

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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June 30, 2014

THREE UPDATES FROM HUD

At the end of last week HUD issued 3 Updates or Mortgagee Letters, all of which are of some importance;

- ✚ The introduction of the new LEAP 3.0 system has not exactly gone down on schedule. On June 26th FHA announced a further extension. For Title I and Title II lenders with recertification deadlines originally scheduled in December, January, February or March (fiscal year end dates) the new deadline for submitting recertification packages including financial information and renewal fees, has been extended to July 15 from June 30. See FHA INFC #14-35.
- ✚ On June 27, 2014 FHA published *Mortgagee Letter 2014-12, Home Equity Conversion Mortgage (HECM) program: New Principal Limit Factors*. The letter publishes a new Principal Limit Factor Table. This Mortgagee Letter

“considered the need for PLFs for non-borrowing spouses below the age of 62 and a prudent re-balancing of PLFs to properly manage risk”.

✚ Perhaps the most interesting of the three is FHA INFC #14-34 published on June 26, 2014 which deals with non-borrowing spouse's of now deceased HECM borrowers. In the court case of Plunkett, et al. v. Donovan the court issued an order allowing Mortgagees holding HECMs the option of electing to assign those specific HECMs to the Department providing certain conditions are met. FHA is reviewing its policies to determine the application of such an option to other non-borrowing spouses.

In the interim, FHA is allowing other Mortgagees an indefinite extension of time to take first legal action to commence foreclosure to comply with reasonable diligence time frames. The extension is effective immediately and will remain in effect until FHA formally addresses the issue.

In order to qualify for the extension, FHA has set certain requirements:

- A sufficient Principal Limit Factor exists.
- The non-borrowing spouse is legally married to the HECM borrower and remains married to that borrower for the life of the HECM.
- The non-borrowing spouse has title to the property or has a legal right to remain in the property.
- The HECM is not in default.
- There are no allegations or claims that would invalidate the HECM.
- The property securing the HECM has not been sold.

The extension is optional and within the Mortgagees sole discretion as is the determination that the above conditions are met. The Mortgagee must submit a request to the FHA for the extension.

These publications can be found on the lenders page of the HUD website under “Daily Announcement” or “What’s New” at:

<http://portal.hud.gov/hudportal/HUD?src=/grc>

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