



U.S. Department of Housing & Urban Development  
Washington, DC 20410-8000

## HECM Servicing Frequently Asked Questions ML2011-01

- 1. Are all options and timeframes in ML 2011-01 (ML11-01) available to the existing delinquencies regardless of the amount or age of the delinquency?**

Yes.

- 2. Is calculated interest included in the amount and time frame required to cure, or just the Corporate Advance?**

Corporate Advances only.

- 3. Will HUD require a fully executed repayment plan agreement?**

Yes; a repayment plan agreement executed by the mortgagor is required.

- 4. The ML requires that "...a list of all loss mitigation options available..." be provided to the mortgagor. Are these options limited to the establishment of a repayment plan, encouraging counselor contact, and exploration of HECM to HECM refinance possibilities?**

Yes; these are currently the only home retention loss mitigation options available to FHA HECM delinquent mortgagors. Deed in Lieu and Short Sale are non-retention loss mitigation options and should be offered to the mortgagor(s) as appropriate.

- 5. What are the penalties for not foreclosing after the due and payable is approved?**

Failure to move forward with foreclosure after HUD has granted due and payable status is a violation of the regulations of 24 CFR 206.125. Violations may result in civil money penalties being assessed by the Mortgagee Review Board (MRB) against mortgagees that disregard HUD regulations and policy.



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**6. Are existing advances made for delinquent property charges prior to the issuance of ML11-01 fully claimable, regardless of amount or age?**

Regulations preclude HUD from paying claims in excess of Maximum Claim Amount (MCA).

**7. If a borrower has Net Principal Limit (NPL) remaining on their loan and a mortgagee has to process a mandatory draw on their available funds for the payment of a property charge, would this loan be considered delinquent and pursuant to ML11-01?**

If the borrower's funds are used to pay property charges, the loan is not considered delinquent. Payments under this scenario are considered unscheduled line of credit (LOC) disbursements. Payment plan changes may be required if there is no existing LOC to accommodate an unscheduled payment. If there are some funds in the borrower's account, but an amount insufficient to pay the full amount due, only the portion advanced from the mortgagee's funds is considered delinquent.

**8. What is the definition of "Corporate Advance"?**

The definition depends on timing. Before due and payable approval is granted, Corporate Advances (aka Property Charges) are taxes, hazard insurance premiums, ground rents and assessments (including HOA/condo fees) paid on the borrower's behalf. After due and payable approval has been granted, Corporate Advances include the items identified in 24 CFR 206.129(d)(2) that may be itemized on the claim.

**9. If repayment plans are currently in place that extends greater than 24 months, does the mortgagee need to change those plans and notify paying mortgagors that they now have only 24 months from the date of ML11-01 to repay?**

Not as long as the mortgagor is current on their plan. If the mortgagor breaks the plan, new agreements are to be based on the schedule provided in ML11-01.



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**10. It is our understanding that the definition of when a loan becomes delinquent for unpaid property charges is when the mortgagee receives notice of a mortgagor's failure to pay property charges. Is this correct?**

For the purpose of ML11-01 only, HUD considers the loan delinquent when the mortgagor has failed to pay their property charges and there are no funds available in their NPL to pay them, causing the mortgagee to pay from their corporate funds.

**11. Is the mortgagor's executed repayment plan, collection and history letters and repayment history documentation sufficient information to submit for due & payable review and approval?**

Additional items needed are the mortgagee's servicing notes, evidence of the advance(s) made on the mortgagor's behalf and that the advance(s) placed the NPL in a negative status.

**12. Will HUD consider rescinding due and payable approval on loans previously approved in order to allow mortgagors the opportunity to take advantage of counseling based on the issuance of the ML11-01?**

HUD will consider rescinding prior approved due and payable requests. Mortgagees may submit such requests to C&L via Excel spreadsheet and include FHA Case number, mortgagor name, type of delinquency, date due and payable approved, reason for request to rescind and current foreclosure status.

**13. In the "Issuance of Property Charge Delinquency Letter" section, how do mortgagees determine the "...length of time the counselor has to identify a viable solution that may assist the mortgagor with curing the delinquency"? Would this be dictated by the housing counseling agency as to how much time they felt the mortgagor needs to exhaust all of the options that may be at their disposal?**

Mortgagees and housing counseling agencies should work together to determine the most appropriate solution and timeframe associated with repayment based on the mortgagor's ability to pay.



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- 14. The repayment schedule requires that the mortgagor provide “evidence” that they are unable to pay the default amount by the timeframe allowed if they want to request a longer repayment time horizon, up to 24-months. What “evidence” should mortgagees obtain?**

This is at the mortgagee's discretion; however, the documentation should clearly support the decision.

- 15. In the counseling attachment to the model letter, it lists all of the housing counseling agencies and their contact numbers. Are all of the agencies able to handle all areas of the U.S., or should only certain agencies be listed on this attachment based on the geographic location of the mortgagor's property?**

All of the agencies listed in the attachment to the ML11-01 model letter are able to provide counseling nationwide by telephone, and many have local counselors who can provide face-to-face counseling as well.

- 16. If a mortgagor is placed on a 24-month repayment plan schedule and becomes delinquent again, violating the terms of the agreement, can the mortgagee offer a new 24-month repay plan agreement if the mortgagor provides explanation for the episode and provide evidence that they can reasonably afford to cure the delinquency through a new repay plan?**

Yes; mortgagees must exercise prudent servicing and recognize when legitimate setbacks occur that mortgagors may be able to overcome, which would allow them to honor their obligations. Likewise, mortgagees must take a common sense approach and recognize when there is no realistic expectation that the mortgagor can cure the delinquency. In any case, mortgagees should retain documentation to support their decision.

- 17. Are there a maximum number of times that a mortgagor can break a repayment plan before they no longer qualify? If a “repeat offender” continually commits and re-commits to a repayment plan after breaking the terms, do mortgagees have to honor their request?**

No; mortgagees must exercise prudent servicing and recognize when legitimate setbacks occur that mortgagors may be able to overcome, which would allow them to honor their obligations. Likewise, mortgagees must take a common sense approach and recognize when there is no realistic expectation that the



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mortgagor can cure the delinquency. In any case, mortgagees should retain documentation to support their decision.

**18. When must the “Property Charge Delinquency Letter” be mailed on new tax or insurance advances?**

The letter must be mailed within 30 days of the missed payment if the mortgagee is aware it was missed, but no later than 30 days from notification of the missed payment. Mortgagees must begin working with the mortgagor immediately to bring the mortgage back into compliance at the earliest possible point. Mortgagees should consider using a tax service, as is commonly used on forward mortgages, to obtain tax bills prior to their due date in order to meet the requirements of HUD Handbook (HB) 4330.1, REV5, Ch 13-12 B, which requires proof the mortgagor has paid their taxes prior to the delinquent date.

**19. Once a loan is approved for due and payable, will HUD allow the mortgagor to enter into a repayment plan agreement (and qualify for HUD-approved time extensions)?**

Timing is dependent upon when the mortgagor is notified the loan is due and payable. Prior to notice, mortgagees may enter into a repayment plan based on the schedule in ML11-01. Once the borrower is notified the loan is due and payable, the 6 month timeframe to initiate foreclosure starts, and the mortgagor has 30 days to correct the default, indicate they wish to sell the property, or offer a the Deed in Lieu. Extensions to initiate foreclosure will not be provided for the duration of repayment plans.

However, the mortgagee may request HUD rescind the due and payable approval if the mortgagor negotiates and executes a repayment plan for property charge advances based on the schedule provided in ML11-01 prior to the foreclosure sale.

**20. If a HECM mortgagor is in foreclosure for T&I default and wants to set up a repayment plan agreement, will HUD allow the mortgagee to place the foreclosure action on hold until the mortgagor is able to honor that repayment plan agreement?**

Timing is dependent upon when the mortgagor is notified the loan is due and payable. Prior to notice, mortgagees may enter into a repayment plan based on the schedule in ML11-01. Once the borrower is notified the loan is due and



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payable, the 6-month timeframe to initiate foreclosure starts and the mortgagor has 30 days to correct the default, indicate they wish to sell the property, or participate in the Deed in Lieu. Extensions to initiate foreclosure will not be provided for the duration of repayment plans.

However, the mortgagee may request HUD rescind the due and payable approval if the mortgagor negotiates a repayment plan for property charge advances based on the schedule provided in ML11-01 prior to the foreclosure sale.

**21. If the mortgagor repays a portion of an outstanding advance through a 24-month repayment schedule and becomes delinquent again, requiring the mortgagee to make an additional advance that individually only qualifies for a 12-month repayment schedule, does this provide the mortgagor another 12 months to repay that portion of the advance?**

Mortgagees must exercise prudent servicing and recognize when legitimate setbacks occur that mortgagors may be able to overcome, which would allow them to honor their obligations. Likewise, mortgagees must take a common sense approach and recognize when there is no realistic expectation that the mortgagor can cure the delinquency. In any case, mortgagees should retain documentation to support their decision.

**22. How does HUD define a broken repayment plan?**

HUD defines this as failure to honor the terms of the signed repayment agreement.

**23. Does the repayment plan period begin with the date the mortgagor responds to the Property Charge Delinquency Letter?**

The start date of the repayment plan is the first payment due date based upon the written repayment play agreement.

**24. If a mortgagor breaks an existing repayment plan, must a new repayment plan period be limited to 24 months from the original repayment plan start date?**

Not necessarily; mortgagees must exercise prudent servicing to determine the length of the updated repayment plan. However, it should be no less than the



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remaining term of the original plan, but no longer than 24 months from the first payment due for the new plan. Mortgagees should retain documentation to support their decision.

**25. Does HUD define HECM delinquency as the date when the mortgagee receives notice that the mortgagor failed to pay property charges?**

For the purpose of ML11-01 only, HUD considers the loan delinquent when the borrower has failed to pay their property charges and there are no funds available in their NPL to pay the property charges, requiring the mortgagee to pay from its corporate funds (Corporate Advances). The Property Charge Delinquency Notification letter must be mailed within 30 days of the missed payment if the mortgagee is aware it was missed, but no later than 30 days from notification of missed payment. Mortgagees should consider using a tax service, as is commonly used on forward mortgages, to obtain tax bills prior to their due date in order to meet the requirements of HB 4330.1, REV5, Ch 13-12 B, which requires proof the mortgagor has paid their taxes prior to the delinquent date.

**26. ML11-01 does not include provisions for penalties and/or curtailments. Is HUD considering curtailing property charges after a certain period of time?**

Regulations currently preclude HUD from paying claims in excess of Maximum Claim Amount (MCA). However, HUD may consider the curtailment of property charges after a period of time; this requires a change to the regulation and must be pursued through the Rulemaking Process.

**27. What is considered the start date for a 24-month payment plan? Is it 24 months from the date of the executed agreement date or first payment due date?**

The start date of the repayment plan is the first payment due date based upon the written repayment play agreement.

**28. If the mortgagor does not respond to outreach, what is the appropriate timeframe to wait until the mortgagee requests due and payable approval?**

HUD expects mortgagees to provide mortgagors the opportunity to resolve the delinquency and preserve their home. However, at the time that mortgagors are unresponsive to outreach, mortgagees are obligated to request due and payable



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status and move forward with notification to the borrower and foreclosure as required by the regulations at 24 CFR 206.125.

**29. If a mortgagor enters a repayment plan and becomes delinquent again, should the mortgagee monitor and repay advances as first advance paid, first advance repaid? Or, should individual advances made be aggregated to determine the length of the repayment plan?**

If the existing repayment plan was broken and the mortgagee believes it prudent to allow the mortgagor another repayment plan, the new plan should contain all the property charges advanced. The revised repayment plan must include any funds that were advanced since the original repayment plan was negotiated and is to be based on the schedule provided in ML11-01.

**30. Will the new Corporate Advance field that has been added to the monthly IACS file provided to mortgagees by HUD's contractor contain the Total/Net Corporate Advance balance shown on MU02, MI01 and MI14 screen shot examples?**

Yes.

**31. Should mortgagees enter the date they were notified of a missed property charge in column six (6) of the HECM DELINQUENT LOAN DATA REPORTING PROCEDURES excel file? Is this the date HUD expects to see in this field?**

Column #6 should be the date the property charge was due, not the date the mortgagee became aware it was due.

**Corporate Advance Scenario:** If Column #2 reflects a Corporate Advance, Column #5 is the date the mortgagee made the payment on behalf of the mortgagor and Column #6 should reflect the date the payment was due.

**Repayment Scenario:** If Column #2 reflects a repayment, Column #5 is the date the mortgagee receives payment and Column #6 should be left blank.





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**32. If a mortgagee advances corporate funds for purpose of paying the mortgagor's delinquent tax and insurance, should the mortgagee add the advance to the mortgagor's unpaid principal balance (as would be the case with any amount advanced as a benefit for the mortgagor) which would accrue interest at the amount specified in the HECM documents? ML11-01 states: "Mortgagees are not permitted to charge interest for the repayment plans".**

Yes; the amount would be applied to the unpaid principal balance. As a point of clarification, ML11-01's reference to the mortgagee not charging interest for the repayment plan is a prohibition against mortgagees charging a fee or interest or both for the establishment and maintenance of a repayment plan. This type of activity is prohibited because MIP and interest will accrue against the outstanding loan balance, which will include the Corporate Advance. In addition, the mortgagee currently receives a monthly fee for servicing the loan, regardless of the status of the loan.

**33. Will there be new IACS transaction codes provided to servicers for manually entering in Corporate Advances and Corporate Advance repayments?**

When Phase II of the IACS modifications are complete, FHA will provide detailed instructions on how to manually update IACS and the new transaction codes that must be used.

**34. How should tax, HOA and insurance delinquent payments be tracked in IACS once the loan is matured for other issues (death, non-residency, etc) other than tax and insurance?**

After a loan becomes due and payable for any reason (with HUD approval or where approval is not needed), Corporate Advances may be itemized on the claim. The items identified in 24 CFR 206.129(d)(2) are not to be reported to IACS. Mortgagees must continue to track those items separately for inclusion on their claim. Claim data will not be generated from IACS.



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**35. What would HUD prefer to track in field #8 if the housing counseling agency (HCA), insurance carrier, homeowner's association (HOA) and taxing authority info is available? If mortgagees do not choose to provide it in the initial file, do the mortgagees have to add it manually later to IACS?**

HUD tracks the name of HCA that is assisting the borrower in Column #8. Upon the completion of Phase II, a new "Case Remarks" entry screen will be made available to enter the name of an insurance carrier, HOA, taxing authority or any other information associated with the managing of the case. If the initial delinquency reporting file does not provide a "Name" for Column #8, this information can be added to IACS, either manually or electronically, once Phase II is complete.

**36. On what IACS screens will transaction detail supporting the total reported Corporate Advance be available (i.e. MI 14 screen example does not appear to have been modified to include a column for Corporate Advances)?**

Once HUD receives and processes the initial delinquency reporting file and Phase II is complete, the "Corporate Advance" data field, found on the MI14 screen, will reflect the total Corporate Advance amount. This information will also be displayed on the MI07 Loan Balance Advance Detail screen.

**37. If IACS is updated manually, on which IACS screen will the detail disbursement and reimbursement transactions be entered?**

Manual entry of Corporate Advances will be performed using the MF52 Loan Balance Update-Unscheduled Advances screen. Manual entry of reimbursements will be performed using the MF51 Loan Balance Update-Repayments screen.

**38. Will IACS permit reversals of transactions (similar to what is available currently for LOC disbursements)?**

Yes, IACS will permit reversals of transactions.

**39. If mortgagees provide a monthly file 5 calendar days before month end, will they also be able to enter other transactions manually?**

Yes. However, the mortgagee should ensure there is no overlap because the system will maintain the data of the last entry.