact Lender” mean?

A: This indicates the broker/PA probably credited the borrower more than the total fees. The broker/PA can ONLY credit the total fees on the Fees screen, MINUS the cost of the counseling certificate.

In this example, the total fees are \$7,997.45. This amount includes the cost of the counseling certificate, \$125.00, which broker/PAs CANNOT credit. The most the broker/PA can credit is \$7997.45 – \$125.00, or \$7872.45, the amount to the left of the total fees on the bottom of the Fee screen.

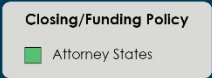
See Also

- [NRMLA Ethics Advisory Opinion 2015-2](#)
- [NRMLA Advisory Opinion 2013-04](#)
- [FHA ML 2010-34](#)
- [HECM-to-HECM Refinancing BEFORE 11-2-15](#)



State Specifics

Revised July 2020





Hawaii Loans

Revised November 2022

Cisterns and Catchment Systems

Both cisterns and catchment systems are common water sources in Hawaii. The U.S. Department of Housing and Urban Development (HUD) may issue a waiver for existing properties in Hawaii that are over one year old and have these as their primary water sources.

Once a property in need of a waiver has been identified, the appraisal for the property must be sent to the Santa Ana HOC for a cursory review. Upon review and acceptance of the appraisal, a well water test with the sample taken from inside the home and an estimate to drill a well must provide to the Santa Ana HOC. These items are reviewed for feasibility of drilling a well.

Condominiums

Condominiums are prevalent in Hawaii. Currently, Finance of America Reverse (FAR) requires all condominium complexes to be approved with HUD at the time the FHA case number is assigned, unless the property is a site condo. Refer to current FAR Condominium guidelines for specific requirements.

Hawaii Homeland

FAR does not currently allow properties that are part of the Hawaii Homeland program. This program has restrictions that are incompatible with the HECM product.

Heating Source

HUD requires all habitable rooms to have a heating source. Since Hawaii is located in a tropical environment, a heating source is not mandatory, as long as the appraiser confirms that the lack of a heating source is typical for the market and does not adversely affect the marketability of the property.

Leaseholds

Leaseholds are common in Hawaii. Please refer to current FAR Leasehold guidelines for specific requirements.

Lava Zones

Federal Housing Administration (FHA) mortgage insurance is not available in lava flow zones 1 and 2:

- Zone 1: The summit areas and active parts of the rift zones of Kilauea and Mauna Loa.
- Zone 2: The areas adjacent to, and downslope from, the active rift zones of Kilauea and Mauna Loa, which are subject to burial by lava flows of even small volume eruptions.

Most of the HUD non-participation areas fall within parks, conservation areas, or other state and federally owned lands where housing and other urban uses are prohibited. However, a limited portion of non-participation area is not enclosed by federal and state lands. In these areas we must rely entirely on lava flow boundaries for Zones 1 and 2, as defined by United States Geological Survey (USGS). FAR relies on the appraiser to confirm if the subject property is located in one of these lava zones.

Recording Documents

Security instruments, riders, and other mortgage-related documents must be recorded in either the regular or land court systems. Title must ensure that the document is recorded in the current system that the property is assigned to.



Kentucky Loans

Revised December 2021

Overview

Kentucky has specific requirements pertaining to Processors and Fee Caps.

Requirements

For Brokered loans, there are state specific requirement for Processors and Origination Fee Caps.

Processors

Processors on Kentucky loans are required to take continuing education classes and complete a background check. The responsibility for ensuring the processor meets the Kentucky requirements outlined in KY Stat § 286.8.225(9) falls upon the broker's reps and their broker agreement.

Fee Caps

Kentucky limits the total amount of income earned by an originator on a mortgage transaction. This amount includes any fee, income or compensation collected and/or charged by an Originator.

Per the state's requirements, total income must not exceed the greater of \$2,000 or four percent (4%) of the principal limit.

- If the principal limit is \$50,000 or lower, the origination fee is limited to \$2,000.
- If the principal limit is more than \$50,000, the origination fee can be up to four percent (4%) of the principal limit.

Process

Underwriters condition for the following regarding Broker Compensation:

- Broker Compensation in its entirety may not exceed the greater of \$2,000; or 4% of the principal limit.

Resources

- [KY Rev Stat § 286.8.125](#)



Kentucky Requirements Certification (Broker)

Revised August 2021

Overview

Before accepting broker loan submissions on Kentucky properties, Finance of America Reverse LLC ("FAR") requires the below certification to be reviewed and signed by an officer of the company.

Kentucky has special requirements which include:

- Compensation Restrictions (KY Rev Stat § 286.8.125): Kentucky limits the total amount of income earned by an originator on a mortgage transaction. This amount includes any fee, income or compensation collected and/or charged by an Originator.
 - If the principal limit is \$50,000 or lower, the origination fee is limited to \$2,000.
 - If the principal limit is more than \$50,000, the origination fee can be up to four percent (4%) of the principal limit.

For Brokers: Broker compensation in total (whether from the origination fee or lender-paid broker comp) cannot exceed the greater of \$2,000; or 4% of the principal limit.

- Loan Processors (Ky. Rev. Stat. Ann. §286.8-255(9)): Any processor of a Kentucky loan must meet the state requirements for processors, which includes required continuing education, an employee background check and proof of compliance demonstrating that the processor meets the requirements as outlined in the statutes.

By signing below, I certify the following:

- I am an officer of the company and am duly authorized to sign on behalf of the Company.
- My company is aware of and agrees to comply with the KY requirements outlined above.
- We understand we should consult with our company's legal and compliance to ensure full compliance with state requirements.



Massachusetts Disclosure and Timing Requirements

Revised October 2023

Overview

Document and related timing requirements for Massachusetts loan transactions.

Requirements

Disclosure and Timing Requirements

The following requirements are in effect for the Retail and Wholesale channels:

- **Counseling:** *Counseling must be conducted, and the certificate must be dated prior to the Opt-In Disclosure.* Any submissions with a counseling certificate performed or signed after the required Opt-In disclosure will be denied for non-compliance with state requirements.
- **Opt-In Disclosure:** Generates in application package. *Must be signed and dated after counseling and before Commitment Letter.* Loans submitted with this document signed and dated prior to counseling will be rejected.
 - Document name:
 - “Massachusetts Opt-in Form”
- **Massachusetts Commitment Letter:** Document generates separately from application package, as it *must be signed at least one day following Opt-In Disclosure and at least 7 days prior to closing.*
 - MA Commitment Letter in RV and Link

Procedures

All channels are subject to the disclosure timing requirements:

- **Retail:** Processor to send to borrower upon receipt of signed application package.
- **Broker:** Processor to send to borrower upon receipt of signed application package.
 - If submission received without signed Commitment, it should be sent with TPO docs.
- **Principal/Agents:** Principal Lender responsible for obtaining from borrower.
 - If submission received without signed Commitment, a PTC document condition will be issued.
- Underwriting to review and issue document condition for any loan not containing a signed commitment letter.
- Loan may not close before the 7-day cooling-off period expires (day 8 after date upon which Commitment was signed by borrower).

Licensing Requirements:

- **Brokers:** Brokers do not require special approval to originate and broker reverse mortgages in the state of Massachusetts. They must only obtain a Massachusetts broker license. This is required even of MA licensed lenders who want to broker loans (unless exempt).
- **Lenders:** All Massachusetts lenders must obtain special approval to make reverse mortgages, in addition to a lender license (unless exempt). They will appear on the following list (Brokers are not required to be on this list):
- [List of MA-Approved Reverse Mortgage Lenders](#)



New Jersey Applications

Revised March 2021

Overview

Whenever we receive an application from New Jersey for a FIXED RATE LOAN (closed-ended loan), the State of New Jersey requires the following:

- The borrower must receive and sign the New Jersey Application Disclosure Form at the time of application.
Note: Sales and Sales Support ensure that this is in the application package.
- The New Jersey Application Disclosure Form CANNOT contain any blank fields.
Note: Sales and Sales Support ensure that the form displays the same fees that are on the Good Faith Estimate (GFE), and whether the fee is refundable, as well as the conditions for any refund.
- The borrower must complete and sign the New Jersey Application Disclosure Form, and the processor must review it.
- The underwriter verifies that the initial GFE was not issued prior to our receipt of the borrower's application.
- The underwriter verifies that all fees initial GFE display correctly on the New Jersey Application Disclosure Form
Note: No Doc Prep fees can be charged on New Jersey FIXED rate loans.



New York HECM Case Transfers

Created June 2020

Overview

New York HECM loan case transfers may be accepted provided the following requirements are met:

- Pre-application disclosure: the appropriate Pre-Application Disclosure must be immediately provided to the borrower:
- Pre-Application Disclosure – Broker
- Pre-Application Disclosure – PA; or
- Pre-Application Disclosure - Lenders/Exempt Entities Operating as Broker.
- NY Counseling Affidavit, NY Additional Disclosure, NY Counseling Checklist, and NY Counseling Statement must be provided to the borrower at the time application disclosures are signed. An executed copy of the NY Additional Disclosure, NY Counseling Checklist, and NY Counseling Statement must be returned prior to underwriting approval.
- NY Counseling Affidavit must be returned, executed and notarized, prior to underwriting approval.
- Note: This must be executed by the counselor as well. The borrower does not have to undergo counseling again, however.
- NY HECM Commitment Letter: Provided by FAR upon completion of loan underwrite, executed by borrower. FAR may not provide the borrower the NY HECM Commitment Letter until after the completed NY Counseling Affidavit is received and at least three calendar days have passed since the application was signed (i.e. on the fourth business day after application). The borrower may not proceed with the loan in any way during the three-calendar-day cooling-off period following the date upon which the application was signed. FAR must receive the executed NY HECM Commitment Letter at least three business days prior to closing, based on the date the borrower signed the disclosure (business days in the NY regs are defined as any day but Saturday, Sunday and legal holidays). During this 3-day cooling off period, the loan cannot proceed in any way. On the 4th business day, they may proceed to closing.
- At closing, FAR must provide the Limited Waiver of Right to Foreclosure (HECM), NY Additional Disclosures (HECM), and Tenure Loan Schedule of Estimated Payments (HECM) to the borrower. An executed copy of the Limited Waiver of Right to Foreclosure (HECM) must be provided to every borrower at closing and the original must be received and retained by FAR for the life of the loan.



New York HECM Loans

Revised March 2022

Overview

New York has specific requirements pertaining to delivery of certain disclosures, fees charged to the borrower, and counseling.

Requirements

For new HECM applications, below are disclosures and timing requirements:

New Disclosures	
Pre-Application Package	
Pre-Application Disclosure – Combined	Provided by Brokers (or PA’s acting as Broker) in the Pre-App Package/Proposal Package, executed by borrower prior to underwriting approval.
Pre-Application Disclosure - PA	Provided by Principals in the Pre-App/Proposal Package, executed by borrower prior to underwriting approval. (Required on Purchases ONLY for PA’s)
Counseling Statement	Pre-App Package/Proposal Package or Application package, executed by borrower prior to underwriting approval.
Counseling Checklist	Pre-App Package/Proposal Package or Application package executed by borrower prior to underwriting approval.
Consumer Credit Report Disclosure	Pre-App Package/Proposal Package executed by borrower prior to underwriting approval.
Application Package	
Tenure Loan Schedule of Estimated Payments	Application Package, executed by borrower.
NY Additional Disclosures NY Attorney Selection Disclosure for HECM	Application Package executed by borrower Application Package, executed by borrower and redisclosed in the event borrower selects their attorney later (prior to closing), or if a different attorney is chosen prior to the closing of the transaction.
Submission	
Commitment Letter	Provided by FAR upon completion of loan underwrite, executed by borrower.
Closing Package	
Limited Waiver of the Right of Foreclosure	Provided in closing package, executed by borrower. Original must be retained by FAR.
Other Disclosures	
Expiration of Commitment Letter	Underwriting Package (Add Doc) Commitment Letter is issued with a 90-day expiration. If the loan is within 12-20 business days of commitment expiration, the Expiration of Commitment Letter must be provided to the borrower.

Attorney Representation

Both the lender and the borrower must be represented by an attorney of their choosing at the time of the closing of the reverse mortgage.

- This representation must be in person (not by telephone or video) at the time the borrower signs the closing documents.
- The borrower’s attorney may not be the same as the lender’s attorney.
- Fees for the borrower’s attorney may be financed into the loan.
- The lender’s attorney will prepare documents and conduct the closing.
- Borrower Selection of Attorney

The borrower will be asked to provide their attorney selection in writing at the time of application. If the borrower has an attorney, they will need to provide the information to the Lender. If they do not have an attorney, they must select an attorney of their choosing. Title companies or other third-party service providers may be able to provide the borrower with suggestions on attorneys with experience in reverse mortgage transactions. Lenders and originators may not suggest or otherwise steer the borrower to any attorney.

For borrowers who have no preferred closing attorney, information regarding New York licensed attorneys who may be able to represent them at the closing of their HECM reverse mortgage is also available on the following sites:

New York State Bar Association

Website: <https://www.nysba.org/lawyerreferral/>
Phone: 1-800-342-3661

New York State Unified Court System

Website: <https://iapps.courts.state.ny.us/attorneyservices/search?1>
Phone: 212-428-2800

The loan may not close without the borrowers providing their attorney selection in writing. This selection must be provided at least two (2) business days prior to the scheduled closing date.

- Disclosure

A new disclosure entitled “New York Attorney Selection Disclosure for HECM Products” will populate in all New York HECM application packages generating on or after March 5, 2020. This form must be completed and signed by the borrower and must be redisclosed to the borrower in the event they select their attorney later (prior to closing), or if they choose a different attorney prior to the closing of the transaction.

Timing of Disclosures

- Borrower is provided Pre-app/Proposal package (borrower **MUST** be provided this package to remain in compliance)
- Borrower counsels and signs application package, which includes the NY Additional Disclosures (HECM) and Tenure Loan Schedule of Estimated Payments (HECM).

Note: Counseling cannot be waived.

- After the application is signed, the borrower cannot be required in any way proceed with the loan until three calendar-days has lapsed (i.e., on the fourth calendar day after application). While the case number and other services may be ordered, any fees incurred during this three-day cooling-off period may not be charged to the borrower should they choose not to proceed with the application prior to the expiration of the three-day cooling-off period. Additionally, if an appraisal is ordered during this time, the borrower cannot pay the appraiser at time of service if the cooling-off period has not expired.
- Upon loan underwrite and receipt of the executed Counseling Packet (Commitment/Statement), FAR will provide the Commitment Letter. FAR must receive the executed copy at least three business days prior to closing, based on the date the borrower signed the disclosure (business days in the NY regs are defined as any day but Saturday, Sunday, and legal holidays). During the 3-day cooling off period, the loan cannot proceed in any way. On the 4th business day, they may proceed to closing. See chart below.

Day Commitment Signed	Earliest Closing Date*
Monday	Friday
Tuesday	Saturday
Wednesday	Tuesday
Thursday	Wednesday
Friday	Thursday
Saturday	Thursday
Sunday	Thursday
* If a holiday occurs during the 3-business day cooling-off, add an additional day (must be 3 days exclusive of Sat, Sun, or holidays in-between commitment and close).	

- At closing, FAR must provide the Limited Waiver of Right to Foreclosure (HECM). FAR must obtain the original disclosure in the loan file.

Commitment Letter

What do I do if the NY Commitment Letter expires, but the Expiration of Commitment was provided within 12 to 20 business days of the expiration?

If FAR chooses to honor the commitment, we can still do so and close even if the commitment has expired (if the Expiration of Commitment was provided in a timely manner) -- provided none of the terms on the commitment are



changing. So, if the terms have not changed you are okay to proceed. If they have changed, you will need to issue a new commitment.

What if the Commitment Letter expired (or is about to expire) and no Expiration of Commitment was timely sent (they forgot to send, or it was sent less than 12 or more than 20 business days before the expiration)?

A new commitment can be issued if the original commitment expires, provided that the terms and conditions (other than the expiration date) are the same as the prior commitment. There must be a new 3 business-day wait period, meaning the loan cannot close within 3 business days after the borrower signs the new commitment. The new commitment must give the borrower at least seven calendar days from the date of commitment or date of mailing, whichever is later, to sign it, and the new expiration date will be 90 days from the date the new commitment was issued.

Other requirements

- Only one appraisal fee may be charged to the borrower. For HECM for Purchase loans which require a second appraisal, the fee may not be charged to the borrower under NY regulations but may also not be credited by the lender under HUD HECM for Purchase regulations. Therefore, these appraisals must go to a specific AMC. Ask your account executive for more details.
- Borrowers may not waive counseling, even if they meet the HUD requirements to waive counseling on HECM-to-HECM loans.
- If the counseling session was completed more than 6 months prior to the borrower's signature on the Loan Commitment, the borrower must attend a new counseling session and execute an updated counseling certificate.
- For Broker channel loans, lender-paid broker compensation, including the origination fee, is capped at 3% of the appraised value.

FAQ's

Counseling:

Can the borrower counsel after application in NY?

Provided all disclosure and related timing requirements are met, there is no prohibition on counseling occurring after application.

Can the borrower obtain counseling during the three-day cooling off period after application?

Yes, the three-day cooling off period after submission of application prohibits the lender from requiring the borrower to sign the commitment or proceed with the loan. During this period, the borrowers are provided additional time to evaluate the program and seek additional information from a housing counselor.

Broker Compensation Cap

How is the broker compensation cap calculated?

Total mortgage broker compensation to any entity brokering loans on NY properties to FAR may not exceed 3% of the home value as of time of closing. This includes any origination fees paid to a broker by borrower and compensation paid by FAR.

NY Licensing Requirements

How do we apply for the new Reverse Mortgage Authorization with the DFS?

Do only lenders that are licensed in NY need to apply for a special HECM license with the state prior to 6/5?

This special HECM license is only for lenders, correct?

Must we apply prior to 6/5 or can we start applying by 6/5 and after?

Each lender would need to be approved with the state prior to 4/21 correct?

Please review the New York State guidance recently published, [here](#). We strongly encourage our partners to work with their company's legal/compliance resource to ensure they comply with all NY licensing/approval requirements.

Borrower Closing Attorney Requirements:

Is the choice of attorney disclosure, attorney requirement and fee applicable to HomeSafe®?

The attorney requirement is contained only in RPL 280-b, which applies only to HECM. Therefore, the attorney requirement applies only to HECM, and HS is still exempt.

What if the borrower needs to close from another state that is a non-attorney state?

To close from another state that is a non-attorney state, the borrowers will need a NY attorney via zoom with a settlement agent from the non-attorney state present to oversee the signing and notarization of the docs. Please also make sure there is a LOE in file explaining why the closing was set up in this manner (i.e., borrow on vacation etc.)



Cooling-off Period

Does NY allow a credit report to be pulled prior to the cooling off period?

Credit reports can be pulled on a prospective applicant prior to application, if the applicant is “first **informed** in writing or in the same manner in which the application is made that (i) a consumer report may be requested in connection with such application, and (ii) the applicant upon request will be informed whether or not a consumer report was requested, and if such report was requested, informed of the name and address of the consumer reporting agency that furnished the report.” N.Y. Gen. Bus. Law 380-b(b).

This can be documented by providing the NY Fair Credit Reporting Act Disclosure completed and executed by the borrower prior to the credit pull.

Can the case number and can services, such as credit, title, and appraisal, be ordered during the cooling off period?

While the case number and other services may be ordered, any fees incurred during this three-day cooling-off period may not be charged to the borrower should they choose not to proceed with the application prior to the expiration of the three-day cooling-off period.

Applications

Does taking an application over the phone or internet constitute accepting an application by phone or internet?

No. We cannot, and do not, accept applications over the phone, but we can take the information necessary to provide to the borrower for review, completion, ID verification and signature, so that the application package may be returned and submitted to FAR for acceptance.

Appraisals

Can I charge the borrower the cost of the second appraisal if required by HUD or FAR?

Only one appraisal fee may be charged to the borrower. For HECM for Purchase loans which require a second appraisal, the fee may not be charged to the borrower under NY regulations but may also not be credited by the lender under HUD HECM for Purchase regulations. Therefore, these appraisals must go to a specific AMC.

Can I charge the borrower the cost of an appraisal up front?

Yes, the borrower can be charged the cost of the first appraisal report upfront, upon ordering, for both HECM and HomeSafe®.

Case Transfers

Question: what is required on HECM loans that were transferred from another lender?

New York HECM loan case transfers may be accepted provided the following requirements are met:

- Pre-application disclosure: the appropriate Pre-Application Disclosure must be immediately provided to the borrower:
 - Pre-Application Disclosure – Broker
 - Pre-Application Disclosure – PA, or
 - Pre-Application Disclosure - Lenders/Exempt Entities Operating as Broker.
- NY Additional Disclosure, NY Counseling Checklist, and NY Counseling Statement must be provided to the borrower at the time application disclosures are signed. An executed copy of the NY Additional Disclosure, NY Counseling Checklist, and NY Counseling Statement must be returned prior to underwriting approval.
- NY HECM Commitment Letter: Provided by FAR upon completion of loan underwrite, executed by borrower. The borrower may not proceed with the loan in any way during the three-calendar-day cooling-off period following the date upon which the application was signed. FAR must receive the executed NY HECM Commitment Letter at least three business days prior to closing, based on the date the borrower signed the disclosure (business days in the NY regs are defined as any day but Saturday, Sunday, and legal holidays). During this 3-day cooling off period, the loan cannot proceed in any way. On the 4th business day, they may proceed to closing.
- At closing, FAR must provide the Limited Waiver of Right to Foreclosure (HECM), NY Additional Disclosures (HECM), and Tenure Loan Schedule of Estimated Payments (HECM) to the borrower. An executed copy of the Limited Waiver of Right to Foreclosure (HECM) must be provided to every borrower at closing and the original must be received and retained by FAR for the life of the loan.

Fees

What fees can be charged on a HECM loan?

Standard fees which are allowed by HUD to be charged may be charged on HECM loans. However, in accordance with NY regulations, only one appraisal may be charged to the borrower and lender paid broker compensation is limited to 3% of the appraised value.



New York HECM Fees	
Fee	Restriction Category
Appraisal Report	Allowable for one appraisal fee
Credit Report	Allowable
Settlement Fee	Allowable
Notary Fee	Allowable
Title Endorsements	Allowable
Counseling	As counseling must be independent and done by a third-party, must be paid by borrower
Loan Origination	Allowable, subject to 3% cap
Broker Compensation	Allowable, subject to 3% cap
Doc Preparation	Allowable
Title Exam, Abstract	Allowable
Title Insurance	Allowable
Tax Cert	Allowable
Flood Certificate	Allowable
MERS	Allowable
Inspections/1004D	Allowable
Repairs	Allowable
Tax Reporting Service	Allowable as one-time fee
Property Taxes	Allowable
Lien Discharge	Allowable
Recording	Allowable if paid to county/jurisdiction (i.e., not title company)
Attorney's fees	Allowable for the closing of the loan
Trust Review	Allowable

Counseling List Update

The NY HECM counseling list has been updated to include a telephone number and website address for HUD HECM counseling.

Unfair or Deceptive Practices

The bill states: “No authorized lender or any other party or entity shall in any manner, in the marketing or offering of reverse mortgage loans, engage in any unfair or deceptive practices in connection with the marketing or offering of reverse mortgage loans, and, additionally, shall not:

- use the words "public service announcement" in any commercial, mailing, advertisement or writing relating thereto; or
- use the words "government insured" or other similar language that falsely represents that reverse mortgage loans are insured, supported, and sponsored by any governmental entity in any commercial, mailing, advertisement or writing relating thereto; or
- represent that any such loan is other than a commercial product.”

In response to this requirement, FAR will screen all marketing collateral and advertisements to ensure this prohibited language is not used and that the HECM product is represented appropriately.

Supplemental Consumer Protection Materials

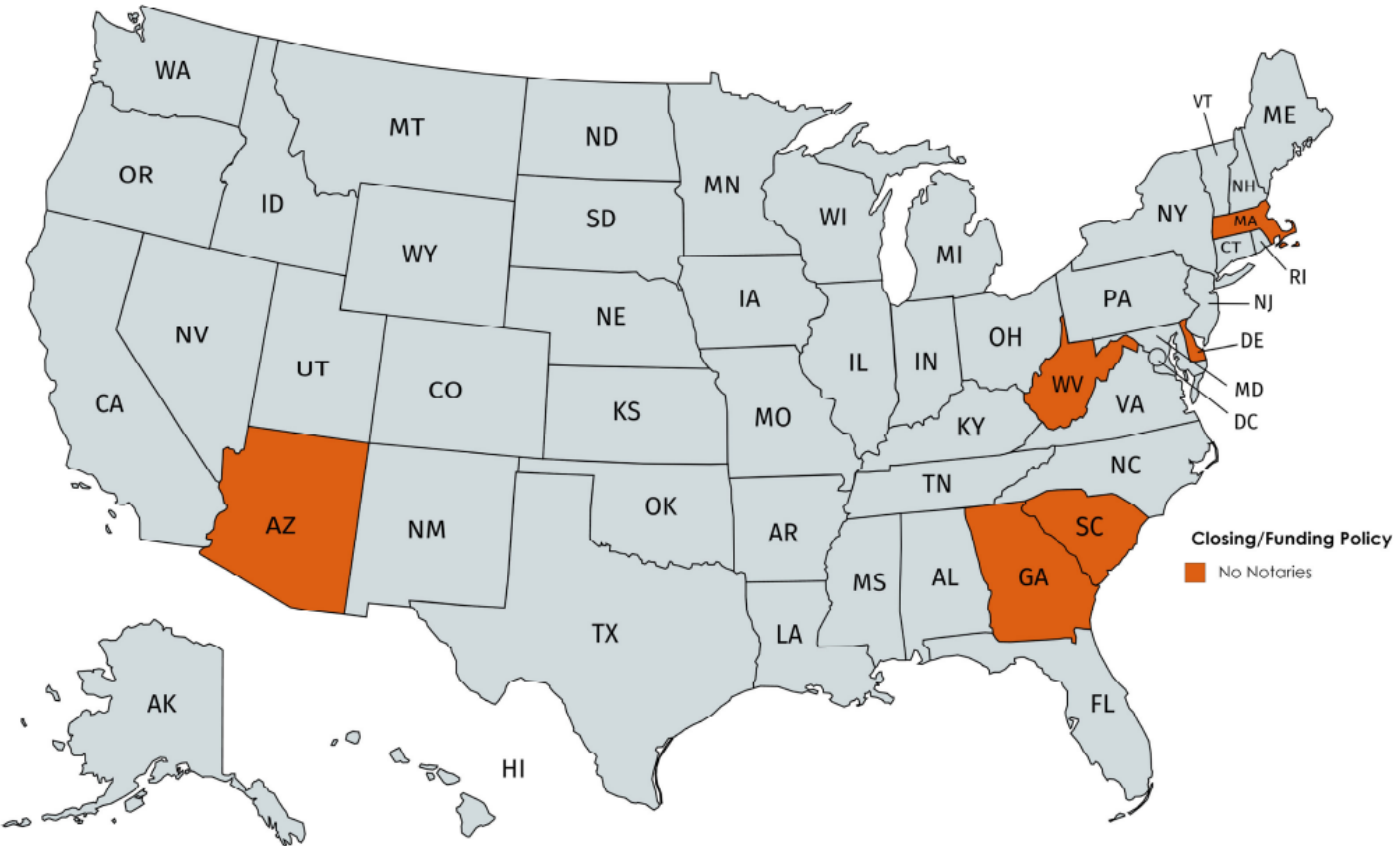
Per the bill, “Every authorized lender or its agent shall provide, with any solicitation for reverse mortgage products mailed to a physical address within the state, supplemental consumer protection materials the content and form of which shall be specified by the superintendent or his or her designee.”

This requirement is pending receipt of additional guidance from the NY superintendent or their designee. The referenced supplemental consumer protection materials will be made available once released by the superintendent.



No Notaries States Map

Revised July 2020





States Requiring Special Approval

Revised April 2023

Overview

Three states, Massachusetts, North Carolina, and Tennessee, require that certain entities obtain special approval to offer reverse mortgages.

Finance of America Reverse (FAR) does not accept loans originated by entities that do not appear on approval lists, unless they are specifically exempt from the requirements.

Massachusetts

Brokers

Brokers do not require special approval to originate and broker reverse mortgages. They must only obtain a Massachusetts broker license. This is even required of Massachusetts licensed lenders who want to broker, unless they are exempt.

Lenders (Principal-Agent / Closed Loan Sellers)

All Massachusetts lenders must obtain special approval to fund reverse mortgages, in addition to the Massachusetts license, unless they are exempt:

- More information: <https://www.mass.gov/guidance/reverse-mortgage-lending-for-banks-credit-unions-and-lenders>
- List of Massachusetts-approved reverse mortgage lenders: <https://www.mass.gov/service-details/approved-reverse-mortgage-lenders-and-loan-programs>

Note: Brokers are not required to be on this list.

North Carolina

Brokers

Brokers are NOT permitted. Due to state regulations, brokered loans are unacceptable in North Carolina. All loans must be from Principal-Agents or Closed Loan Sellers only, provided they are approved by the state as a lender of reverse mortgages.

Lenders (Principal-Agent / Closed Loan Sellers)

All reverse mortgage lenders in North Carolina must be approved by the state, in addition to having a North Carolina lender license.

- More information: https://www.nccob.org/Public/financialinstitutions/mortgage/MortgageLI_ReverseMortgageLenders.aspx
- List of North Carolina-approved reverse mortgage lenders: <https://www.nccob.org/Online/NMLS/LicenseSearchExemptNonCurrent.aspx>

Exempt Institutions

The North Carolina Commissioner of Banks (NCCOB) requires federally- exempt institutions to notify the state in writing and be placed on the North Carolina list of approved exempt lenders.

- **List of North Carolina-approved exempt lenders:** <https://www.nccob.org/Online/NMLS/LicenseSearchExemptNonCurrent.aspx>

Tennessee

Brokers

Brokers do not require special approval to originate and broker reverse mortgages. They must only obtain a Tennessee broker license.

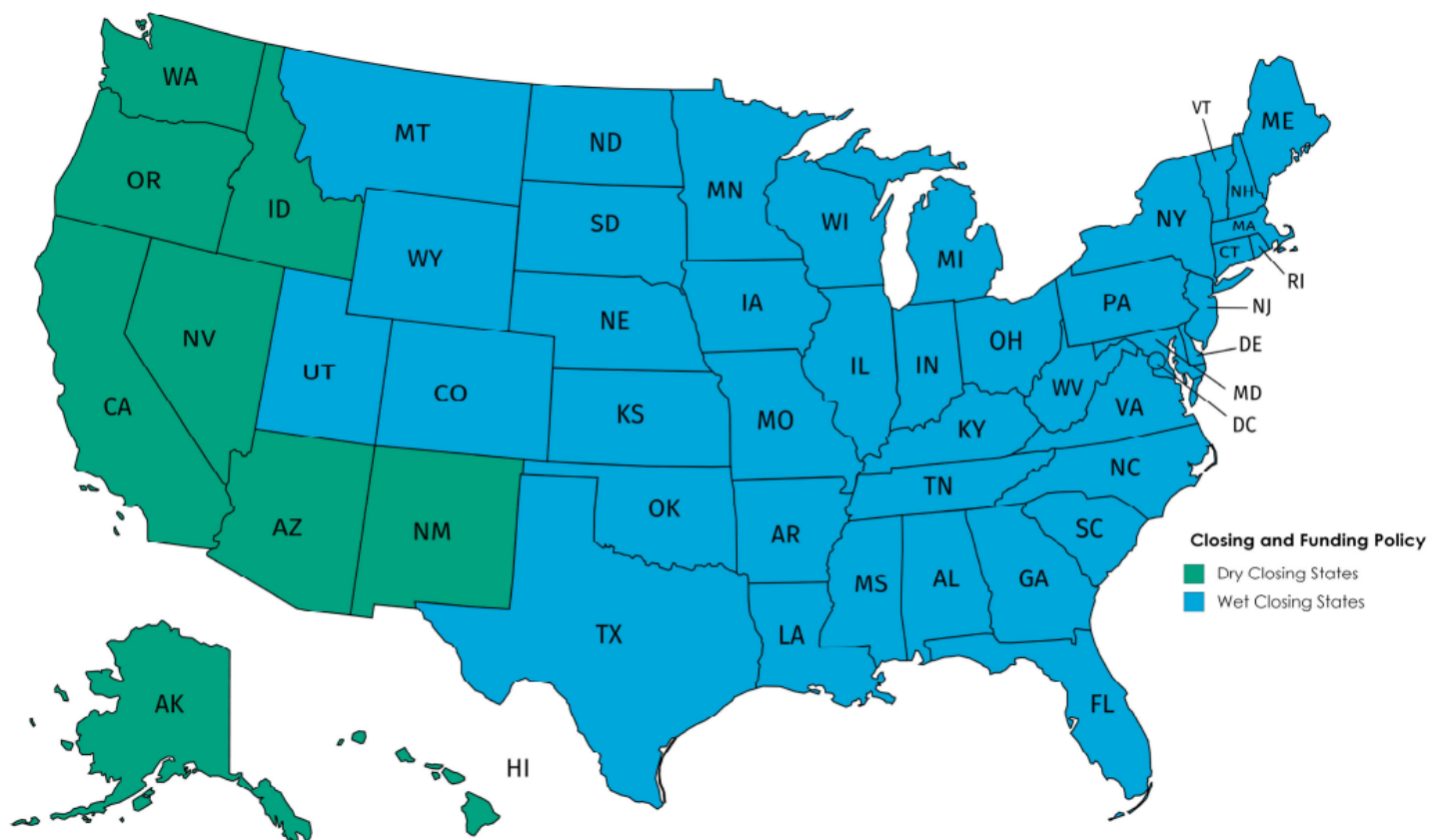
Lenders (Principal-Agent / Closed Loan Sellers)

All Tennessee lenders must obtain approval to fund reverse mortgages. They must have a Tennessee lender license and submit a written application and authorization before they make reverse mortgage loans in Tennessee.

Note: There is an exemption for federally-chartered institutions. They do not have to obtain authorization from Tennessee to make reverse mortgage loans.

List of Tennessee-approved reverse mortgage lenders:
<https://www.tn.gov/content/dam/tn/financialinstitutions/compliance/2020-compliance-documents/reverse%20mortgage%20listing%20for%20web%20as%20of%20040620.pdf>

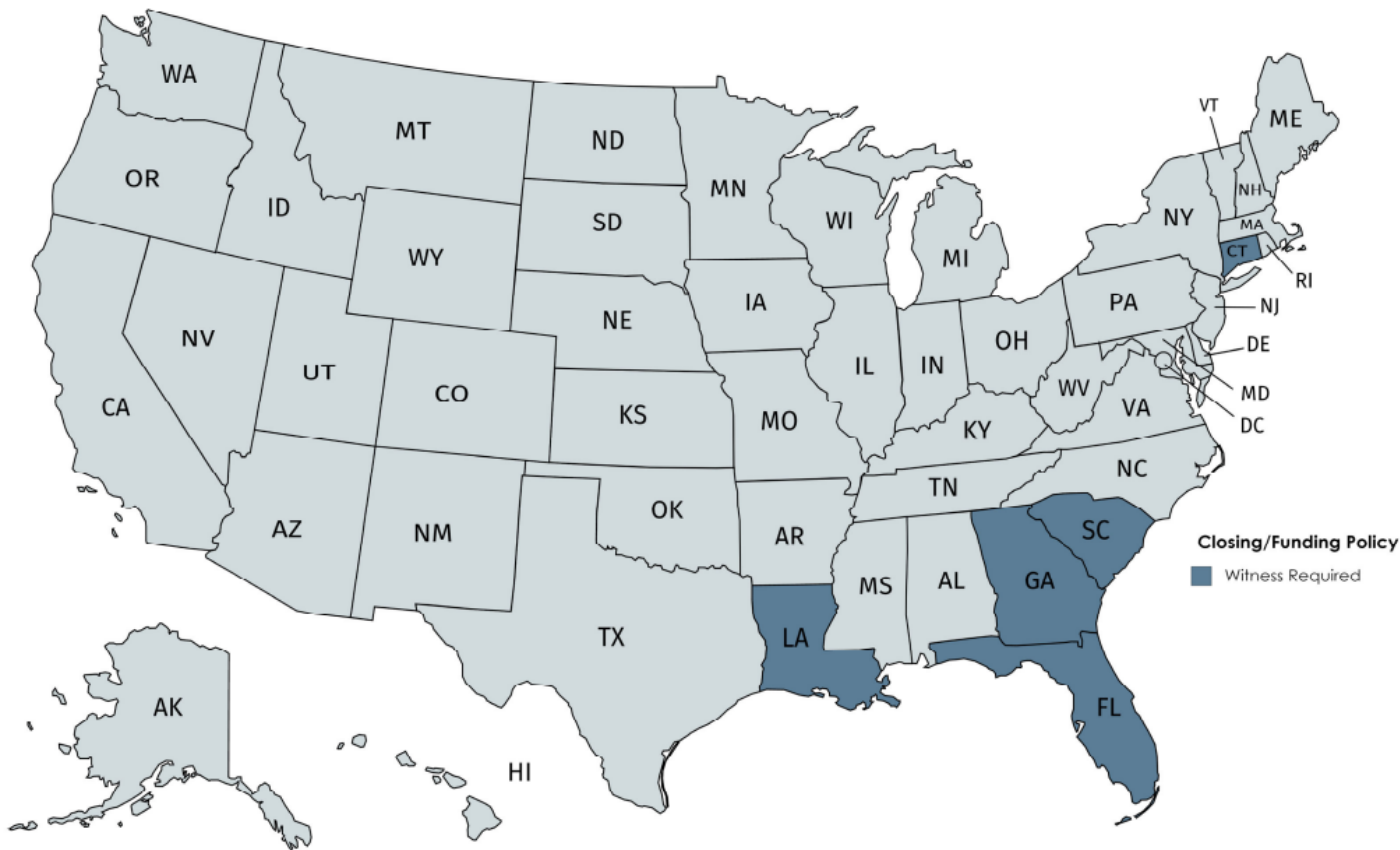
Revised July 2020





Witness Required States Map

Revised July 2020





Title



AKA Policy

Revised March 2023

Overview

The underwriter reviews the loan file for the following including, but not limited to:

- Date of birth (DOB) and Social Security (SSN) verifications
- Vesting on title and deeds
- Credit report
- Trust documentation for name variations
- Name variations on any underwriting supporting documents located throughout the file, such as bank statements, utility bills, insurance statements, and so forth.

Process

All name variations must be on the LINK Vesting and Signatures screen.

Edit Borrower Information

First Name

Heather

Last Name

Melvin

POA

AKA 1

Heather Melvin

AKA 3

AKA 5

AKA 7

Middle Name

Mia

Suffix

Marital Status

Unmarried

AKA 2

Heather M. Melvin

AKA 4

AKA 6

Cancel

OK

When the Closing Department receives the file, the closer compares the name or names on the vesting deed, the DOB and SSN verifications, the credit report, underwriting support documentation, and the Title against the Vesting and Signatures screen for name variations. If any are missing from the Vesting and Signatures screen, the closer inputs them into the LINK loan record.

[AKA Policy Process](#)



Closing Protection Letter

Revised May 2023

Overview

Finance of America Reverse (FAR) requires the settlement agent to provide a closing protection letter (CPL) to the borrower of each loan. The closing protection letter must be in the name of the settlement agent performing the loan to protect us, as lender, from any mishandling of disbursement funds.

Mortgagee Clause
The mortgagee clause for a CPL is:
Finance of America Reverse LLC
8023 East 63rd Place, Suite 700
Tulsa, OK 74133

Note: Principal-Agent CPL must show ISAOA

New York Loans

For loans in the state of New York, we can accept a fidelity bond for \$1 million per occurrence in lieu of a closing protection letter. A copy of the fidelity bond must be included in all correspondent files prior to purchase.

Closing Signature Lines

Revised March 2023

Overview

Finance of America Reverse (FAR) requires that borrower signatures match the name on the title commitment EXACTLY. In addition, borrowers must sign EXACTLY as their typed names display below the signature line.

Note: Closing signature lines display the name as it appears on title vesting. This may not be how it displays on other signature lines.

Legal vesting information appears on the Schedule A of the title commitment, and this is how vesting should appear on the final mortgages or deeds of trust.

For LINK users, this is in the Property Title is Held in These Names and Vesting fields of the Vesting and Signatures screen. For loans closing in other origination systems, type the vesting information into the corresponding field in that system.

Title Information

Property Title is Held in These Names ⓘ

Vesting ⓘ

|

Individual Signatures

Verify the following:
The signature line matches the borrower’s vesting name on the Title exactly.
The borrower’s signature matches the signature line exactly.

Example: If the vesting line reads, “Jane D. Smith, an unmarried woman,” the signature line displays “Jane D. Smith,” and the borrower signs as “Jane D. Smith.” The example below is from LINK:

Title Information

Property Title is Held in These Names ⓘ

Jane D. Smith

Vesting ⓘ

Jane D. Smith, an unmarried woman

Living Trusts

Verify the following:

- The signature line matches the borrower’s vesting name on the Title exactly.
- If the borrower and trustee are the same, the borrower signs as both the borrower and the trustee.
- If the trustee is someone else, the trustee signs the Notes, security instruments and riders, the Notice of Right to Cancel, and the final Truth in Lending (TIL).

Example: If the vested name is “John Smith, Trustee of the John Smith Trust dated September 1, 2012”, he signs “John Smith” on the borrower signature line, and “John Smith, Trustee” on the trustee signature line.

Security Instrument Trustee

Trustee ⓘ

John Smith, Trustee

Street ⓘ

City ⓘ

State ⓘ

Select...

Zip ⓘ

Non-Borrowing Spouse

Verify that the signature line contains verbiage to indicate a non-borrowing spouse.

Note: The borrower does NOT need to include this verbiage in the signature.

IMPORTANT: Example: The signature line reads, “Jane B. Smith, a non-borrowing spouse,” but her signature is “Jane B. Smith.”

Texas Non-Borrowing Spouses

In Texas, the verbiage regarding non-borrowing spouse is slightly different. Seek guidance from your attorney. For FAR closings, the non-borrowing signature lines are set up as follows:

- “Jane B. Smith is joining in the execution of this Security Instrument solely for the purpose of consenting to the encumbrance of the described Property and is not assuming any personal liability for payment of the debt secured hereby”.

Note: Per state regulations, only INELIGIBLE non-borrowing spouses are allowed on Texas loans.

Power of Attorney (POA)/Guardian/Conservator

Verify that the signature line matches the borrower’s vesting name on the Title exactly.

Example: If the vesting name is “John A. Smith, an unmarried man” and Jane Doe is the POA, guardian or conservator, she signs on the borrower signature line as “John A. Smith by Jane Doe as attorney in fact,” (or as “Guardian,” or “Conservator”).

Note: The POA’s name is on the Power of Attorney document, and in the identification exhibits within the file.

Add Borrower Representative

Representative Type ⓘ

Power of Attorney

Street Address ⓘ

State ⓘ

Select...

Email ⓘ

Signature Override ⓘ

Representative Failed to Renew Date ⓘ

mm/dd/yyyy

Representative Name ⓘ

Jane Doe

City ⓘ

ZipCode ⓘ

Signature Name ⓘ

John A. Smith by Jane Doe as attorney in fact

Representative Expiration Date ⓘ

mm/dd/yyyy

Cancel

Add

Life Estate

Verify that the signature line matches the borrower’s vesting name exactly. The remainderman signs the Remainderman signature line exactly as indicated in the vesting description.

Example: If the vesting name is “Jane P. Doe, an unmarried woman, as to a life estate with remainder to Jim Doe,” she signs “Jane P. Doe” on the signature line. The remainderman signs the Remainderman line as “Jim Doe.”



Add Borrower Representative

Representative Type ⓘ

Remainderman ⓘ

Street Address ⓘ

State ⓘ

Select...

Email ⓘ

Signature Override ⓘ

Representative Failed to Renew Date ⓘ

mm/dd/yyyy

Representative Name ⓘ

Jim Doe

City ⓘ

ZipCode ⓘ

Signature Name ⓘ

Jim Doe

Representative Expiration Date ⓘ

mm/dd/yyyy

Cancel

Add

Anonymous Land Trusts (Illinois loans only)

Verify that the signature line matches the borrower’s vesting EXACTLY. The borrower does not sign the security instruments or riders but does sign all other documents. The trustee signs the Notes, security instruments and riders.

Note: Confirm “Illinois Land Trust” box is selected on the Vesting and Signatures screen in LINK.

First Trust Information

Type of Trust ⓘ

Select...

Trust/Entity Name ⓘ

Trust #1234697

Trust State ⓘ

IL ⓘ

Trust Date ⓘ

11/01/2007

☒ Illinois Land Trust ⓘ



Endorsements

Reviewed February 2022

Overview

Endorsements are required on all loans. The lender title policy must include the following unaltered endorsements or their equivalent. It is the title company’s responsibility to review the closing instructions, and charge for the appropriate endorsements.

Endorsement	ALTA	CLTA	Texas	Florida
Restrictions, Encroachments, Minerals	ALTA 9	CLTA 100	T-19	FL9
Environmental Protection	ALTA 8.1	CLTA 110.9	T-36	FL8.1
Location (street address)	ALTA 116 or 22.1	CLTA 116	NA	NA
Survey	ALTA 116.1	CLTA 116.1	NA	FL Survey Endorsement
PUD	ALTA 5	CLTA 115.2	T-17	FL5.1
Manufactured Home	ALTA 7	CLTA 116.5	T-31	FL7
Condominium	ALTA 4	CLTA 115.1	T-28	FL4.1
Variable Rate	ALTA 6.2	CLTA 111.8	T-33.1	FL6.2
Reverse Mortgage	ALTA 14.3-06	CLTA 111.14.3-06	T-43	FL 14.3-06

Endorsements Always Required

Restrictions, Encroachments, Minerals

[ALTA Endorsement Form 9 \(Restrictions, Encroachments, Minerals\)](#)

The ALTA endorsement covers a lender for loss or damage from a number of violations pertaining to restrictions, encroachments and future exercise of a right to use the surface of the land for the extraction of minerals. It is similar to the CLTA 100 and the Company's Comprehensive Endorsement.

CLTA Form 100

The CLTA endorsement covers insured ALTA lenders against loss or damage from present or future covenant, condition and restriction violations under which the lien can be cut off, subordinated, or otherwise impaired. This includes easements, and the encroachment of improvements or surface entry for mineral development.

Environmental Protection Endorsement

[ALTA Endorsement Form 8.1 \(Environmental Protection Lien\)](#)

This endorsement insures a lender for loss that occurs when state statutes adversely impact the priority of the lender’s lien on a mortgage for residential property against the priority of an environmental lien. It applies to any statute filed and recorded with the district court and in effect on the policy date, unless the environmental lien is listed as an exception on the Schedule B.

CLTA Form 110.9

This endorsement covers insured American Land Title Association (ALTA) residential lenders against loss that occurs to real property when the priority of the lender’s lien is adversely affected by the priority of environmental protection liens. It applies to any federal or state environmental liens or statutes recorded in public records and in effect on the policy date, except statutes that are specifically listed on the Schedule B and the form as excluded.

Location (Street Address)

[ALTA Form 116](#)



This endorsement covers insured ALTA lenders against loss or damage resulting from inaccuracy of the street address, location or dimensions of land improvements on the policy plat map.

CLTA Form 116

This endorsement covers insured lenders against loss or damage resulting from inaccuracy of the street address, location or dimensions of land improvements on the policy plat map.

Reverse Mortgage

ALTA Form 14.3-06

This endorsement covers lenders against loss or damage from the invalidity or unenforceability of the lien for or principal advances made after the date of the policy. This includes foreclosure expenses, amounts advanced to cover taxes and insurance, to assure compliance with laws, or to protect the lien before Title acquisition, plus reasonable expenses to prevent deterioration of improvements. It also includes lack of lien priority as security for each advance over any lien or encumbrance on the Title.

CLTA Form 111

This endorsement covers lenders against loss or damage due to the invalidity or unenforceability of the reverse mortgage liens, or loss of priority of the lien. It includes interest on interest, changes in the rate of interest, or the addition of unpaid interest to the principal balance of the loan.

Endorsements Required When Applicable

Planned Unit Development (PUD)

ALTA Endorsement Form 5 (Planned Unit Development)

Planned Unit Development (PUD) Endorsement Form 5 insures against loss or damage from violations of any restrictive covenants, and loss or damage resulting from the mortgage lien being subordinate to liens for homeowner's association charges. The endorsement insures against enforced removal of any structure, other than a boundary wall or fence, which encroaches onto adjoining land or easements. Furthermore, the PUD endorsement ensures that the insured's title will not fail by reason of an outstanding right of first refusal.

CLTA Form 115.2 (ALTA FORM 5)

This endorsement covers insured ALTA lender against loss or damage from violations of any restrictive covenants, and loss or damage resulting from the mortgage lien being subordinate to liens for homeowner's association charges. The endorsement insures against enforced removal of any structure, other than a boundary wall or fence, which encroaches onto adjoining land or easements. Furthermore, the PUD endorsement ensures that the insured's title will not fail by reason of an outstanding right of first refusal.

Manufactured Homes

ALTA Endorsement Form 7 (manufactured Housing Unit)

The manufactured Housing Unit Endorsement is designed to insure a mobile home as part of the real property, if it is affixed to the land. This endorsement can also be used to insure a mortgage covering the mobile home as well as the land, if the home is affixed to the land.

CLTA Form 116.5 (ALTA FORM 7)

This endorsement defines the term "land" to include the manufactured housing unit located on the insured land as of the policy date.

Condominium

ALTA Endorsement Form 4 (Condominium)

The ALTA Endorsement 4 provides special comprehensive title protection against loss or damage resulting from violations specific to condominiums. This endorsement is available to both owners and lenders, subject to review of each item of coverage. This endorsement is not intended to insure the title of the developer.

CLTA Form 115.1 (ALTA FORM 4)

This endorsement provides coverage for an insured ALTA lender against loss resulting from non-compliance of statutes, covenant, condition and restriction violations, homeowner's association charges and assessments, the separate assessment of real property taxes, encroachments, and the exercise of a right of first refusal to purchase with respect to a condominium unit within a condominium project.



Variable Rate

[ALTA Endorsement Form 6.2 \(Variable Rate Mortgage - Negative Amortization\)](#)

This endorsement covers damage or loss resulting from the invalidity or unenforceability of lien provisions that provide for interest on interest, changes to the rate of interest, or the addition of unpaid interest to the principal balance of the loan. It also covers those losses when they occur as a result of loss of lien priority as security for the principal balance of the loan. It does NOT insure against loss or damage from usury, or from any consumer credit protection or truth in lending law.

[CLTA Form 111.8 \(ALTA FORM 6.2\)](#)

This endorsement covers damage or loss resulting from the invalidity or unenforceability of lien provisions that provide for interest on interest, changes to the rate of interest, or the addition of unpaid interest to the principal balance of the loan. It also covers those losses when they occur as a result of loss of lien priority as security for the principal balance of the loan. It does NOT insure against loss or damage from usury, or from any consumer credit protection or truth in lending law.

Survey

Survey endorsements are required when:

- The property is a metes and bounds description, UNLESS waived by management.
Note: A metes and bounds description uses physical features of the local geography, along with directions and distances, to define and describe the boundaries of a parcel of land.
- There are discrepancies noted in the legal description.
- The land will be subdivided or sectioned off from the property.
- Survey coverage is specifically excluded by title UNLESS they are waived by management.

Survey endorsements include:

[ALTA Form 116.1](#)

Provides insured lender with insurance that the land described in the policy is the same as that delineated on plat of a survey attached to and made a part of the policy.

[CLTA Form 116.1](#)

Provides insured lender with insurance that the land described in the policy is the same as that delineated on plat of a survey attached to and made a part of the policy.



Leasehold Interest

Reviewed January 2021

Overview

Leasehold interests refer to real estate where the residential improvements are located on land that is subject to a long-term lease from the underlying fee owner creating a divided estate in the property.

A reverse mortgage, or Home Equity Conversion Mortgage (HECM), secured by real estate under leasehold requires:

- A renewable lease for not less than 99 years, OR
- A lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest mortgagor.

IMPORTANT: Sub-Leasehold Estates are not eligible for FHA mortgage insurance.

Appraiser Requirements

Appraisers must:

- Obtain a copy of the lease from the mortgagee.
- Contact the mortgagee if the leasehold interest does not meet the requirements outlined above.
- Analyze and report the terms of the ground lease, including:
 - The amount of the Ground Rent
 - The term of the lease
 - If the lease is renewable
 - If the lessee has the right of redemption (the right to obtain a Fee Simple title by paying the value of the Leased Fee to the lessor, thereby cancelling the Ground Rent),
 - If the Ground Rent can increase or decrease over the life of the lease term.
- Estimate and report the value of the leasehold interest using the calculation in the box below.
- Provide support for the capitalization rate selected.

IMPORTANT: Leasehold Interest Formulas

Value of Leased Fee = $\text{Ground Rent} / \text{Capitalization Rate}$ Value of Leasehold

Value of Leasehold = Value of Fee Simple - Value of Leased Fee

Appraisal Analysis

Furthermore, in valuing the leasehold interest, the appraiser must apply the appropriate techniques to each of the approaches to value included in the appraisal analysis:

- In the cost approach, the value of the land reported must be its Leasehold Interest.
- In the Gross Rent Multiplier (GRM) income approach, the sales used to derive the GRM factor must be based on properties under similar Ground Rent terms (or be adjusted to similar Ground Rent terms).
- In the sales comparison analysis, the comparable sales must be adjusted for their lack of similarity to the subject in the "Ownership Rights" section of the sales adjustment grid.



Life Estates

Revised December 2021

Overview

A life estate is an interest in real property for the duration of the owner’s life. When the owner dies, the estate reverts to the grantor or a third party.

If the property that serves as the security for the FHA-insured HECM is held in a life estate, persons with reversionary or remainder interest (those who would inherit the property upon the death of an individual with a life estate) must also execute the Home Equity Conversion Mortgage (HECM) security agreements, riders to the security instruments, notice of right to cancel, and the Truth in Lending (TIL). The borrower and all holders of any future interest in the property must be present at closing, and sign the Deed of Trust, riders, and rescission.

A remainderman in a life estate must be a person and not an entity. For example, a remainderman cannot be a living trust.

Holders of future interest do not execute the loan agreement. The remainderman must attend counseling.

When the borrower holds title to the subject property in a Life Estate, the preliminary title and final title policy must reflect the Life Estate of the borrower(s).

Process

The security instrument for signing at closing, such as mortgage or Deed of Trust, must read:

_____ , as to a Life Estate interest AND _____ , as to the remainder,

Borrower(s) Name: _____

Remainder Person(s) Name: _____

The borrower(s) and the remainder person(s) all sign the security instruments at closing.



Mortgagee Clauses

Revised October 2023

Overview

Mortgagee clauses indicate the sub-servicer name and address for various types of loans. Sub-servicers include mortgagee clauses in the following documents:

- Flood Certificates
- Credit Reports
- Title Commitments and Policies
- Closing Protection Letters
- All other documents in Finance of America Reverse’s (FAR) name

In addition, underwriting support places the three mortgagee clauses at the bottom of their email signatures.

HECM Mortgagee Clause for Insurance

Verify that the mortgagee clause for all HECM products is:

Finance of America Reverse LLC
ISAOA
P.O. Box 39457
Solon, OH 44139-0457

Note: Principal-Agent Insurance must show ISAOA

Flood Certificate

Verify that lender name and address for all HECM products is:

Finance of America Reverse LLC
8023 East 63 Place, Suite 700
Tulsa, OK 74133

Title Report

Verify that the lender name and address for all HECM products is:

Finance of America Reverse LLC
ISAOA
8023 East 63 Place, Suite 700
Tulsa, OK 74133

Texas Loans:

The title commitment for Texas brokered loans must read as:

- “Finance of America Reverse, LLC, and each successor in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12 (c) of the Conditions”

The title commitment for Texas principal-agent loans must read as:

- Principal-Agent’s typical mortgagee followed by, “and each successor in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12 (c) of the Conditions”

Closing Protection Letter

Verify that the lender name and address for all HECM products is:

Finance of America Reverse LLC
ISAOA
8023 East 63 Place, Suite 700
Tulsa, OK 74133

Note: Principal-Agent CPL must show ISAOA.

HECM Mortgagee Clause for Insurance

Verify that the mortgagee clause for all New York loans is:

Finance of America Reverse LLC
ISAOA
P.O. Box 39457



Solon, OH 44139-0457

Note: Principal-Agent Insurance must show ISAOA.

Other Loan Documents

Verify that all flood certificates, credit reports, title commitments/policies and any other document in our name for New York loans should reflect:

FARreverse LLC i/l/t/n Finance of America Reverse LLC
8023 East 63 Place, Suite 700
Tulsa, OK 74133

Note: If the full company name does not fit, “FARreverse LLC” is acceptable in New York.

Note: Principal-Agent Insurance must show ISAOA.



Native American Land

Created December 2021

Overview

Treaties and tribal laws create a variety of ownership patterns on Native American reservations. Some parcels may be unrestricted fee simple, while other parcels may be restricted land trust or allotted trust land.

The U.S. Department of Housing and Urban Development’s (HUD’s) Section 248 Program on Title Trust Land, and HUD’s Office of Native American Program Section 184 provide guidelines for allotted (“individual trust”) and fee simple lands.

Note: HUD/FHA’s Section 248 insures mortgages on property located on Native American trust land, and HUD/ONAP’s Section 184 guarantees mortgages.

The appraiser must be familiar with the different restrictions and be able to arrive at a reasonable value for the subject property using basic, approved methodology.

Fee Simple Unrestricted

“Fee simple unrestricted ownership” is real property that may be bought, sold, and transferred between Native American or NON-Native American purchasers without review by the tribe or Bureau of Indian Affairs (BIA).

Appraisers must handle appraisals for fee simple properties under programs as follows:

- HUD/FHA Section 203 (b) program: Appraisals must conform to all HUD standard practices.
- HUD/Office of Native American Program (ONAP) Section 184 programs: Follow procedures for restricted land trust and allotted trust.

Tribal Trust Lands

Tribal trust lands are held in trust for the tribe by the United States government. Tribes can lease portions of the land to individuals, but ownership through the Federal Trust remains with the tribe.

Restricted Land Trust

A “restricted land trust” is land held by an individual Indian or tribe. The land is subject to federal restriction against “alienation” (selling, letting, or exchanging) or “encumbrance” (mortgaging of the property).

Restricted land trusts are NOT eligible under the HECM program requirements.

Allotted Land Trust

Allotted (or individual) trust land is owned by individual tribe members but held in trust by the United States government. Several individuals can own parcels within allotted trust lands. If a prospective borrower plans to use all or part of a property that is divided in this way, all owners must accept the arrangement by either:

- Being parties to the mortgage,
- Or,
- Subdividing the parcel of land to one individual, who then has undivided ownership of that parcel on the mortgage.

HUD/ONAP Section 184 guarantees mortgages on allotted land trusts. Mortgages on allotted trust sites do not require a lease. However, they do require a Deed of Trust rider attached to the mortgage, per 25 USC 483 (a), which is approved by the BIA.

HUD/FHA insures mortgages on homes that are located on allotted trust land under Section 203 (b). The appraiser must perform all appraisal processes according to current Uniform Standards of Professional Appraisal Practice (USPAP) and HUD/FHA standards. This includes all applicable approaches to value.



PACE Liens

Revised June 2021

Overview

A Property Assessed Clean Energy (PACE) lien finances energy efficient upgrades, such as attic insulation, or the installation of renewable energy, such as rooftop solar panels. These liens are attached to the property as special assessments added to the property tax bill and are typically reflected on the Title Commitment.

Per [Mortgage Letter 2016-11](#), HECM borrowers are not eligible for financing if there is a PACE lien in place. Finance of America Reverse (FAR) requires that these liens be paid off at closing, and they must be paid as a mandatory obligation. We do not permit subordination and continued payments through property taxes because of the servicing issues involved.

Requirements

FAR requires that all PACE liens be paid off, in full, either prior to, or at, closing. If the borrower is using the HECM to pay off a PACE lien, FAR must determine that the improvements have been completed. Any additional special assessment liens found on the Title are likely to be subject to the same rules.

On a HECM for Purchase, PACE liens are addressed in the sales contract. The contract must state that the seller will pay the lien in full prior to, or at closing.

If there is a PACE lien against the subject property, provide all of the following:

- The executed and recorded Special Assessment Agreement.
- A copy of the payoff statement for the PACE portion of the tax assessment.

See Also:

[Mortgage Letter 2017-18](#)



Properties Owned Less Than 12 Months

Revised October 2023

Overview

“Seasoning” is the length of time the borrowers have been vested in title for (owned) the property. At least one borrower **MUST** be vested in title before closing. There may be seasoning AND occupancy concerns present in a loan file. However, each has its own guidelines and should be reviewed individually. For instance, borrowers can meet seasoning requirements, but not occupy the property as their primary residence. For this reason, we must take into account the requirements for each separately.

Note: A co-borrower can be added or removed from the title at closing. However, under NO circumstances can ALL borrowers be deeded in title to the property at closing.

Seasoning is based on the recorded date of the deed that vests the borrower in title to the subject property.

Anonymous Land Trusts require 24 months seasoning. See the [Land Trust](#) topic for more information.

Properties Purchased within 12 Months

Arm’s Length Transactions

If the borrower purchased the subject property less than 12 months ago from someone to whom he or she is NOT related, we require:

- The settlement statement from the purchase of the property.
- Proof of funds at closing, such as a copy of the cashier’s check, with any cash transactions.
- NOTES:
- The 12-month period begins on the date of purchase and continues through to the application date of the HECM.
- The appraiser’s appraised value will be used; however, if there is an unexplained increase from the sales price to current appraised value, FAR may require a desk or field review at the underwriter’s discretion.

Non-Arm’s Length Transactions

If the subject property has been deeded to the borrower by an IMMEDIATE family member within the past 12 months, we require the following:

- Title in the borrower’s name. If the deed has not been executed OR has been executed but not recorded, it must be recorded **PRIOR TO CLOSING**.
- An explanation for why they were not vested in title sooner.
- Verification of borrower occupancy.
- An Ownership Interest Certificate signed by the selling family member, even if the title transfer has already taken place.
- If the current mortgage on the property is not in the borrower’s name, we will review on a case-by-case basis.

Land Contracts

If the borrower has held the property in a land contract for over 12 months, but the borrower has not been vested into title, we require the following to consider it an exception:

- A complete copy of the land contract and all addendums.
- The title in the borrower’s name. If the deed has not been executed OR has been executed but not recorded, it must be recorded **PRIOR TO CLOSING**.
- Payment history for 12 months showing the borrower has made payments to the land contract holder.
- Verification of borrower occupancy.
- Evidence that any lien paid with HECM proceeds is an existing, recorded lien, and in the borrower’s name.

Business Transfers

If the borrower is a business owner who previously held the property in the name of the business entity, but then transferred the property to his or her own name within the past 12 months, we require the following in order to consider the property an exception:

- Conclusive proof that the borrower owns the business. This can be any of the following:
- Articles of incorporation
- General partnership or limited partnership agreement
- Proof from the state that the borrower is the sole owner
- An Ownership Interest Certificate and a counseling opt-out letter from other owners, if the borrower is not the sole owner of the business.
- A written explanation from the borrower advising why title was in the name of the business.



Properties Deeded by a Seller or Investor

When the property has been deeded into the borrower's name by a seller or investor, and so forth, within the past 12 months:

- The title must be vested in the borrower's name for at least 12 months.
- Only single-family residences are eligible.
- The borrower must provide proof of occupancy for a minimum of 12 months.
- Any lien paid with HECM proceeds must be existing, recorded, and in the borrower's name.
- Use of Power of Attorney (POA) or guardianship is prohibited.
- We require a written letter explaining how the sale price was determined.
- Borrowers must demonstrate their ability to pay taxes and insurance.
- The appraisal must mention all repairs and upgrades to the subject property.
- The appraisal must contain foreclosure comparables if the subject property is located in a high foreclosure rate area.
- A desk/field review appraisal may be required at the underwriter's discretion.

See Also [Occupancy](#)



Self-Serving Transfers

Revised December 2020

Overview

A self-serving transfer occurs when a person with authority over another individual, such as with Power of Attorney (POA) or guardianship, uses that authority to transfer property from the individual to themselves.

This is a conflict of interest that impairs the POA’s or guardian’s ability to act impartially and is not in the principal’s best interest. Therefore, it cannot be authorized.

For these reasons, Finance of America Reverse (FAR) and most title companies do NOT allow self-serving transfers of property.



Solar: Leases, Liens and Power Purchase Agreements

Revised September 2022

Overview

A solar lease is an energy system the borrower does not fully own. It is part of the property but is not included in the property value. This might be an energy system the borrower accesses through a Power Purchase Agreement (PPA), or a prepaid lease system.

Eligibility

A conventional heating system must be in place. When a solar system enhances a conventional heating system, or is used for energy efficiency, we require the following:

- The borrower must own the solar system
- If the borrower leases the system, he or she must buy the system at closing,

Or,

- If the borrower wants to continue the lease, the underwriter reviews the file to ensure that it meets U.S. Department of Housing and Urban Development (HUD) Compliance guidelines.
- Note: If the borrower chooses this option, the title report must NOT contain Uniform Commercial Code (UCC) filings, liens, or notations regarding the solar system. The underwriter must require a copy of any notices and verify that they are not liens against the property.
-

Leases

In order to be eligible for a HECM a home that operates with a leased energy system or PPA must not have any restrictions that prevent the borrower from freely transferring the property.

Solar leases are acceptable provided they do not cause a conveyance (ownership transfer) of the insured property by the borrower to be:

- Void, or voidable by a third party.
- Liable under contract to the leasing agent, including rights of first refusal, pre-emptive rights or options related to a borrower's efforts to convey. For example, a right of first refusal requires the borrower to give the leasing agent the first right to purchase or refuse the property, which makes the property ineligible.
- Terminated, or result in termination of all or part of the borrower's interest in the property.
- Subject to the consent of a third party.
- Subject to limits on the amount of sales proceeds a borrower can retain because of a lien or sales clause, and so forth.
- Grounds for accelerating the insured mortgage.
- Grounds for increasing the interest rate of the insured mortgage.

Unacceptable Provisions

IMPORTANT: Restrictions resulting from the lease or PPA only conflict with Federal Housing Administration (FHA) guidelines if they include provisions that encumber the real property or restrict the transfer of that property.

If the energy system agreement or PPA restricts transfer of the home, this is not generally permissible, and the property is ineligible for FHA insurance.

Other unacceptable legal provisions include:

- The requirement that a third-party consent to transfer ownership of the home, such as the energy provider or system owner.
- The leasing agent requires credit approval of the purchaser before the seller can transfer ownership.

Note: These provisions are unacceptable unless the owner can terminate them without penalty.

Valuation of Solar Leases

Appraisers can include the value of the solar system when the borrower owns it in full, and it is legally part of the property. The appraiser must not include the value of leased mechanical systems and components in the market value of the subject property. The appraiser must identify such systems in the appraisal report.

Underwriting Requirements

- Obtain copy of the lease contract
- Enter payment in final year of lease (or year that matches the life expectancy of the youngest applicant) into LINK as an expense.



- If there is a UCC-1 recorded against the subject, a UCC-3 will need to be filed to release it. **This is required prior to closing.
- Do not condition for a release of the 'Notice of Independent Solar Energy Producer Contract'
- If no UCC-1, nothing else needs to be done.

Solar Liens

Underwriting Requirements

- Obtain a copy of the financing contract
- Check the credit report to determine if there is a corresponding account.
 - If so, mark it to be paid at close
 - If not, enter payoff data
- If there is a UCC-1 recorded against the subject, a UCC-3 will need to be filed to release it. **If there is a loan secured by the solar equipment, the creditor will not release the UCC-1 until they have received the payoff funds. The UCC-3 will be filed AFTER we close our loan.
- Do not condition for are lease of the 'Notice of Independent Solar Energy Producer Contract'
- Make a Post-Closing condition to confirm the UCC-1 was released upon receipt of the final policy of title insurance.
- If no UCC-1, nothing else needs to be done.

Solar Power Purchase Agreements

Underwriting Requirements

- Obtain copy of Power Purchase Agreement, (PPA) contract.
- Do not enter a payment as an expense. The PPA payment is included in the automatic. 14 cents per square foot amount.
- If there is a UCC-1 recorded against the subject, a UCC-3 will need to be filed to release it. **This is required prior to closing.
- Do not condition for a release of the 'Notice of Independent Solar Energy Producer Contract'
- If no UCC-1, nothing else needs to be done.

[Solar Leases, Liens, and Power Purchase Agreements Process](#)



Subordinated Loans

Revised December 2021

Overview

A subordination agreement gives “first lien” status to the party who would otherwise have “junior” (or “secondary” or “inferior”) status in the event of a foreclosure or bankruptcy claim. The party who originally had first lien status voluntarily subordinates his or her claim status to the other party.

In the event of a foreclosure or bankruptcy claim where proceeds from the sale of the property are insufficient to pay off all liens against the property, liens are paid in order of their priority lien position. The Home Equity Conversion Mortgage (HECM) First and Second liens must be in first and second lien position before Federal Housing Administration (FHA) will insure them. For this reason, any liens not paid off at closing must be subordinated.

When loans are subordinated, the subordinating lender cannot place any restrictions on the reverse mortgage lender, the investor, Federal Housing Administration (FHA), HUD, or the terms of the mortgage agreement.

Per Mortgagee Letter 2009-49, there shall be no outstanding or unpaid obligations (secured or unsecured), arising from or incurred in connection with the HECM transaction (except in certain cases involving allowable repairs and mortgage servicing charges.)

The credit report must be reviewed to check for any claims, defaults or debts owed to the Federal government; and any existing debts secured by liens against the property.

- All first mortgage liens, secured or unsecured, must be satisfied prior to or at the HECM loan closing. If a borrower has a first lien that is the result of a state or local court-order, the lien may be re-subordinated to third lien position.
- If the HECM loan proceeds cannot satisfy the first lien, the homeowner is prohibited from obtaining interim financing, secured or unsecured, to cover the amount needed at closing and/or subordinating any portion of the lien that cannot be repaid with the HECM loan proceeds or other financial resources.

EXAMPLE: A homeowner is refinancing an existing forward mortgage and the HECM proceeds will be insufficient to cover the mortgage payoff, closing costs and other debts. The homeowner is prohibited from obtaining financing to cover the amount needed at closing and/or subordinating any portion of the forward mortgage that cannot be satisfied with HECM loan proceeds or other permissible funding sources.

- All existing second liens, as evidenced by the title search and tri-merged credit report, can be satisfied on or at HECM loan closing. Existing second liens may also be re-subordinated to third lien position behind the first and second HECM liens.
- Federal judgments and debts must be paid off or a payment plan must be in place on or prior to closing.
- The lien cannot be a revolving Line of Credit.
- The lien cannot be a Balloon Note.
- FHA does not require payoff of UNSECURED state, local and court ordered judgments against HECM borrowers, however, it may be required by the lender.
- It is the lender's responsibility to ensure that the first and second HECM liens are the first and second liens of record and that other subordinate liens do not intervene between the first and second mortgage.
- After a HECM loan is insured, the HECM mortgagor is not restricted from seeking a home equity loan or engaging in another type of real estate financing transaction which would require an additional lien to be subordinated to the HECM first and second liens.

Process

Loans that will be subordinated at closing, rather than paid, require underwriter approval.

For Home Equity Conversion Mortgage (HECM) transactions, the current lender of record prepares two subordination agreements. One of these subordinates to the reverse mortgage lender, and the other subordinates to U.S. Department of Housing and Urban Development (HUD).

Two subordination agreements are not necessary when:

The first agreement to the reverse lender, and the second agreement to HUD both display on a single subordination agreement that refers to both mortgages/deeds of trusts,

Or



It is a fixed rate transaction with NO second mortgage filed to HUD.

In addition, the amount on the subordination agreement must equal the amount of the first and second mortgages, which are recorded at 150% of the maximum claim amount.

IMPORTANT: Example: The maximum claim amounts for the first and second mortgages are each \$100,000 X 1.50 = \$150,000. Therefore, the amount on the subordination agreement is \$150,000.

Original subordination agreements must be:

- Recorded by the current lender
- Or,
- Provided to the title company to be recorded at closing.

The lender requires that copies of both subordination agreements be placed in the loan file.

See Also

[Mortgagee letter 2009-49](#)

[Mortgagee letter 06-20](#)

[24 CFR 206.32\(a\)](#)



Surveys

Revised December 2021

Overview

There are no standard survey requirements. Surveys are requested when clarification is needed, when the underwriter determines a survey is necessary, or when the title company requires them in order to provide the appropriate endorsements. Survey may also be required:

- If it is a Metes and Bounds legal description.
- If it is a rural property without a Lot and Block.
- If there is a discrepancy in the legal description, lot size, or the ingress or egress.
- When well and septic distances are in question.
- When encroachments are present.
- Management or Underwriter discretion after the loan review.

[Endorsements](#) are required for the final policy, as indicated in the closing instructions. Some title companies cannot list endorsements on the title commitment because their internal systems do not permit additional verbiage to the title commitment. In these cases, we can accept a letter from the title company, on company letterhead, that lists all endorsements.



Tax Payments, Deferrals, and Exemptions

Revised May 2023

Tax Payments

Taxes that are due within 60 days of closing must be paid at closing unless the borrower has prior delinquent taxes. If the borrower has a prior history of delinquent taxes, they must pay all taxes, even if they are outside the 60-day range. This includes city, county, school taxes, and so forth.

Any tax liens that are recorded against the property must also be paid in full at closing.

Tax Deferrals

Few states offer tax deferral programs for property owners. Under Home Equity Conversion Mortgage (HECM) guidelines, borrowers cannot participate in a real estate tax deferral program if the tax deferral creates any liens that are not subordinate to the HECM 1st and 2nd security instruments. For this reason, Finance of America Reverse (FAR) does NOT allow tax deferrals. Any deferred taxes must be paid in full at, or prior to, closing.

Tax Exemptions

Most states offer various tax exemptions for property owners, such as tax exemptions that reduce their tax liability to the city or county, for example. These may include exemptions for agricultural, wildlife, farm, or timber, and so forth. The borrower does not need to remove the tax exemption on the property, as long as all other underwriting guidelines are met.

For example, the property may have a farm exemption. However, under HECM guidelines, it may not actually be used as income-producing property.

Local taxing authority must provide evidence that the exemption is permanent and not subject to renewal.



Title Commitment

Revised August 2023

Overview

The title company must do a thorough title search and examination of the public records regarding the subject property and the borrowers on every loan. The search includes ownership and legal description of the property and a report on taxes, mortgages, liens, and easements, etc. that impact the property. The title company must then provide a report to the lender summarizing ownership and transfer history of the property, and what debts and claims exist against the property and borrower. This report is called a Title Commitment or Preliminary Title Report.

Preliminary Title (“Prelim”)

A preliminary title is issued by a title company in connection with a request to issue a title insurance policy. The preliminary title lists existing liens, defects, easements, restrictions or other encumbrances or questions that will appear as exceptions to coverage in the eventual title insurance policy. The prelim is a statement of the terms and conditions upon which the title insurance issuer is willing to issue its title policy.

Commitment

A commitment is similar to a preliminary report, in fact some states use it in lieu of a preliminary report. The commitment is a statement of the terms and conditions upon which the title insurance issuer will issue a title policy if the commitment is accepted. A commitment “commits” the title insurance issuer to issue a particular title policy to the designated insured at the time the transaction closes, provided certain specified conditions are met.

Title Report

In Oklahoma, some title companies might provide a Title Report in lieu of the Title Commitment. However, a title report does not provide the same insurance coverage to the property as a commitment. Finance of America Reverse (FAR) requires a Title Commitment in each Oklahoma file prior to closing. See [Title Commitments – Oklahoma](#) for more information.

Either a Preliminary Title or a Title Commitment is acceptable. Both commit the title company to issue a title insurance policy on a piece of property.

The Title Commitment or Prelim is organized into five main parts:

- **Who is being insured?**
Lender: Finance of America Reverse LLC ISAOA or Finance of America Reverse ISAOA and the Department of Housing and Urban Development
- **The amount of the insurance**
For HECMs, this amount is the Maximum Claim Amount (Lesser of the Appraised value, National Loan Limit, or the Purchase price for HECM for Purchase program).
- **What is being insured?**
The legal description of the property.
- What is required to insure the title:
 - Proof of taxes paid.
 - Cancellation of any open mortgages, judgments, or liens against the property.
 - Survey of the property by a licensed surveyor or a survey waiver to be signed at closing.
- **What is not insured?**
Some of the typical exceptions in a policy include:
 - **Servitudes and Easements:** The right, usually granted to a utility company, to make limited use of a portion of the property to serve the insured property, as well as neighboring properties.
 - **Restrictions and Covenants:** Rules and regulations, usually established by the developer of the subdivision, which prohibit property owners in the subdivision from doing things that could have a detrimental effect on quality of life or property values.
 - **Oil, Gas and Mineral Titles:** In Louisiana, mineral rights are governed by an exceptionally complex set of laws. In most cases, therefore, the title company will not insure for mineral rights.
 - **Miscellaneous exceptions:** The title insurance may not cover any unusual findings about a piece of property. The title attorney will point out these exceptions.
- All exceptions will be reviewed by the underwriter to determine eligibility or additional requirements.

Responsibilities

The file must contain a title commitment showing an insurance commitment equal to the maximum claim amount. The proposed insured is Finance of America Reverse LLC (FAR). In addition, the following borrower eligibility requirements must be reviewed before ordering a title insurance commitment, which the borrower pays for:



- **Borrower's Age**

All borrowers must be at least 62 years old at the time of loan closing. We require evidence of the ages of the borrowers and accept all reasonable forms of evidence.

- **Borrower's Federal Credit Record**

The borrower cannot have a delinquent or defaulted federal debt that cannot be satisfied at closing. If HUD previously paid on an insured mortgage, the borrower may still qualify for a HECM if at least three years have passed, and valid extenuating circumstances caused the foreclosure.

- **Borrower's Principal Residence**

The property must be the borrower(s) principal residence. Married spouses or other co-borrowers can live apart because one is temporarily in a health care facility. However, at least one borrower must be living in the home for the HECM to close.

Process

Title Commitment / Prelim

A title commitment or Prelim must be present on every loan file. The underwriter is responsible for reviewing all aspects of this report. To process a title commitment/prelim, verify that all information on the document is correct.

Note: If you determine that the borrower is ineligible, notify him or her, and STOP the application process. We cannot charge the borrower for any services performed after this determination.

Schedule A

Title companies all have different forms. Some of the following information will be on the Schedule A, but other information may be elsewhere in the Title Commitment/Prelim. The underwriter requests information that does not display anywhere in the document.

The underwriter verifies the following:

- **Effective Date**

The effective date of the title commitment/prelim is the most current date the county has recorded documents pertaining to the loan. Each county has different effective dates depending on volume of documents to be recorded. For example, some counties may be recording documents submitted 30 or more days ago. The underwriter should note the effective date of the commitment/prelim. Any documents recorded after the effective date are on the title commitment/prelim unless the title company provides an updated commitment/prelim.

- **Issue Date**

- The issue date of a title commitment/prelim is the date the commitment/prelim is completed, and costs are incurred. This date must be after:

- The date the borrower was counseled
- RESPA and TILA disclosures were provided to the borrower and signed
- The case number was assigned in FHA Connection.

Note: For certain states where a preliminary search was completed to ensure legal vesting, liens against title, etc. but NO COST was incurred by the borrower, the actual date the full title search was completed, and the title commitment/prelim should be used rather than the preliminary search report.

- **Expiration Date**

The title commitment/prelim cannot be expired. If there is an expiration date, the underwriter must ensure the commitment/prelim did not expire before loan funding. If no expiration date is provided, title commitments/prelims are assumed to require an update 120 days after the issue date.

- **Proposed Insured**

The proposed insured for title policy must be Finance of America Reverse LLC ISAOA or Finance of America Reverse LLC ISAOA and the Department of Housing and Urban Development. Refer to Mortgagee Clause topic for New York and Texas properties.

- **Proposed Insured Amount**

The proposed insured amount listed on the title commitment/prelim must be the maximum claim amount (MCA).

- **Property Type (Fee Simple, Leasehold, Life Estate)**

Acceptable property types are fee simple, leasehold and life estate. Additional documentation is required for properties in leasehold or life estate ownership. Refer to the appropriate section for properties with leasehold or life estate interest.

- **Endorsements**

When endorsements are listed on the title commitment/prelim, they are typically shown in Schedule A. Required endorsements should be listed on the title commitment/prelim. They can be found in the Survey and Endorsement section of this manual.

- **Vesting**

The subject property must be vested in the names of all borrowers of the HECM loan. Therefore, any borrower on the HECM loan must be a vested owner of the property. Non-borrowing spouses and non-borrowing owners (mortgagors) of the property may continue to hold title to the property and must sign the security agreement. If



the borrowers are not vested owners, the loan is denied for lack of ownership. Refer to the Seasoning requirements for more information. If a vested owner is transferring their ownership of the subject property in order for a joint owner to obtain a reverse, that person must sign either the Non-Borrowing Spouse Certification (for non-borrowing spouses) or the Ownership Interest Certificate (for non-borrowing residents, or other non-borrowing individuals) along with the deed transferring ownership. These certifications must be signed prior to closing; however, the transfer deed may be signed at closing. Any person on title at the time the initial title report is pulled must receive counseling.

Note: In no instance may the borrower(s) of a loan be deeded a property at, or after, closing of the loan.

- **Legal Description**

The legal description is the written description or delineation of a specific piece of real property. The legal description of the property on the title commitment/prelim must be consistent with the last recorded vesting deed, county tax records, and the appraisal report. If there are any discrepancies, a survey is required. See the Survey section for more information on when surveys are required. Generally, there are three types of legal descriptions:

- Lot and Block
- Section, Township, Range
- Metes and Bounds

Note: The legal description sometimes appears on the Schedule C, especially if the property has a long description.

- **Property Address**

The property address must be accurate on the title commitment/prelim.

Note: This is sometimes included with the Legal Description, and can appear on the Schedule C.

- **Parcel Number**

The parcel number should be identical to the number on the county tax records and the appraisal report.

Note: This is sometimes included with the Legal Description, and can appear on the Schedule C.

Schedule B – Section I

This is the title commitment/prelim “Requirements” section. Carefully review it for any requirements that could affect the issuance of the title policy.

The Requirements section lists the following:

- **Mortgages/Liens**

The Requirements section of the title commitment/prelim lists any mortgages, judgments, or other liens that are recorded against the subject property. The borrower must pay any liens against the property at closing. The lender must ensure that all mechanics and materialman liens are released of record.

Note: In New York, FAR requires the title commitment to include the standard water, sewer, and tax search.

- **Taxes**

The Requirements section also lists county, city, or other taxes. All assessed taxes must be paid at closing, regardless of the due date.

- **Miscellaneous Requirements**

The Requirements section might list other items, such as the death certificate of a deceased spouse, divorce decree, affidavits signed by the borrower(s), and so forth. These conditions all must be met prior to closing.

Schedule B - Section II

The title commitment/prelim “Exceptions” section lists anything that is expressly excluded from policy coverage, unless it is disposed of to the satisfaction of the insurer. These include easements, restrictions and encroachments, which must meet FHA’s allowable waiver requirements, as noted in [Easements, Restrictions and Encroachments](#).

Last Recorded Deed and Chain of Title

- **Last Recorded Deed**

The underwriter reviews the last recorded vesting deed and chain of title to verify that the property was not deeded within the preceding 12 months. If the borrower purchased the property less than 12 months ago, it is not “seasoned,” and requires additional verification. Refer to [Seasoning](#) and [Occupancy](#) for further information.

- **Chain of Title**

A break in the chain of title occurs when someone other than the vested owner or owners’ signs and records a transfer deed. For example, if John and Jane Doe own a property together, but only John Doe signs a deed transferring the property to James Smith, there is a break in title because Jane Doe still owns 50% interest in the property. James Smith would only take over John Doe’s 50% interest and would not be sole owner of the property.

If the underwriter finds a break in the chain of title, the title company advises how to correct it. This typically involves having the borrowers sign corrective deeds, recorded by the appropriate parties.

- 24-Month Chain of Title



A 24-month chain of title is required to be within the title commitment on all loans.

Closing Protection Letter

Closing protection letters are typically attached to the title commitment/prelim. The underwriter must review for correct transaction information i.e., borrower and subject property.

Wiring Instructions

Wiring instructions are typically attached to the title commitment/prelim. The underwriter does not need to review these. However, the instructions must be in the file for the Funding Department to reference.

Payoffs for Liens / Mortgages

The title company provides payoff statements for any mortgages and liens listed on the title. These statements must meet the requirements in Payoffs and Liens.

Releases

The title company provides releases for any mortgages or liens on the title commitment/prelim that have been released. These mortgages or liens must be removed from the Schedule B – Section I, Requirements section of the title commitment/prelim.

Subordinations

The title company provides the draft subordination agreement for any mortgages or liens on the title commitment/prelim that will be subordinated. The risk management department reviews these and approves them prior to execution and recording. Subordination agreements must meet the requirements listed in [Subordinated Loans](#).

Insuring Over Liens / Mortgages

In many states a mortgage lien automatically expires within a certain number of years of the mortgage maturity date. When the title company cannot locate the holder of the lien and no release was filed, but they believe a lien is expired or paid off, they may exclude it from the commitment/prelim. This is called “insuring over liens,” or “insuring over mortgages,” and means that the lien does not need to be paid off at closing. If there are existing mortgages or liens against the property, the Title commitment/prelim must clearly remove the liens and provide evidence that the title company performed due diligence to ensure that they have been paid in full previously, but not released.

Acceptable documentation includes one of the following:

- A credit report showing that the loan is closed, with a \$0.00 balance.
- A credit report showing the lien is past the maturity date by the state-required timeframe.
- Borrower-supplied proof of payment.

See Also

- [Title Commitment - Iowa](#)
- [Title Commitment - Oklahoma](#)



Title Commitment Iowa

Revised May 2023

Overview

All Iowa title insurance policies must be issued by Iowa Title Guaranty, which falls under the Iowa Finance Authority.

IOWA Title Guaranty Division

Title Guaranty is a division of the Iowa Finance Authority that guarantees Iowa real property titles, enables mortgage lenders to participate in the secondary market, and helps assure the integrity of Iowa’s land-title system. It offers commitments, certificates and endorsements that provide title protection for real estate located in Iowa.

Iowa Code Section 535B.4 (1), effective July 1, 2011, states that all closing agents used in the state of Iowa must be licensed and verified through the Title Guaranty website: <https://cap.iowatitleguaranty.com/Public/ITGClosers.aspx>

Below is how it will appear on the schedule A of the title:

Lender Form Schedule A

Certificate No.: [REDACTED]
Loan No.: [REDACTED]
File No.: [REDACTED]
Address, For Reference Purposes Only: [REDACTED]
Date of Certificate: May 22, 2018 at 12:55:04 PM Amount of Coverage: \$50,000.00

1. Name of Guarantor:
Finance of America Reverse, LLC, (solely as nominee for Finance of America Reverse, LLC), its successors and assigns, TRLSA, LLC

2. The estate or interest in the Land that is encumbered by the Guaranteed Mortgage is a fee simple (If other, specify name):
Fee Simple

A “closing agent” is defined under Iowa law as a person who is NOT a party to the real estate transaction, who provides real estate closing services.

“Real estate closing services” involve the administrative and clerical services required to convey or transfer Iowa real estate, or an interest in Iowa real estate, to a purchaser or lender. These services include, but are not limited to:

- Preparing settlement statements.
- Verifying that all closing documents conform to the parties’ contract requirements.
- Verifying that all lender instructions are satisfied.
- Conducting a closing conference.
- Receiving and disbursing funds.
- Completing all necessary form documents and instruments in accordance with instructions of the parties to the transaction.

Note: “Real estate closing services” do NOT include performing ONLY notary functions.

Non-borrowing spouses and non-borrowing owners (mortgagors) of the property may continue to hold title to the property and must sign the security instrument. Any person on title at the time the initial report is pulled must be counseled.

[Title Commitment Iowa Process](#)



Title Commitment Oklahoma

Reviewed December 2020

Overview

Oklahoma is an abstract state where title companies require the borrowers to obtain their title abstract and arrange for an attorney to review it before the title company provides a Title Commitment. If the borrower must obtain the abstract from a third party, the cost is typically \$400 to \$500. This amount can be paid on the final HUD-1.

Some title companies may provide a “Title Report” in lieu of the Title Commitment. However, this does not provide the same lender coverage as a title insurance policy. Finance of America Reverse (FAR) requires a Title Commitment in each Oklahoma loan file prior to closing. Non-borrowing spouses and non-borrowing owners (mortgagors) of the property may continue to hold title to the property and must sign the security instrument. Any person on title at the time the initial report is pulled must be counseled.

The “Title Report” form (example below) is NOT allowable:

Title Report

Prepared By

OKLAHOMA LAND TITLE SERVICES, LLC

Oklahoma Land Title Services, LLC, hereby certifies that the information contained in this report is true and correct. This report contains information obtained by a search of those public records, which report consecutive written matters relating to the real property described herein. Documents, rights-of-way and similar non-priority interests are not reported. This report is issued for the sole purpose of providing information in connection with a proposed transaction and no liability is assumed hereunder. Any obligation under this report shall cease and terminate six months after the effective date hereof. This report contains no opinion or implied opinion, warranty, guarantee, insurance or other similar expression as to the status of title and is not intended to be, nor shall it be deemed a legal opinion as to the status of title. In the event that a title insurance policy is requested, the requirements of 16 O.S. § 3011 © must be satisfied prior to the issuance of a commitment or policy of title insurance.

Report Number: [REDACTED]

Effective date of this report: April 26, 2012 at 12:12 pm

Report issued for:

#R-10783

National Title Network

4032 Tampa Road, Suite 103

Odessa, FL 34677

To: [REDACTED]

Lender:

Loan Amount: \$130,000.00

1. Title to the surface rights only as shown on the last conveyance of record is by:

[REDACTED] husband and wife. (By virtue of the Joint Tenancy Warranty Deed dated July 30, 1984, recorded July 30, 1984, wherein the grantor was Willard E. Scott, a single person, with consideration of \$10.00 and OVC.)

[REDACTED] By virtue of the Decree of Divorce, Case No. [REDACTED] is the Mother of the Marriage of [REDACTED] and [REDACTED] dated June 18, 1982, filed June 18, 1982 in the Sequoyah County Court Clerk's office, wherein the grantor was the District Court and for Sequoyah County, Oklahoma, with consideration of said property.)

[REDACTED] husband and wife. (By virtue of the Joint Tenancy Warranty Deed dated September 19, 1984, recorded September 24, 1984, wherein the grantors were [REDACTED] husband and wife, with consideration of \$10.00 and OVC.)

2. The land referred to in this report is described as follows:

A part of the South Half (5/2) of the Southeast Quarter (SE1/4) of the Southeast Quarter (SE1/4) of Section Thirty-Four (34), Township Twelve (12) North, Range Twenty-Six (26) East, Sequoyah County, Oklahoma, described as beginning 625 feet West of the Southeast corner of the South Half (5/2) of the Southeast Quarter (SE1/4) of the Southeast Quarter (SE1/4) of Section Thirty-Four (34), Township Twelve (12) North, Range Twenty-Six (26) East, the point of beginning; thence West 208.7 feet; thence North 208.7 feet; thence East 208.7 feet; thence South 208.7 feet; to the point of beginning. Less public roads.

3. All Valuation Taxes:

2011-\$481.00-Paid (Taxes due by 3/25/12)

Tax ID# [REDACTED]

Net Assessed Value: 1008

Land: 330

Improvements: 508

Mobile Home: 0

Exemptions: 1000

4. The mortgages and assignments, if any for which there is not a release document filed of record:

None found unrecorded of record.

5. Court liens or other liens:

None, as to [REDACTED] only, Except.



Trusts



Irrevocable Living Trusts

Revised March 2023

Overview

Irrevocable trusts cannot be amended or revised by the trustee or the trust beneficiaries.

Trust Requirements

We review irrevocable living trusts for approval on a case-by-case basis.

Note: If the property is vested in a revocable trust portion of an irrevocable trust, follow the guidelines in Revocable Trust.

Borrowers with an irrevocable trust must submit all required documentation, and the trust must meet the following requirements:

- All beneficiaries of the trust are HECM borrowers at the time of loan origination until the mortgage is released.
Note: Contingent beneficiaries receive no benefit from the trust and have no control over access while the beneficiary is alive, so they do NOT need to be eligible HECM borrowers.
- The borrower and beneficiary must occupy the property as a principal residence.
- No new beneficiaries can be added to the trust.
- The beneficiaries sign all documents.
Note: If Power of Attorney (POA) applies, the POA signs for the borrower and beneficiary on the Borrower/Beneficiary signature line.
- The trustee must sign the Note, security instruments and their riders, Notice of Right to Cancel, and the Truth in Lending (TIL) statement.
Note: The trustee does NOT sign the Loan Agreement. However, the borrower and beneficiary may issue instructions to the lender permitting the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary. These can include the right to receive loan advances, or to request changes in the payment plan.
- The trust must:
 - Be valid and enforceable.
 - Provide a reasonable means to assure that we are notified of any subsequent change of occupancy or transfer of beneficial interest.
 - Ensure that each borrower and beneficiary have the legal right to occupy the property for the remainder of his or her life.
 - Contain NO trust provisions (also called “spendthrift provisions”) that would restrict the borrower and/or trustee from encumbering the property.
- The file must contain an Attorney Opinion letter from a law firm designated by FAR confirming that the trust meets all U.S. Department of Housing and Urban Development (HUD) requirements.
Note: The underwriting support or processor orders the Attorney Opinion letter.

Loan Proceeds

An irrevocable trust agreement often restricts how funds from a loan transaction can be paid. If the trust requires that all funds must be payable to the name of the trust, the lender follows this process:

1. The lender guarantees that all draw requests or scheduled payments will be made to the trustee on behalf of the trust and deposited into an account in the name of and controlled by the trust.
Note: The Trust Opinion Letter from the attorney specifies this requirement.
2. The underwriter adds a prior to funding condition for the funder to notify the shipping team of the draw request and scheduled payment restriction.
3. The funder notifies the shipper of the restriction upon loan funding.
4. The shipper notifies the subservicer of the restriction upon loan boarding.

Transfer Out of Trust

Transfer of property out of a trust must:

- Be done in accordance with the trust itself,
- Have the resulting transfer considered valid under state law, AND
- Have title fully insure the resulting lien against the property as a valid first lien against all borrowers and non-borrowers as applicable.

If the borrowers deed out of the trust:

- More than 90 days prior to application, there are no further requirements.



- Within 90 days prior to application or on the application date, we require borrowers to sign the Trust Removal Certification. In addition, we require the title company to confirm they will ensure the transfer from the trust to our borrowers as individuals without the actual trust agreement being reviewed.
- Any time during the loan transaction OR cannot locate the trust agreement and therefore decide to transfer out for that reason, we require a full copy of the trust so we can validate that the borrowers have the authority to transfer.

Cannot Locate Trusts Agreements

Additionally, if a property is vested in a trust at the time of application and the trust agreement cannot be located, the terms of the trust and the ability of the borrower to mortgage the property cannot be confirmed. So, the borrower **MUST ALWAYS** provide a copy of the trust agreement if the property is vested in a trust.

If the full trust cannot be located, the borrower might be able to obtain a copy from his or her trust attorney, or from the asset holders if assets were transferred into the trust.

IMPORTANT: Example: The borrower's bank account is in the name of the trust. The bank might still have a copy of the trust agreement.

Note: If the borrower cannot locate a copy of the trust, he or she must obtain court approval to remove the property from the trust before we can proceed with closing.

[Irrevocable Living Trusts Process](#)



Land Trusts

Revised March 2023

Overview

A land trust is an agreement whereby one party, the trustee, agrees to hold ownership of a piece of real property for the benefit of another party, the beneficiary. Property owners use land trusts to keep information about their assets private. The value of the property is available through public records, but the records reflect the name trust as the “owner.” A land trust is most commonly, and almost exclusively, seen in Illinois and may also be known as an anonymous land trust.

Features of a land trust include:

- The trust may be anonymous, making it impossible to tell who the beneficiary is without a copy of the Land Trust Agreement.
- Anonymous land trusts do not reflect the borrower’s name on the title commitment, and the borrower does not sign any recorded documents.

Property held in a land trust is eligible for a Home Equity Conversion Mortgage (HECM) if the file contains all required documentation and the trust meets the following requirements:

- All beneficiaries of the trust are HECM borrowers at the time of loan origination, and until the mortgage is released.
Note: Contingent beneficiaries receive no benefit from the trust and have no control over assets while the beneficiary is alive, so they do not need to be eligible HECM borrowers.
- The borrower and beneficiary must occupy the property as a principal residence.
- There is a minimum of 24 months seasoning in title.
- No new beneficiaries can be added to the trust.
- The Note and mortgage must include the number of the trust, and the date the trust was created.
- The borrower/beneficiary signs the standard closing package and the following documents:
 - Land Trust documents: Beneficial Interest Agreement or Assignment, and Beneficial Interest for Collateral Purposes.
 - Direction to Execute

IMPORTANT: For anonymous land trusts, the beneficiary does NOT sign the mortgage

It is our policy to have all documents signed on the closing date by both the borrower and trustee. The loan officer or the title company coordinates the signing and notarization of the documents and determines the location. However, the title company, the trustee or the beneficiary may prefer that the closing take place at the trustee’s office so everything can be signed and notarized at the same time. The Loan Officer (LO), notary or title representative then takes the Facsimile of Beneficial Interest to the county to have it recorded. The county returns the recorded document to the trustee, who then releases the executed documents back to the loan officer, notary or title representative.

The trustee must sign the following documents:

- Note
- Security instruments, and all riders to the security instruments
- Notice of Right to Cancel

The trustee does not sign the Loan Agreement. However, the borrower and beneficiary may issue instructions to the lender to permit the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary, such as the right to receive loan advances, or to request changes in the payment plan.

Verify that the trust:

- Is valid and enforceable.
- Provides us with a reasonable means to assure that we are notified of any subsequent change of occupancy or transfer of beneficial interest.
- Ensures that each borrower and beneficiary have the legal right to occupy the property for the remainder of his or her life.

The file must contain an Attorney Opinion Letter from a law firm designated by FAR, confirming the trust meets all HUD requirements.

Note: The underwriting support or processor orders the Attorney Opinion Letter.

[Land Trusts Process](#)



Revocable Living Trusts

Revised March 2023

Trust Requirements

Property held in a revocable living trust is eligible for a Home Equity Conversion Mortgage (HECM) if the file contains all required information, and the trust meets the following requirements:

- All beneficiaries of the trust are HECM borrowers at the time of loan origination until the mortgage is released.
Note: Contingent beneficiaries receive no benefit from the trust and have no control over access while the beneficiary is alive, so they do NOT need to be eligible HECM borrowers.
- The borrower and beneficiary must occupy the property as a principal residence.
- No new beneficiaries can be added to the trust after closing.
- The beneficiaries sign all documents.
Note: If Power of Attorney (POA) applies, the POA signs for the borrower and beneficiary on the Borrower/Beneficiary signature line.
- The trustee must sign the Note, security instruments and their riders, Notice of Right to Cancel, and the Truth in Lending (TIL) statement.
Note: The trustee does NOT sign the Loan Agreement. However, the borrower and beneficiary may issue instructions to the lender permitting the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary. These can include the right to receive loan advances, or to request changes in the payment plan.
- The trust must:
 - Be valid and enforceable.
 - Provide a reasonable means to assure that we are notified of any subsequent change of occupancy or transfer of beneficial interest.
 - Ensure that each borrower and beneficiary has the legal right to occupy the property for the remainder of his or her life.
 - The file must contain an Attorney Opinion letter from a law firm designated by Finance of America Reverse (FAR) confirming that the trust meets all U.S. Department of Housing and Urban Development (HUD) requirements.

Note: The underwriting support or processor orders the Attorney Opinion letter.

Transfer Out of Trust

Transfer of property out of a trust must:

- Be done in accordance with the trust itself,
- Have the resulting transfer considered valid under state law, AND
- Have title fully insure the resulting lien against the property as a valid first lien against all borrowers and non-borrowers as applicable.

If the borrowers deed out of the trust:

- More than 90 days prior to application, there are no further requirements.
- Within 90 days prior to application or on the application date, we require borrowers to sign the Trust Removal Certification. In addition, we require the title company to confirm they will ensure the transfer from the trust to our borrowers as individuals without the actual trust agreement being reviewed.
- Any time during the loan transaction OR cannot locate the trust agreement and therefore decide to transfer out for that reason, we require a full copy of the trust so we can validate that the borrowers have the authority to transfer.

Cannot Locate Trusts Agreements

Additionally, if a property is vested in a trust at the time of application and the trust agreement cannot be located, the terms of the trust and the ability of the borrower to mortgage the property cannot be confirmed. So, the borrower MUST ALWAYS provide a copy of the trust agreement if the property is vested in a trust.

If the full trust cannot be located, the borrower might be able to obtain a copy from his or her trust attorney, or from the asset holders if assets were transferred into the trust.

IMPORTANT: Example: The borrower's bank account is in the name of the trust. The bank might still have a copy of the trust agreement.

Note: If the borrower cannot locate a copy of the trust, he or she must obtain court approval to remove the property from the trust before we can proceed with closing.

[Revocable Living Trusts Process](#)



Transferring Property in and out of Trusts

Reviewed November 2020

Transfer into a Trust After Closing

The borrower under an insured Home Equity Conversion Mortgage (HECM) can transfer the property to a living trust without causing the mortgage to become due and payable. However, the trust must meet all the requirements that would have applied, had the trust owned the property at closing. We can also require the trust to formally assume the borrower's obligation to pay the debt as stated in the Note if it is advisable.

Transfer out of a Trust After Closing

If the trust is terminated, or the property is otherwise transferred from a trust, the mortgage will not become due and payable, provided that one or more of the original borrowers who signed the Note and Loan Agreement continue to:

- Occupy the property as a principal residence, and,
- Retain title to the property in fee simple,

Or,

- Retain title to the property on a leasehold interest.

[Transferring Property in and Out of a Trust Process](#)



Trusts

Revised June 2021

Overview

The U.S. Department of Housing and Urban Development (HUD) will insure Home Equity Conversion Mortgages (HECMs) on property held in the name of an inter vivos, or “living trust.” A living trust is a trust an individual creates while alive, rather than one that is created at death.

The trust agreement outlines the responsibilities of the trustee, who has a fiduciary responsibility to hold and manage the trust assets for the “beneficiary”, who is the person creating the trust. The trust holds legal title, while the beneficiary holds equitable title, which means he or she has the right to use the property or purchase it if the trust fails in some way to manage it properly.

Property held in a living trust is eligible for a HECM if the requirements for a living trust are met and borrowers provide:

- A full copy of the Trust Agreement, including all amendments.

Note: Trusts are now allowed in the state of Texas.

Abstract or Certification of Trust

Abstract or Certification of Trusts are generally not acceptable but are reviewed on a case-by-case basis by the trust review attorney.

A-B Trusts

An A-B trust is usually included in a husband and wife joint trust to minimize estate taxes. The trust gets its name from the fact that it splits into two upon the first spouse's death – trust A or the survivor's trust, and trust B or the decedent's trust.

Each spouse places assets in the trust and names any suitable person EXCEPT the other spouse as the final beneficiary. Upon the death of a spouse, the trust can be divided into the “A trust” and “B trust” to take advantage of both spouses’ federal estate tax exemptions. B trust property is not considered part of the second spouse's estate for purposes of estate tax, so double-taxation is avoided.

A portion of the estate is allocated to the B trust to take advantage of the deceased spouse’s exemption, and the balance goes to the A trust to use the surviving spouse’s exemption.

- A Trust: The A trust is amenable and is sometimes called a “survivor trust.”
- B Trust: The B trust is irrevocable and is sometimes referred to as any of the following:
 - Credit shelter trust
 - By-pass trust
 - Marital trust
 - Family trust
 - Exemption trust

Forced Trusts

Some trusts “force” the irrevocable, B trust, to be funded first. This means the house would transfer to an irrevocable trust when the first spouse dies.

The surviving spouse has complete control over the survivor's trust, which contains his or her property interests, but has limited control over the assets in the deceased spouse's B trust. However, the surviving spouse can still live in the couple's house and draw income from the trust, provided the trust stipulates these terms.



Underwriting Info



Previously Denied Loans

Revised October 2023

Overview

When a wholesale client submits loans to our Wholesale Department for purchase or underwriting, the LOS automatically compares that loan to our existing records. If the system finds that we previously denied it, we will not approve it or purchase it unless the wholesale client submits sufficient mitigating documentation to warrant our reevaluation of the loan.

If a duplicate submission was previously adverse, or previously submitted with outstanding conditions, we compare outstanding conditions to the new submission, and verify that they are cleared. When we create a loan, the system automatically searches for duplicate submissions.

The LOS compares the following information to existing loans in the system:

- Social Security Number (SSN)
- Property address
- Date of birth
- FHA case number




Underwriting Links and Resources

Created February 2022

Overview

Please use the list of following hyperlinked websites that might be helpful when underwriting a file.

- Condos-  [Project Reviews.xlsx](#)
- [Credco](#)
- [DocuSign](#)
- [Error Log](#)
- [FEMA Disaster List](#)
- [FHA Connection](#)
- [FHA Mortgagee Letters](#)
- Google Docs Underwriting Log: Send an email to your team lead requesting access.
- [Google Maps](#)
- [HUD Housing Handbooks](#)
- [LDP](#)
- [MERS](#)
- [Nationwide Mortgage Licensing System \(NMLS\)](#)
- [Netro-Online](#)
- [Platinum Data](#)
- [Policies and Procedures](#)
- [Real Quest](#)
- [Redfin](#)
- [SalesForce](#)
- [SAM](#)
- [Sawbuck.com](#)
- [Trulia](#)
- [Zillow](#)

[Escalation Process](#)



Waivers



Waiver of Guidelines

Revised December 2021

Overview

Pre-Closing Review

All reverse mortgage loans are manually underwritten by a Direct Endorsement Underwriter. The underwriter reviews all aspects of the loan file, including but not limited to:

- Application package
- Borrower identity
- Credit and property charges payment history
- Residual income
- Occupancy
- Title work
- Property appraisal/collateral

Eligible loans must meet all Finance of America Reverse (FAR), Federal Housing Administration (FHA), state and other regulatory requirements.

Overlays

In addition, FAR has identified key areas of risk, and has put appropriate [overlays](#) in place.

We escalate exception requests for non-regulatory requirements to the Underwriting Team Lead and Vice President of Operations. They review the request and approve or deny it, or they escalate the request for further review by the Risk Oversight Manager, Vice President of Best Practices, COO, and/or Chief Appraiser. If we receive approval to waive an overlay, we log it in Link.

Note: We DO NOT waive FHA or other regulatory requirements under any circumstances.

Post-Closing Review

	A	B	C	D	E	F	G
1	Loan No.	Borrower Last Name	Property State	Date Approved	Channel	Condition Waived	Description if "Other"
	12341	Smith	OK	2/16/2016	Broker		
19							
20						HECM to HECM - Benefit Ratio	
21						HECM to HECM - Timing of Refinance	
22						HomeSafe AMC Selection	
23						HomeSafe Refinance Timing	
24						HomeSafe Counseling	
25						HomeSafe Listing Wait Period	
26						IRS Payment Plan	
						Occupancy	

Process

Pre-Closing

Underwriter

The underwriter receives a waiver request for a non-regulatory guideline (FAR overlay, etc.), and escalates the request to the Vice President of Operations and the team lead for review.

Vice President/Team Lead

The Vice President or team lead reviews the guideline and waiver request. They might request an additional review by the Risk Oversight Manager and/or FAR’s Chief Appraiser.

If they approve the waiver, it is logged in LINK.



Waiver Requests

Revised June 2023

Overview

The Federal Housing Administration (FHA) allows for waivers on a case-by-case basis when a property does not meet the normal guidelines for the following:

- [Well/Septic/Septic Drainfield](#)

Note: These are the ONLY waivers HUD will review and FAR will request for a loan.

HUD no longer accepts the following waiver requests:

- Comparables older than 12 months.
- Dwellings located in the easement of overhead high voltage towers and lines.
- Dwellings located under low voltage power lines.
- Cisterns

Note: Cisterns do not require a HUD waiver. Lenders review and approve cisterns at their own discretion.

- Chlorinators, Lakes, Rivers, Sand Point or Artesian Wells
- A well located in the foundation of the dwelling.

Cover Letter

Include a cover letter on company letterhead that identifies:

- Lender name, mailing address, direct phone number, direct fax number.
- The name of the requestor.
- The FHA underwriter number affiliated with the request.
- The FHA case number.
- Borrower's name.
- Property address.
- Explanation or handbook reference of the waiver requested.

When the Technical Support branch receives the waiver request, the Housing Specialist/Appraiser processes it.

IMPORTANT: Be sure to submit everything they require. Missing waiver documents delay processing.

Note: Each waiver request is evaluated on a case-by-case basis.

Turnaround Times

HUD may take 30 to 60 days to review a waiver request and provide a written response. The written response will either be:

- A waiver of the HUD requirement.
- A decline of the waiver request.
- A request for additional information.

If HUD requests additional information, the turnaround time period begins again on the date they receive the requested information. Because the waiver process is extremely lengthy, the loan originator or processor must make the borrower aware of the estimated time frames and set the appropriate expectations.

Well/Septic/Drain field Waiver

The FHA defines the setback distance between the well to the septic tank, and the distance between the septic tank and the drain field in [HUD Handbook 4000.1](#).

State Does NOT Require Water Test

The DE underwriter confirms, documents, and certifies on his or her letterhead stationery that the state or local government does not require water testing.

If the appraiser calls for testing because of conditions listed on Page 3 of Mortgagee Letter [2005-48](#), a faucet water test is required.



State Requires Water Test

Certification

If the state requires a water test, the DE underwriter submits a certification indicating that the water test complies with the state and local jurisdiction standards, along with the completed faucet water test.

If the well, septic, and septic drain field setback distances do not meet FHA guidelines, but DO meet state or local requirements, the DE underwriter or the appraiser certification indicates this. For example, the subject property's well and setback distance is 35 feet, and the state allows a setback distance of 25 feet.

Documentation

In addition to the certification, the following documents are required:

- A copy of the entire appraisal.
- A Hold Harmless agreement signed by the borrowers.
- Evidence if there is a disinfecting unit on the well.
Note: If there is no such unit, HUD might not grant the waiver.
- A professional sketch showing the location of the well to the septic tank.
- Evidence from the local authority that the subject property cannot connect to a public or community water and sewer system.

See Also:

[Homeownership Center \(HOC\) Contact List](#)