



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: September 11, 2012

**To: All Approved Home Equity Conversion
Mortgage (HECM) Mortgagees**

Mortgagee Letter 2012-17

Subject Home Equity Reverse Mortgage Information Technology (HERMIT)
System for the Home Equity Conversion Mortgage (HECM)

Purpose This Mortgage Letter (ML) announces the October 9, 2012 launch date for HERMIT, HUD's new online, web-based automated system, and gives mortgagees directions on how to access the HERMIT User Manual and other support materials.

Background HUD currently manages the HECM portfolio by:

- Collecting Mortgage Insurance Premiums (MIP) through its Insurance Accounting Collection System (IACS);
- Servicing HECM loans assigned to HUD through its Single Family Mortgage Asset Recovery Technology (SMART) system;
- Processing and tracking HECM insured servicing requests through SMART and Extensions and Variances Automated Requests System (EVARS); and
- Manually processing Mortgagee's insurance claims.

HUD has adopted one common HECM platform to consolidate legacy systems. The new platform, HERMIT, will improve HUD's monitoring and tracking of the HECM loan portfolio in real-time and automate the payment of insurance claims while increasing efficiency and mitigating risks to the Insurance Funds.

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The New HERMIT Platform

With the new platform launch, IACS will be phased-out and HERMIT will serve as HUD's system of record for:

- Collecting MIP;
- Managing all servicing activities; and
- Paying insurance claims.

The new HERMIT system will permit HECM mortgagees to:

- Interact with one, integrated HUD HECM system;
- Interact with HUD's National Servicing Center (NSC) through a new, automated workflow process; and
- Replace manual claims filing processes with an online, automated claims filing procedure.

Collection of MIP: Due dates for the remittance of initial and monthly MIP to HUD are **unchanged**.

HECM Servicing Enhancements

Mortgagees shall access HERMIT to notify HUD of the:

- Borrower's date of death (replaces procedural guidance in the portion of ML 2003-22 entitled "Requirement for Notification of Death"); and
 - Initiation of foreclosure.
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HECM Claims Enhancements

HERMIT will automate claim preparation. Mortgagees must enter information such as disbursements to or on behalf of the homeowner, expenses, due and payable notifications and other data into HERMIT. Refer to the Claim Filing Instructions attached to Mortgagee Letter 2009-44 that gives detailed instructions on the information required for each claim block. Any expenses or disbursements not entered into HERMIT will not appear on the HERMIT-generated claim form and will not be paid by HUD. Mortgagees must submit HECM claims through HERMIT (replaces procedural guidance in Sections III, IV, and V of ML 1994-44 and in Section II of ML 2009-44).

Beginning the day the HERMIT System becomes active (October 9, 2012), HUD's Single Family Claims Branch will no longer accept paper claim packages for HECM claims. HUD will accept paper claim packages **postmarked prior** to the date the system becomes active. HUD will return paper claim packages **postmarked after** the date the system becomes active.

Mortgagees shall submit supplemental claims through HERMIT only for those claims that were processed and paid through HERMIT.

Mortgagees shall use the current, manual supplemental claims process for claims that were not paid through HERMIT. Mortgagees shall submit supplemental claims to the Single Family Claims Branch or through HERMIT (whichever is applicable) within six (6) months of the settlement date of the original claim.

Claim Types 21 and 23

While servicing a HECM mortgage in an active or due and payable status, mortgagees shall use HERMIT to:

- Enter related dates, transactions and expenses, and
- Upload all supporting documentation prior to submitting a claim.

Mortgagees shall submit claims within 15 days of the sale of the property or the expiration of the 6-month acquisition timeframe to avoid curtailment of debenture interest (provided mortgagees have met all prior timeframes). This eliminates the ten (10) day mailing allowance that HUD permitted when mortgagees were required to manually submit claims.

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Claim Type 22 Once HUD reviews the assignment package in HERMIT and grants preliminary title approval, mortgagees shall then submit the claim package through HERMIT. Claims submitted for payment will be auto-approved and mortgagees will no longer submit documentation to the Single Family Claims Branch. Submissions of Claim Type 22 shall occur only when the HECM outstanding loan balance reaches 98% of the Maximum Claim Amount (MCA).

Claim Type 24 (Supplemental Claims) Once HUD pays a Type 21 or 23 insurance claim, mortgagees may submit a Type 24 supplemental claim for other eligible expenses. Mortgagees shall enter these expenses, along with the supporting documentation into HERMIT when submitting the supplemental claim.

Business to Government (B2G) Mortgagees have the option of manually entering data or using Business-to-Government (B2G) processes to upload formatted files into HERMIT.

HERMIT Materials Mortgagees may access and download the following documents at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhomelenders.

- HERMIT User Guide
 - Business to Government (B2G) Guide
 - Instructions on HERMIT registration process, including User Access forms
 - Phone number(s) and other contact information for the HERMIT Help Desk
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Information Collection The information collection requirements contained in this document are pending approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0524. In accordance with the Paperwork Reduction Act, 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.

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For Questions If you have any questions about this Mortgagee Letter, please call the FHA Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at 1-800-877-8339.

Signature

Carol J. Galante, Acting Assistant Secretary for Housing-Federal
Housing Commissioner
