

## **HOW TO HANDLE A REVERSE MORTGAGE FORECLOSURE**

### A GUIDE FOR HOUSING COUNSELORS

**STEP 1:**     **Read the foreclosure complaint** and identify the problem: Occupancy? Property Taxes? Homeowner's insurance? Repairs?

**STEP 2:**

- **If Occupancy:** confirm borrower is living in the property. Complete and submit signed occupancy cert to servicer ASAP. If not living in property find out why. Triage with SeniorLAW.
  
- **If borrower is in default, verify the amount owed.** Ask servicer for breakdown. Send RESPA if breakdown not provided.
  - **TAXES:** Compare servicer tax payments with Philadelphia Revenue records. 215-686-6442. Ask client for any tax payment receipts. If any dispute with servicer's accounting, send certified Notice of Error (NOE) to servicer address listed on website and ask that corporate advance accounting be corrected.
  
  - **HOMEOWNER'S INSURANCE:** Get Declaration pages for all client policies. If no current coverage, go to Fair Plan website and apply. Request coverage in the lesser of the amount of the debt or the assessed value of the property. If dispute arises with servicer, send certified Notice of Error.
  
  - **REPAIRS:** If servicer has advanced money for repairs, verify amount servicer paid. If amount is disputed send Notice of Error. If borrower must make repairs, check HOI and make claim, if repair is covered. If repairs not covered, send client to Repair & Renovate Program, Basic Systems Repair Program, etc.

**STEP 3: Be Careful of Maximum Claim Amount!** Find “Maximum Principal Amount” listed on first page of mortgage. Multiply by 2/3 and this is the Maximum Claim Amount (MCA). Multiply MCA by 98%. 98% MCA is the amount the servicers do not want the debt to exceed.

**STEP 4: Negotiate Repayment Plan.**

- **Option 1, Mortgagee Letter 2015-11**
  - Home Retention Funds! Apply immediately if client eligible.
  - Create household budget and determine how much client can pay each month. *Recommendation:* use 25% of surplus household funds. Make written offer to servicer.
- **Option 2, Mortgagee Letter 2015-11: Negotiate to Defer Foreclosure if borrower is 80 years old or older**
  - does borrower have medical hardships/disabilities?
  - contact treating physician for medical records
  - ask doctor for letter confirming long-term physical disabilities that are not expected to improve and opinion that forced relocation would likely hasten senior’s death
  - if doctor unresponsive, submit medical records to servicer along with your letter summarizing the health issues and signed by senior. Use DETAILS – specific medical problems – heart problems? Lung problems? Kidney problems? Difficulties walking? Use of cane? Wheelchair? How does senior operate from day to day? Who takes care of the home?
  - prepare household budget and complete Hardship Detail form supplied by servicer.

**PLEASE REMEMBER: SeniorLAW Center is available both in the courtroom and by telephone to answer your questions about reverse mortgages.**

**6/10/2020**