



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: May 17, 2023

Mortgagee Letter 2023-10

- To:**
- All FHA-Approved Mortgagees
 - All Direct Endorsement Underwriters
 - All Eligible Submission Sources for Condominium Project Approvals
 - All FHA Roster Appraisers
 - All FHA-Approved 203(k) Consultants
 - All HUD-Approved Housing Counselors
 - All HUD-Approved Nonprofit Organizations
 - All Governmental Entity Participants
 - All Real Estate Brokers
 - All Closing Agents

Subject Modifications to the Home Equity Conversion Mortgage (HECM) Assignment Claim Type 22 (CT-22) Submission Criteria and Documentation Requirements

Purpose This Mortgagee Letter (ML) lowers the minimum loan balance threshold for Mortgagees to submit- a CT-22 assignment request, allows for the receipt of original Notes and Mortgages up to 90 days after assignment claim payment, aligns the deadline for delivering recorded assignments of Mortgage to the Secretary for all HECMs, and reduces the documentation requirements when submitting a HECM CT-22 request for Preliminary Title Approval (PTA).

Affected Regulations and Mortgagee Letters The requirements in this ML revise and, where they conflict, supersede the HUD regulation and MLs cited in the table below.

Code of Federal Regulations (CFR)	
	§206.135(a)(1) Credit and security instrument.
Mortgagee Letters (ML)	
	ML 2017-05 Home Equity Conversion Mortgage (HECM) Claim Type 22 (CT-22) Assignment Requests
	ML 2018-08 Updated Guidance on Home Equity Conversion Mortgage (HECM) Claim Type 22 (CT-22) Assignment Requests

Mortgagee Letter 2023-10, Continued

Authority Pursuant to the authority granted in the Reverse Mortgage Stabilization Act of 2013, 12 USC 1715z-20(h)(3); National Housing Act Section 255(d)(2) and (5), 12 U.S.C. § 1715z-20(d)(2) and (5), HUD revises and, where they conflict, supersedes the HUD regulation cited in the table above. Additionally, HUD is utilizing its general authority to impose administrative requirements that revise and supersede, where they conflict, with the Mortgagee Letter referenced in the table above.

Effective Date The provisions of this ML are effective immediately.

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at answers@hud.gov or call 1-800-CALLFHA (1-800-225-5342). HUD will consider the feedback in determining the need for future updates.

Affected Programs The provisions of this ML apply to all FHA insured HECMs.

Background In consideration of recent market conditions that have impacted the HECM program, the Federal Housing Administration (FHA) is making program enhancements to improve market stability and reaffirm its commitment to the senior citizen population that is served by the HECM program.

Mortgagees may apply to assign FHA-insured HECMs to FHA and receive payment of insurance benefits when all assignment claims criteria are met, including that the loan balance equals or exceeds 98% Maximum Claim Amount (MCA). To assist in facilitating prompt claim payment when all assignment claims criteria are met, FHA has previously allowed Mortgagees to submit a request for assignment when the loan balance equals or exceeds 97.5% MCA. For adjustable rate HECMs, the time between the loan balance reaching 97.5% and 98% MCA has decreased due to increased interest rates. FHA is expanding the assignment claim submission window to begin at 97% MCA to continue to support timely payment of assignment claims and provide greater flexibility for Mortgagees in managing their HECM portfolios.

FHA has also determined that additional efficiencies can be achieved by allowing Mortgagees to submit copies of the first Note and Mortgage to the Secretary when the Mortgagee applies for insurance benefits, and then provide the original Note and Mortgage within 90-days following FHA's

Mortgagee Letter 2023-10, Continued

assignment claim payment. This will allow Mortgagees to apply without needing to obtain and contemporaneously submit the original loan documents. In eliminating one cause of delay between assignment claim eligibility and application completion, FHA will increase its capacity to efficiently pay claims to HECM Mortgagees, with the intent of improving market liquidity. Improving market liquidity reduces the risk of noncompliance with FHA requirements regarding Mortgagees' disbursements to borrowers and improves the fiscal safety and soundness of the HECM program.

The 2017 HECM Final Rule provided Mortgagees with up to 12 months to deliver recorded assignments of a Mortgage to the Secretary following assignment claim payment. This differed from the previously allowable 6 months for delivery of these documents. As a result, the program has had two separate deadlines for delivery of recorded assignments of the Mortgage depending on the date of FHA case number assignment and increased complexity of servicing the HECM portfolio. To reduce the burden on Mortgagees in complying with these differing program requirements, FHA is providing an extension to those HECMs with FHA case numbers assigned prior to September 19, 2017, to provide a single 12-month deadline for recorded assignment delivery for all HECMs.

FHA is also modifying the supporting documentation that must be provided prior to receiving PTA. Once PTA is issued, Mortgagees may proceed with completing their assignment claim provided all assignment claims criteria are met. The supporting documentation modifications for PTA are intended to reduce the burden on Mortgagees servicing FHA-insured HECMs and allow for faster claim payment on eligible mortgages.

This ML makes no changes to documentation required in the CT-22 Collateral Package or for HECMs assigned using the Mortgagee Optional Election Assignment.

Summary of Changes

This ML:

- lowers the minimum loan balance required to submit an assignment claim for review from 97.5% of the MCA to 97%;
 - allows for Mortgagees to submit original Notes and Mortgages no later than 90 days after assignment claim payment date;
 - extends the timeframe for delivery of assignments of the Mortgage to the Secretary from 6 months to 12 months for HECMs with FHA case numbers assigned before September 19, 2017; and
 - modifies the supporting documentation that Mortgagees must submit to be eligible for PTA.
-

Modification to Minimum Loan Balance Required to Submit an Assignment Claim

In order for a HECM to be eligible for Preliminary Title Approval (PTA) consideration, the outstanding loan balance must be equal to or greater than 97% MCA unless HUD has approved a line of credit advance request that would cause the outstanding loan balance to exceed 100% MCA. HUD will now issue PTA prior to the loan balance reaching 98% MCA where all other claim requirements are met. Mortgagees may only file their claim for insurance benefits in the Home Equity Reverse Mortgage Information Technology (HERMIT) system when the loan balance reaches 98% MCA, or greater. All assignment claim criteria must continue to be met through the date of claim payment for the HECM to be eligible for assignment claim payment.

This Mortgagee Letter makes no change to the criteria for cases that involve a Non-Borrowing Spouse under the Mortgagee Optional Election Assignment.

Credit and Security Instrument §206.135(a)(1)

24 CFR § 206.135(a)(1) is being modified to read as follows: *Credit and Security Instrument*. A copy of the credit and security instruments assigned, without recourse or warranty, except that no act or omission of the Mortgagee shall have impaired the validity and priority of the Mortgage.

The original credit and security instruments assigned must be submitted to the Secretary no later than 90 days after the date FHA paid the assignment claim.

Extension of Time for Delivery of Assignments to the Secretary

For HECMs with an FHA case number assigned before September 19, 2017, Mortgagees must submit recorded assignments of the Mortgage to FHA's loan servicing contractor as soon as possible, but no later than 12 months after the date of assignment claim payment.

Required Documentation Compliance Package

The Compliance Package now must include the items listed below in the following order:

1. Borrower's payment method if the borrower has available Principal Limit or receives scheduled payments. If the Borrower is paid via Automated Clearing House (ACH), this must include the ACH information and indicate if the ACH account is a Checking Account or Savings Account;
2. Copy of the Notice of Assignment letter sent to the Borrower;

Mortgagee Letter 2023-10, Continued

3. Payment history from the Mortgagee's system through the month prior to submission and including the current Net Principal Limit (NPL);
4. Current insurance declaration page or a document from the hazard insurance provider on its letterhead or from its website that contains the following information:
 - Name of the insured;
 - Address of insured property;
 - Type of coverage;
 - Insurance policy number;
 - Insurance policy limits;
 - Effective date of the insurance policy;
 - Expiration date of the insurance policy;
 - Name and contact information for the insurer; and
 - Annual insurance premium.
5. Current flood insurance declaration page, if applicable;
6. Evidence that any repairs related to a hazard or flood insurance loss have been completed and the insurance proceeds disbursed appropriately, if applicable;
7. All certifications related to a Non-Borrowing Spouse required by Mortgagee Letters 2014-07 and 2015-02 for loans originated on or after August 4, 2014, or those required by Mortgagee Letter 2015-15 for loans originated prior to August 4, 2014, and being assigned under a MOE Assignment;
8. Certification that there are no offsets or counterclaims against the HECM FHA Case Number, and the Mortgagee has a good right to assign; and
9. Certification that the HECM is not subject to an Indemnification Agreement entered into by the Mortgagee assigning the mortgage.

Required Documentation Servicing Package

The Servicing Package now must include the items listed below in the following order:

1. Copy of Second Note, if applicable;
2. Copy of Recorded Second Mortgage/Deed of Trusts and addendums, if applicable; and
3. Copy of Complete Loan Agreement, including all Exhibits.

Required Repurchase if HECM Did Not Meet All Claim Payment Criteria

If it is determined that a HECM for which a CT-22 Assignment Claim has been paid did not, at the time of initial assignment application and continually until claim payment, meet all assignment claim criteria, the Mortgagee must repurchase the HECM from the Secretary within 30 days of notice from FHA of the defect.

Mortgagee Letter 2023-10, Continued

FHA may, in its sole discretion, allow the Mortgagee one 30-day period to cure the defect requiring repurchase. If the Mortgagee refuses or is unable to cure the defect, the Mortgagee must complete the repurchase of the assigned Mortgage from FHA no later than 60 days from the date of the initial notice of defect.

If the original Note, Mortgage or recorded assignment are not provided to the Secretary within the required time frames, the Mortgagee must repurchase the HECM from the Secretary within 30 days of the notice from FHA of the defect.

Failure to comply may result in referral to the Mortgagee Review Board, or FHA's pursuit of other available enforcement remedies.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0059, 2502-0524, and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Questions

Any questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-services>.

Signature

Julia R. Gordon
Assistant Secretary for Housing -
FHA Commissioner
