



Issues and Challenges Facing Low and Moderate Income Reverse Mortgage Borrowers

Federal Reserve Bank of Philadelphia
July 12, 2016

Elizabeth Shay, Esq.
Coordinator of the Homeowner's Assistance Program



SeniorLAW Center
Protecting The Rights of Older Pennsylvanians



SeniorLAW Center

Protecting The Rights of Older Pennsylvanians

- Largest provider of legal services to seniors in Pennsylvania
- Independent non-profit organization
- Serving over 7,000 seniors each year with:
 - direct individual representation
 - legal advice, information & referral services
 - community legal education
 - professional training
 - systemic reform
- Legal staff *and* pro bono panel
- Providing services since 1978
- HelpLine 877-727-7529



Legal Needs of Elderly Homeowners

- Approximately 79% of older Philadelphians own their homes.
- Of the 127,000 Philadelphia properties lived in by at least one person age 65+, 63% have no mortgage. That's 80,000 homes sitting atop a mountain of equity. 75,000 older Philadelphians live alone.
- The majority live in row homes built before 1950 with a median value of \$55,000. 75,300 Philadelphia seniors report their homes are in need of major repair.
- For most of our clients, their home is their only significant asset.
- Half of our clients survive on Social Security payments alone. 60% of our 2010 mortgage foreclosure clients received \$1354 per month or less.



National Reverse Mortgage Originations

- According to HUD, the number of HECMs originated across the U.S. peaked in 2009 at 115,000. As of November 2014, there were approximately 582,000 HECMs outstanding representing \$136 billion.
- (Reinvestment Fund and CFPB)



Reverse Mortgage Originations – Pennsylvania

- Pennsylvania ranked #5 in the country for RM originations in 2011, 2012, 2013, 2014 and 2015.
- (Reinvestment Fund)

Reverse Mortgage Originations – Philadelphia

- Philadelphia had the greatest number of RM originations of any U.S. city in 2011, 2012, 2013, 2014.
- When the Financial Capacity Assessment was introduced in April 2015, Philadelphia dropped to # 7.
- (Reinvestment Fund)





Philadelphia Residential Mortgage Foreclosure Diversion Program

- Begun in 2008 by the Philadelphia Court of Common Pleas in order to insure early intervention in foreclosure cases to facilitate loan workouts to permit owner occupiers to retain their properties.



Diversion Court Results

- As of November 2014, 7900 houses have been saved through the Diversion program.
- 92% of homeowners whose loans were modified in the Diversion program are still in their homes 2 years later showing that these loan modification are sustainable.
- (Reinvestment Fund)



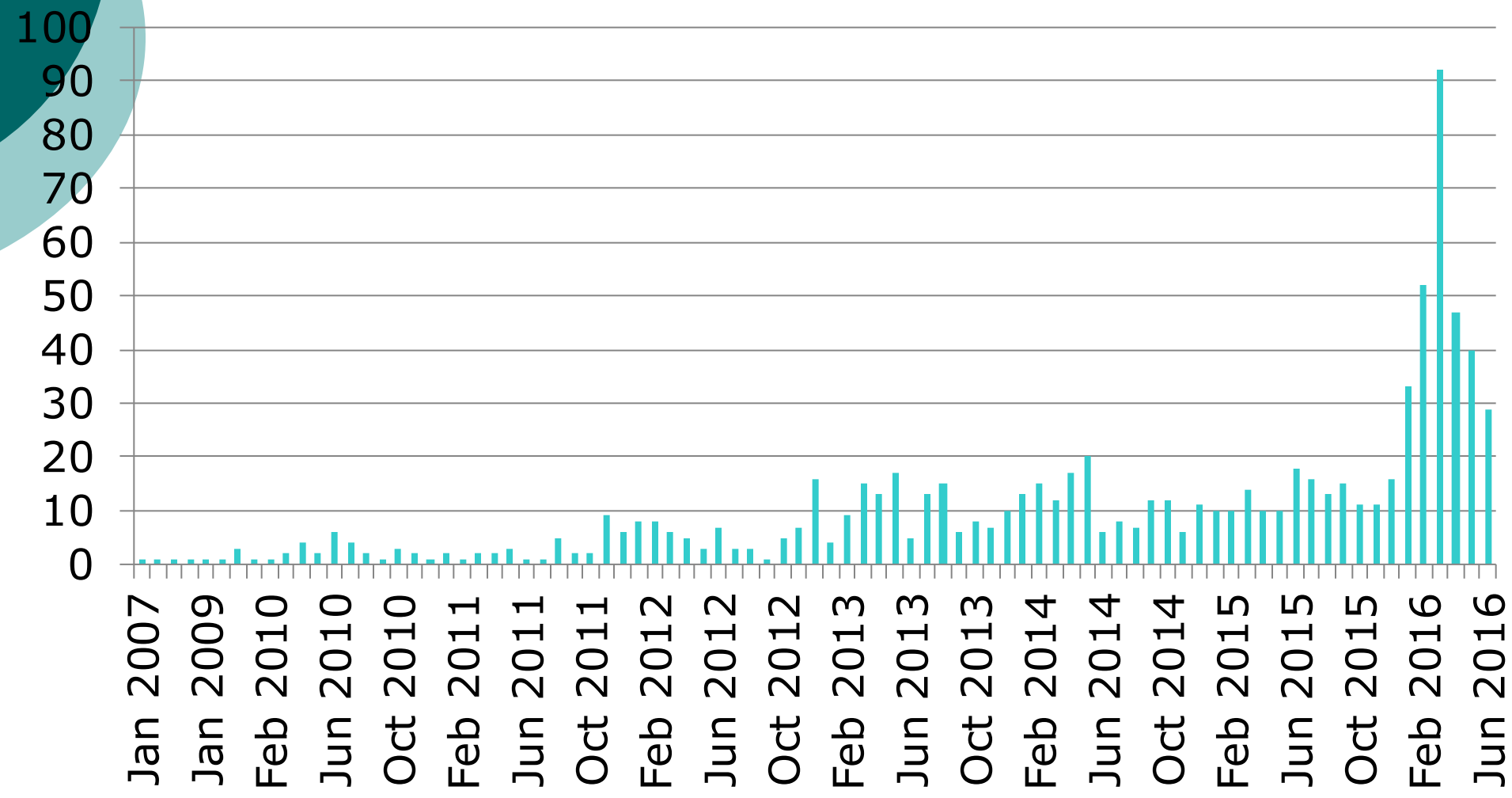
Legal Assistance for Seniors in Foreclosure

- In 2014 SeniorLAW Center instituted a triage program in the Diversion Court targeted to senior homeowners and their reverse mortgages.

Philadelphia Reverse Mortgage foreclosure filings:

- 2014: 11.5 per mo
- 2015: 12.8 per mo
- 2016: 48.4 per mo
- (Philadelphia Legal Assistance)
- Over the past 18 months, SeniorLAW Center has been contacted by 102 seniors who are in trouble with their reverse mortgages.

of reverse mortgages in Diversion Court by month





Typical RM Foreclosure Claims: Failure to Pay Property Taxes

- Philadelphia homeowners must pay their taxes by March 31.
- The Revenue department extends the deadline for seniors and low income homeowners permitting them to pay their taxes in installments over the course of the year.
 - Problem: Servicers pay the taxes before the homeowner finishes making installments.

Failure to Keep the Property Insured

- Either because they were accustomed to having forward mortgage company escrow for insurance, or
- They paid off their forward mortgage years ago and did not continue insuring the property, or
- Not eligible for insurance because of needed home repairs.

Borrower Dies: Problem for Non Borrower Spouse (NBS) and Heirs

- HECMs issued after August 4, 2014 include protections for NBS
- If loan made pre August 2014, NBS may be protected if living in property, pays the taxes and HOI, keeps property repaired.
- Heirs: right to pay the debt or 95% of appraised value.



Reverse Mortgage Loss Mitigation: Repayment Plans (RPP)

- HUD ML 2015-11, April 23, 2015 makes it *discretionary* for servicers to offer Repayment Plans for corporate advances of taxes and insurance. Plan can be for up to 60 months and payment can be up to 25% of household surplus income
- Some servicers are limiting agreements to 12 months.



Maximum Claim Amount

- ML 2016-07 permits servicers to offer RPP even if 98% of Maximum Claim Amount has been reached, but gov't will not reimburse servicer for any amount greater than MCA.
- Servicers insist on repayment of advance down to 98% MCA and then RPP.



Corporate Advance < \$2000

- ML 2016-07 permits servicers to delay submitting Due and Payable request to HUD for advances <\$2000 if borrower living in property
- Services are inconsistent in exercising this discretion. In the past month, three foreclosures have come into SLC for default of less than \$1500 and only one has been rescinded.

“At Risk” HECM Mortgagors

- If servicer refuses to offer RPP, and mortgagor is at least 80 years old, with a long term physical disability or has a “unique” occupancy need, HUD will permit a Loss Mitigation Extension, effectively stopping the foreclosure, and the extension can be renewed yearly by the mortgagor.



Philadelphia Office of Supportive Housing Home Retention Funding

- Grants available to repay the corporate advance or reduce the advance to below 98% MCA so that borrower is eligible for RPP.
- Most of these funds have been depleted. We are hopeful funding will be renewed by early August.

THANK YOU!



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