



STATE OF NEW YORK  
OFFICE OF THE ATTORNEY GENERAL

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May 1, 2020

Dr. Ben Carson, Secretary  
Department of Housing and Urban Development  
451 7<sup>th</sup> St. SW  
Washington, D.C. 20410

**Re: Protecting Senior Homeowners with Reverse Mortgages Affected By COVID-19**

Dear Secretary Carson:

As a result of the COVID-19 pandemic, millions of Americans are now facing unemployment and financial uncertainty; senior citizens have been among the hardest hit. The State Attorneys General applaud HUD's initial response to protect senior citizens with reverse mortgages, and we appreciate the expanded protections provided by the CARES Act. Our national response, however, must continue to evolve to meet the impact of COVID-19. The proposals outlined in this letter are based on our collective experience with past disasters and financial crises, and our acknowledgment that COVID-19 will present unprecedented challenges to senior homeowners and the mortgage servicing industry. We urge HUD to implement these recommendations to ensure that senior homeowners are given a fair opportunity to retain their home as we fight this pandemic together.

We anticipate that many senior homeowners with Home Equity Conversion Mortgages ("HECMs") insured by HUD will have trouble making required property tax and insurance payments during the current crisis, whether because of illness, loss of income or an inability to make these payments safely while avoiding unnecessary contact with the outside world. These seniors must be protected from unnecessary foreclosures because, quite simply, they may have nowhere else safe to go given the nature of the COVID-19 public health crisis.

Section 4022 of the CARES Act<sup>1</sup> applies to HECMs (a.k.a "reverse mortgages"). Because of the vulnerability of this population, HUD has long had specific requirements to protect these

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<sup>1</sup> Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Pub. Law No. 116-136.

borrowers. In implementing the CARES Act, HUD took important steps to ensure that protections similar to a forbearance apply to HECMs, including requiring HECM servicers to delay calling a loan due and payable upon the borrower's request, and by automatically extending any deadline related to a foreclosure for six months, with a renewable six-month period. *See* Mortgage Letter 2020-06; HUD Federal Housing Administration ("FHA") Office of Single Family Housing COVID-19 Questions and Answers (last visited April 14, 2020).

As stated above, we applaud HUD for taking these important steps. We also call upon HUD to take further responsive measures to fulfill the spirit and mandates of the CARES Act and protect reverse mortgage borrowers.

In particular, we urge HUD to take these additional steps:

**First, HUD should require reverse mortgage servicers to solicit borrowers for an Extension Period under ML 2020-06 whenever a default occurs.** Mortgage Letter 2020-06 requires servicers to delay calling a loan due and payable "upon request of the Borrower." However, many reverse mortgage borrowers may not be in regular contact with their servicer or know to make this request. For example, a borrower who needs additional time to make property tax payments may contact their local taxing authority without thinking to inform their servicer. Therefore, servicers should be required to contact their customers and advise them of the availability of an extension period when a default occurs. HUD should advise servicers to make repeated efforts to contact homeowners who are difficult to reach, and to use plain language notices to explain the benefits of forbearance relief to any borrower who has a COVID-19-related hardship.

**Second, HUD should allow servicers to recognize local property tax forbearance, deferral, repayment and forgiveness plans.** Ordinarily, such programs are forbidden by HECM contracts and rules if they create a priority lien over the HECM. However, additional flexibility is needed to help local governments protect their senior homeowners through this crisis. Servicers should also give borrowers additional time to seek local property tax relief before making delinquent payments.

**Third, HUD should automatically renew At-Risk Extensions (or allow the homeowner to self-certify).** HUD should waive its requirement that servicers submit renewal applications with supporting documentation for At-Risk Extensions for the duration of this crisis. HUD should not require senior citizens to seek unnecessary documentation or visits with their physicians when doing so may pose a significant health risk to the borrower.

**Fourth, to provide HECM borrowers with a forbearance-like product as required by the CARES Act, HUD should permit reverse mortgage servicers to add missed tax and insurance payments to the end of the reverse mortgage loan balance.** Some homeowners with a federally-backed "forward mortgage" loan will be able to defer forborne payments to the end of their loan term under emergency servicing guidelines for FHA-insured or FHFA-backed mortgages.<sup>2</sup> Reverse mortgage holders need similar relief when they miss their property tax

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<sup>2</sup> Numerous State Attorneys General are also calling on HUD and FHFA to improve their existing disaster relief programs by allowing servicers to defer forborne payments to the end of the loan term for all

and/or homeowners insurance payments as a result of a COVID-19-related financial hardship. Therefore, HUD should allow servicers to add missed property tax and homeowner insurance payments to the end of the loan balance. This may create additional costs to HUD's Mutual Mortgage Insurance Fund ("the Fund"). But the cost to the Fund will be relatively minor when compared to the overall costs of COVID-19 relief for our nation – or the overall costs to these seniors if they lose their homes while they remain vulnerable to COVID-19.

**Fifth, HUD should prepare now to extend these protections beyond 12 months if needed.**

Because seniors are at higher risk from COVID-19, there is a possibility that even after the peak of the virus subsides, seniors' activities will continue to be restricted until there is a vaccine. HUD should start preparing now for this possibility and consider ways to extend the above requested actions beyond the CARES Act's 12-month protection.

Again, the State Attorneys General applaud HUD's response to date to protect senior citizens with reverse mortgages, and we appreciate the expanded protections provided by the CARES Act. We urge HUD to implement these recommendations to ensure that homeowners are given additional opportunities to retain their homes during this critical time for our nation.

Respectfully submitted,



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borrowers requiring COVID-19-related forbearance plans, in recognition of the scale of the current crisis and to reduce the administrative burden on servicers and the financial burden on affected homeowners. See Letter from State Attorneys General to HUD Secretary Ben Carson re: Protecting Borrowers Affected by COVID-19 (April 23, 2020), available at [https://www.iowaattorneygeneral.gov/media/cms/COVID\\_19\\_Letter\\_to\\_HUD\\_4\\_34C7607DD0538.pdf](https://www.iowaattorneygeneral.gov/media/cms/COVID_19_Letter_to_HUD_4_34C7607DD0538.pdf); Letter from State Attorneys General to Federal Housing Finance Agency re: Protecting Borrowers Affected by COVID-19 (April 23, 2020), available at [https://www.iowaattorneygeneral.gov/media/cms/COVID\\_19\\_Letter\\_to\\_FHFA\\_4\\_318F51094DAA7.pdf](https://www.iowaattorneygeneral.gov/media/cms/COVID_19_Letter_to_FHFA_4_318F51094DAA7.pdf)



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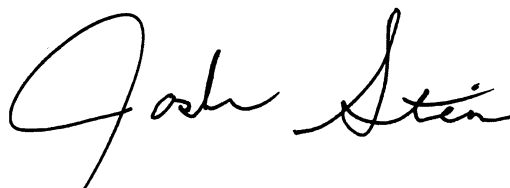
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