

## Hardest Hit Fund Discussion Item Reverse Mortgage Program

### *Overview*

The HHF Reverse Mortgage Program will be designed to assist senior homeowners in Florida who are facing foreclosure due to the inability to pay their taxes, insurance and/or association dues ("TIA") now that their Reverse Mortgages are complete and the senior homeowners have been paid all the equity that they were due.

### *Background*

Home Equity Conversion Mortgages ("HECM") or "Reverse Mortgages" are HUD-backed loan products that allow seniors aged 62 or older to utilize the equity in their homes to meet living, medical or other expenses. Depending on the terms of the HECM, payments to the homeowner are normally spread out over a number of years, but may also be set up like a home equity line of credit or taken in one lump sum.

There are many senior homeowners throughout Florida who have taken out Reverse Mortgages and have now outlived the payments they were receiving or otherwise fully utilized all of the equity they were due under the terms of their Reverse Mortgage. Furthermore, these senior homeowners have fallen behind on paying their TIA expenses. These expenses have therefore been advanced on their behalf by their loan servicer, putting them in default under their Reverse Mortgage. If they do not repay these advanced amounts then the servicer will foreclose.

### *Program Concept*

Florida Housing will work with servicers of Reverse Mortgages (there are 10-12 in Florida), the Department of Elder Affairs, Area Agencies on Aging, AARP and other stakeholders, to provide Hardest Hit Funds on behalf of senior homeowners in order to prevent foreclosure.

For those senior homeowners who show an ability to afford their TIA expenses, HHF funds may be used to repay the servicer for amounts that have been advanced, thus reinstating the arrearage on their Reverse Mortgage. An example of an eligible senior homeowner who could benefit from this assistance is attached in Scenario 1.

For those senior homeowners who are unable to afford their TIA expenses on a going-forward basis, HHF funds may be used to assist with the transition to appropriate, sustainable and more affordable housing for the senior homeowner. An example of an eligible senior homeowner who could benefit from this assistance is attached in Scenario 2.

*Amount of HHF funds for the Reverse Mortgage Program*

It is estimated that the Reverse Mortgage Program will expend approximately \$50 million and assist approximately 5,000 senior homeowners.

*Next Steps*

If the Board directs staff to proceed with the development of this proposal, then we will begin our formal work with other partners to develop draft term sheets that will contain all of the eligibility criteria. We will endeavor to bring them back to the Board for its further consideration and vote at a meeting in early 2013.

# Scenario 1-Lump Sum Payoff of Arrearage

HHF  
Definition

• Customer who can afford future Property Charges, but who cannot afford a Repayment Plan

WF  
Criteria

• Last Corporate Advance has been greater than 18 months and has been current on all property charges since

## Potential Population of Default Customers

Loan Status	Loans	Avg \$ Due	Total \$ Due	Avg Time of LCA	Counseling	Surplus	Deficit	Cost to Mitigate
T&I	35	\$2,706.88	\$94,740.63	871 Days (623 BD)	-	5 (\$2186.60)	3 (\$648.98)	
T&LRPPA	7	\$1,632.97	\$11,430.76	842 Days (603 BD)	-	1 (\$382.00)		
<b>TOTALS</b>	<b>42</b>	<b>\$4,339.85</b>	<b>\$106,171.39</b>			<b>\$2,568.60</b>	<b>(\$648.98)</b>	<b>\$106,171.39</b>

<sup>1</sup> RPPA → Taxes & Insurance Repayment Plan Accepted

<sup>2</sup> Last Corporate Advance

## Customer Profile

Age: 71 City: EastPoint, Fl.

- Property Charge Balance \$6,548.88
  - In Default from '08-'11, insurance advances only
  - Customer has maintained all taxes
  - Currently has private insurance, 25.00 good faith payments have been received for most of 2012
- Reason for Default
  - Medical Issues
  - Lapse in insurance was due to Insurance company cancelling her after Roof Damage which she eventually had repaired by the county
- Budget Notes
  - Current surplus of \$38.85
  - Customer completed debt counseling, realizing 50 dollars per month in utility assistance

## Budget Profile

Type	Description	Amount
Monthly Income	Borrower Net Income	\$820.00
	Co-Borrower Net Income	\$76.00
Monthly Expense	Food/Household	\$130.00
	Utilities	\$223.00
	Transportation (Gas, Car Maint., Public Trans)	\$86.00
	Cable, Internet, Phone	\$40.00
	Property Maintenance - Lawn, Security	\$0.00
	Clothing, Drycleaning	\$0.00
	Medical Expenses (Health/Life/Dental/Ins. Co-pay)	\$50.00
	Association Fees/Dues	\$0.00
	Monthly Property Taxes	\$0.00
	Monthly Property Insurance	\$216.00
	Loans	\$0.00
	Unsecured debt	\$0.00
	Other	\$112.15
Liquid Asset	Total Liquid Assets (Checking, Savings, 401K)	\$0.00

Total Monthly Net Income: \$896.00

Total Monthly Expenses: \$957.15

Surplus/Deficit Total Monthly Income: \$38.85

Customer's Estimated Monthly Repayment Amount: \$0.00

Added Date:

8/22/2012 11:52 AM

User Name:

Samuel Payman

# Scenario 2-Lump Sum Transition Assistance

HHF  
Definition

• Customers for whom the home is no longer affordable, and can transition to alternative housing

WF  
Criteria

• Budget Deficit <\$500, Completed Debt Counseling, cannot afford Repayment Plan

## Potential Population of Default Customers

Loan Status	Loans	Avg \$ Due	Total \$ Due	Avg Time of LCA	Counseling	Surplus	Deficit	Cost to Mitigate*
T&I	47	\$7,768.86	\$365,136.34	210 (151 BD)	14	-	47 (\$9,948.92)	\$141,000

\*Cost assumes \$3,000 transition per loan

## Customer Profile

- Age :** 84    **City:** Cocoa Fl.
- Property Charge Balance** \$11,594.73
  - In Default from '09-2012, advances for both taxes and insurance
  - Borrower has made one good faith payment of \$25.00 in 2012
- Reason for Default**
  - Borrower on fixed SS income of 840.00
  - Has been unemployed since Jan-12
- Budget Notes**
  - Deficit of (305.00)
  - Borrower completed debt counseling, but could only realize expense reduction of \$50.00
  - Borrower is retired veteran

<sup>1</sup>Last Corporate Advance

## Budget Profile

Type	Description	Amount
<b>Monthly Income</b>	Borrower Net Income	\$840.00
	Co-Borrower Net Income	\$0.00
<b>Monthly Expense</b>	Food/Household	\$150.00
	Utilities	\$275.00
	Transportation (Gas, Car Maint, Public Trans)	\$458.00
	Cable, Internet, Phone	\$0.00
	Property Maintenance (Lawn, Security)	\$0.00
	Clothing, Drycleaning	\$0.00
	Medical Expenses (Health/Life/Dental/Ins. Co-pay)	\$20.00
	Association fees/Dues	\$0.00
	Monthly Property Taxes	\$106.00
	Monthly Property Insurance	\$133.00
	Loans	\$0.00
	Unsecured debt	\$0.00
	Other	\$3.00
<b>Liquid Asset</b>	Total Liquid Assets (Checking, Savings, 401-K)	\$0.00

Total Monthly Net Income: \$840.00

Total Monthly Expenses: \$1,145.00

Surplus/Deficit Total Monthly Income: (\$305.00)

Customer's Desired Monthly Repayment Amount: \$50.00

Added Date: 5/25/2012 9:57AM

User Name: Whitney Thomas