

UNDERWRITING LENDING GUIDE

November 2026 Edition

Summary of All Changes

7. UNDERWRITING GUIDELINES

7.56 Hazard Insurance (Revised Oct. 2026) | Updated guidance to include NBO as acceptable names to reflect on policy.

7.59 Seasoning Requirements for Non-HECM Liens (Revised Oct. 2026) | Updated guidance specific to HELOCs in place for 12 months or less.

7.66 Subordination (Revised Oct. 2026) | Updated guidance to when deferred government assistance loans can be considered for subordination.

7.72 Power of Attorney (Revised Oct. 2026) | Updated guidance to include face-to-face requirements where the borrower is using a POA at closing only (signed initial application for self) and where the borrower is competent but prefers a POA to sign the application and closing docs.

7.76 Guardianship or Conservatorship (Revised Oct. 2026) | Added guidance for face-to-face requirements.

8. APPRAISAL REVIEW

8.26 Private Wells, Community Wells, Shared Wells & Septic/Sewer (Revised Oct. 2026) | Updated guidance regarding the distance requirements.

8.28 Stationary Storage Tanks (Revised Oct. 2026) | Updated wording.

10. REVERSE TO REVERSE (R2R)

10.1 Reverse to Reverse (R2R) (Revised Oct. 2026) | Updated guidance to include when the calculator is still needed.

13. STATE SPECIFIC REQUIREMENTS

13.6 Maryland & District of Columbia (Revised Oct. 2026) | Updated guidance for the loan commitment requirements based by if transaction is a refinance or purchase.

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1. Introduction

This Underwriting Lending Guide (the "Guide") details Mutual of Omaha Mortgage's ("MoOM") policies, procedures along with requirements for originating HECM Loans. Also included is processing, underwriting, closing, and funding information. The Guide is in addition to other lending policies and procedures adopted by Mutual which direct its lending activities. Periodically, this Guide will be updated. The Guide is available on the Knowledge Coop under the topic "Underwriting"

1.1 Business Hours and Holidays *(Revised December 2025)*

Mutual's normal business hours are 8:00 AM Pacific time to 5:00 PM Pacific time, Monday through Friday. The offices are closed on the following Holidays (2026 Holiday Schedule)**,** New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

1.2 Guide Amendments or Supplements

This Guide may not be amended or modified orally, and no provision of the Guide may be waived or amended except as set forth below or in writing and signed by the necessary parties. Such a written waiver or amendment must expressly refer to the Guide and be denominated as an amendment to the Guide.

This Guide may be amended or supplemented from time to time by Policy Changes or by issuance of other written communications from Mutual. Any amendments or revisions will become effective on the date specified in the applicable communication. If no date is specified, the effective date will be the date of the communication.

1.3 Confidentiality

Loan Originators acknowledge that Mutual has developed and owns valuable information related to its business, customers, and programs, including but not limited to concepts, ideas, customer lists, business lists and plans, both oral and written. Loan Originators shall not, at any time, in any manner, either directly or indirectly, divulge, disclose, or communicate to any person, firm, corporation or other entity, Confidential Information or any other confidential or proprietary information concerning Mutual without the express prior written consent of an authorized executive officer of Mutual.

1.4 Privacy of Consumer Information

We take our clients' financial privacy very seriously. Originating and processing customer applications requires the collection of non-public financial information from our customers and from other sources about their income, assets, and credit history. We restrict access to this information to all employees, or third parties, on a need-to-know basis as it pertains to providing products and services to our customers. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to protect our borrowers' non-public personal information.

1.5 Fair Lending

Mutual is fully committed to the principal that all credit decisions should be made without regard to race, color, religion, national origin, sex, marital status, disability, or any other basis prohibited by law. We will fulfill this commitment while maintaining prudent credit discipline and sound business practices.

We recognize that affirmative steps must be taken to ensure that this principle is applied consistently and continuously throughout all aspects of our operations, including product design, underwriting, sales and marketing, training, and servicing our clients.

We monitor our operations on a regular basis to ensure that all procedures are followed and that our objectives are met. We will continue to make changes in our operations as we identify ways to better meet our commitment to Fair Lending.

2. Operations & Process Overview

2.1 Reverse Vision

We use Reverse Vision software as it was specifically designed for loan origination, and it provides processing support for HECM loans. Developed by a technology team out of North Carolina, Reverse Vision is the result of years of testing and development. Its goal is to simplify origination and processing functions, reduce the duplication of effort and standardize documents, forms, and procedures.

Developed as a user-friendly desktop application, Reverse Vision is designed for everyday use by even those with limited computer experience. The system is updated frequently to reflect the most recent releases in compliance, product availability, and HUD correspondence. To learn more about Reverse Vision, refer to training modules available online: go to "Reverse Vision" & select "University", or contact your manager.

2.2 Quantum Reverse

We use Quantum Reverse software as it was specifically designed for loan origination, and it provides processing support for HECM loans. Developed by a technology team out of North Carolina, Quantum Reverse is the result of years of testing and development. Its goal is to simplify origination and processing functions, reduce the duplication of effort and standardize documents, forms, and procedures.

Developed as a user-friendly web-based application, Quantum Reverse is designed for everyday use. The application is updated frequently to reflect the most recent releases in compliance, product availability, and HUD correspondence. To learn more about Quantum Reverse, refer to training modules available online: go to "Quantum Reverse" & select "Help", or contact your manager.

2.3 Counseling / Consumer Education

Each borrower is required to receive consumer education that complies with federal, state, or local law related to obtaining a reverse mortgage. Consumer education must be conducted by a non-profit or public agency certified and trained in reverse mortgage counseling. According to FHA guidelines, counseling is required to be completed prior to processing the application. Many states have strict requirements regarding when services may be ordered in relation to counseling. Please check with your manager regarding state laws for your loan. Mutual strongly encourages that the application or counseling be completed face to face with the client.

2.4 Doing Your Homework

Mutual is here to support you and educate you to successfully originate Reverse Mortgages; however, the lender will be responsible for researching the unique requirements and situations in their market. Some suggestions may be:

- Who are your counselors in your area? Are there enough local counselors, or will you need to rely on telephone counseling?
- What programs are available at the state and local level for elderly citizens?
- How will a Reverse Mortgage affect state or federal assistance programs such as Medical? Proceeds from a reverse mortgage are not counted as income. However, a borrower who places any funds in a bank account might have those funds counted as a liquid asset. Consult state and local assistance offices for specific information.

2.5 Taking a Loan Application

The borrower must receive counseling and submit a copy of the fully executed counseling certificate to be eligible state requirements), we strongly recommend either application or counseling being completed face-to-face, although it is not a HUD requirement but possibly a state requirement. The loan originator's attendance at closing is also strongly encouraged in order to maintain successful referral relationships with your clients.

2.6 Loan Closing

Closings must be coordinated with our operations center, escrow, and the borrower. We must be notified of the closing date, and the final figures must be confirmed with our closing department prior to docs going out. Mutual will review and prepare the closing documents, which will be sent to the designated closing agent via email. Mutual must prepare the HUD-1 Settlement Statement at least one business day before closing can occur.

- Upon request, the borrower must be allowed to inspect the statement one business day before closing.

➢ ***Note:*** *Notify the closing department immediately if the HUD-1 has errors. - It may be necessary to reschedule the closing and re-draw the documents accordingly. - Mutual reserves the right to deny closing of any loan that does not meet current guidelines.*

2.7 Funding

Mutual will fund all HECM loans submitted to our company except for full or hybrid correspondents. We must receive a complete closing package within 24 hours after signing has taken place. If the documents are late or incorrect, the loan may not fund in the expected 4 business days. Please manage the customer's expectations so they are prepared for any potential delays in funding.

We will perform a pre-funding audit when the package is received from escrow. If any items in the loan package do not comply with the closing instructions, funding will be delayed until the required corrections have been received.

2.8 Cancellation and Right of Rescission

Mutual requires written requests for all cancelled files. It is the loan originator's responsibility to notify Mutual if the file is going to be cancelled. We reserve the right to cancel any expired file. If you plan on renewing a loan that has an expired appraisal, please notify Mutual immediately for the proper course of action.

If a borrower rescinds during the three-day right of rescission period after the loan closing, the loan originator must immediately notify Mutual's closing department. Mutual will instruct the closing agent that the loan funds should not be disbursed.

2.9 Consumer's Waiver of Right to Rescind *(Added March 2024)*

The consumer may modify or waive the right to rescind if the consumer determines that the extension of credit is needed to meet a bona fide personal financial emergency. To modify or waive the right, the consumer shall provide a dated written statement that describes the emergency, specifically modifies, or waives the right to rescind, and is signed by all parties entitled to rescind. All rescinds must be escalated for exception. Leadership, legal & compliance must all sign off and document.

2.10 Servicing

Mutual does currently service HECM loans.

2.11 Quality Control

The Mutual quality control plan has been developed from a variety of sources including federal and state statutes and regulations, various agency approved plans and accepted industry practices. These guidelines contain standards and practices for effectively monitoring the quality of the origination of reverse mortgage loans.

3. Product Overview

For questions or concerns relating to how programs like Social Security, Medicare, Medicaid, and SSI may be affected by obtaining a HECM loan, we strongly advise potential borrowers to consult with a trusted advisor, such as an attorney.

3.1 HECM (FHA/HUD Product) Features *(Revised December 2025)*

- National Maximum Lending Limit: $1,249,125 for all case numbers assigned on or after 1/1/2026
- Non-recourse loan
- Available to homeowners 62 and older
- No restrictions of the use of loan proceeds
- Some income and credit qualifications required
- HECM for Purchase is available
- The following property types are eligible for HECM financing:
    - Site Built Housing (one- to four-units, one-unit with an Accessory Dwelling Unit (ADU), or two- to four-units);
    - Condominium units in Approved Projects or Legal Phases; and
    - Manufactured Housing (one-unit or one-unit with an ADU).
- Federally insured
- Funds available as: lump sum cash, line of credit, term (monthly income for set period), tenure (monthly income for as long as borrower lives in home), or combination of the above for Adjustable products only
- Fixed products require Lump Sum Cash out of all available proceeds.
- Origination and 3rd. party costs may be financed into the loan
- Minimum balance requirement for line of credit of $50.00
- No equity shares option

3.2 Application Documents

Required application documents and calculation printouts must be requested from Reverse Vision or Quantum Reverse.

Please keep in mind that the application documents must be printed and signed by the borrower within the same week of the rate being posted.

For step-by-step assistance with Reverse Vision software, go to "Reverse Vision" & select “University”.
For step-by-step assistance with Quantum Reverse software, go to "Quantum Reverse".

3.3 Electronic Signatures

FHA does not accept an electronic signature that is solely voice or audio. An electronic signature conducted in accordance with the Electronic Signature Performance Standards (Performance Standards) is accepted on FHA documents requiring signatures.

Electronic signatures meeting the Performance Standards are treated as equivalent to handwritten signatures.

Authorized Documents

Authorized Documents refer to the documents on which FHA accepts electronic signatures provided that the Mortgagee complies with the Performance Standards.

- **Mortgage Insurance Endorsement Documents:** Electronic signatures will be accepted on all documents requiring signatures included in the case binder for mortgage insurance except the Note. FHA will not accept electronic signatures on HECM Notes.

The Mortgagee must ensure that the electronic signature is attached to, or logically associated with, the document that has been electronically signed.

Intent to Sign

The Mortgagee must be able to prove that the signer certified that the document is true, accurate, and correct at the time signed.

Electronic signatures are only valid under the ESIGN Act if they are "executed or adopted by a person with the intent to sign the record."

Establishing intent includes:

- identifying the purpose for the Borrower signing the electronic record;
- being reasonably certain that the Borrower knows which electronic record is being signed; and
- providing notice to the Borrower that their electronic signature is about to be applied to, or associated with, the electronic record.

Single Use of Signature

Mortgagees must require a separate action by the signer, evidencing intent to sign, in each location where a signature or initials are to be applied. This provision does not apply to documents signed by Mortgagee employees or Mortgagee contractors provided the Mortgagee obtains the consent of the individual for the use of their electronic signature. The Mortgagee must document the employee's or contractor's consent.

Authentication

Authentication refers to the process used to confirm a signer's identity as a party in a transaction. Before a Mortgagee submits the case for endorsement, the Mortgagee must confirm the identity of the signer by authenticating data provided by the signer with information maintained by an independent source.

Independent sources include, but are not limited to:

- national commercial credit bureaus;
- commercially available data sources or services;
- state motor vehicle agencies; or
- government databases.

The Mortgagee must verify a signer's name and date of birth, and either their Social Security Number (SSN) or driver's license number.

3.4 Counseling

- Counselors must be FHA approved and able to offer HECM counseling
- Confirmation of counseling via a fully executed counseling certificate must be completed to allow processing to begin. A copy of the fully executed counseling cert is sufficient to meet this requirement.
- A current list of FHA approved counselors is available here

3.5 Appraisal

An FHA approved appraiser must be used on all HECM transactions. The home must meet the minimum FHA property guidelines and any subsequent repair requirements.

Appraisal must be ordered through an approved AMC.

4. HECM Product & Policies

This section will give an overview of processing and underwriting policy for these loans. In addition to reading this Guide, you should become familiar with HUD's guidelines. The HECM loan follows the guidelines laid out by HUD in the 4000.1 HUD Handbook.

4.1 Expected Interest Rate Lock & Re-Lock (fka-Principal Limit Lock or Principal Limit Protection) *(Revised February 2025)*

For the HECM product, the Principal Limit Factor (PLF) is determined by two factors: youngest borrower or eligible non-borrowing spouses' age (calculated based on 183 days after the date of Closing) and the expected interest rate. The Principal Limit (PL) is then calculated by multiplying the determined Max Claim Amount (MCA) by the Principal Limit Factor.

For all HECM products, the Principal Limit is calculated at Closing based on the expected rate that is offered.

The expected rate directly impacts the Principal Limit unless it is at 3.06% or less (as 3.06% is the floor rate as identified in ML 2017-12 effective for all case numbers assigned on or after October 2, 2017.) For example, if the expected rate increases, the principal limit may decrease – which is true for both adjustable and fixed interest rates.

For the fixed interest rate (initially introduced in 2008), the expected rate is the initial rate and there are no other factors that change the offered rate.

For the adjustable-rate products – e.g. Cap 5, Cap 10, Annual – the expected rate is determined by adding the margin to the calculated 10-yr Constant Maturity index (published on Monday-when not a federal holiday-and effective for all applications or signings the following day-or Tuesday.) In 2003, HUD added the ability for originators to set the expected rate at application for a period of time (updated in 2006, 2017 and then again in 2024) to eliminate confusion and unexpected reductions to the principal limit at closing when market interest rates may increase. At Closing, the expected rate is either the lesser of the expected rate at application or at a subsequent re-lock or at Closing.

Mutual, with the borrowers acceptance may protect the borrower from fluctuations in the market by preserving the expected rate, and through that the Principal Limit Factor quoted at the time the application is taken/printed.

For any HECM Adjustable-Rate Product, Mutual offers the following Expected Interest Rate Lock & Re-Lock provisions:

- The expected rate is set on the day the application is taken/printed – not the day the application is signed – this is intentional to prevent borrowers from feeling pressured to commit to the terms offered.
- The expected interest rate includes 2 components:
    - Margin
    - Expected Rate Index within the applicable "rate week" – published on Monday, effective Tuesday (unless either Monday or Tuesday are a federal holiday).
- The expected interest rate impacts the following calculations:
    - Principal Limit
    - Life Expectancy Set-Aside (LESA);
    - Term, Tenure, Modified Term and Modified Tenure set-asides.
- The expected interest rate does NOT impact the initial rate and does not lock-in or set the initial rate – as such this is not considered a borrower "Rate Lock" as more commonly understood in other forward mortgage transactions.
- While the EIR is set based on the application, the lock timing starts with the date the FHA Case Number is assigned.
    - The EIR is locked for an initial period of 120 calendar days.

    - The EIR may be extended one-time for an additional 120 days – for a total of 240 days.
- Reductions in margin may be offered without resetting the date used for calculating the EIR index, however, any increases in margin require a new Expected Interest Rate lock to be initiated with an acknowledgement from the borrower(s) and any applicable redisclosure.
- Any change to the margin on an adjustable rate HECM requires a redisclosure regardless of the impact to the EIR as changes to the margin directly impact changes to the initial rate and the terms of the ARM (floor and ceiling).
- Where an EIR Lock or Re-Lock exists, the Principal Limit will be set at Closing by determining the most advantageous rate for the borrower(s) – either the EIR as set in by the EIR Lock or the EIR as determined at Closing.
- If the lock has expired, the EIR will be calculated based on the date of Closing using the EIR index from the Closing "rate week".

Source: ML 2003-16, ML 2006-22, ML 2008-08, ML 2017-11, 2017-12 and 4000.1

4.2 Optional Expected Interest Rate (EIR) Lock & Re-Lock Policy *(Added February 2025)*

If the borrower opts in to the EIR lock & Re-lock policy, the margin must be locked in simultaneously with the index. Increased margin requires a new lock in agreement to be executed & new rate week will be established upon that change.

Please note there is no disadvantage or drawback for a borrower to opt-in to the EIR Lock & Re-Lock as provided in the disclosure.

4.3 HUD Reverse Mortgage Programs Guide

HUD has made available a knowledge base which specifically addresses the HECM program with links to information on eligibility requirements, counseling requirements, processing guidelines, and servicing questions which can be found online at www.hud.gov

4.4 Reverse Vision

Reverse Vision is the origination software that will provide you with all your application documents. The account is set up after approval and certification from MoOM. This software must be used to access and print all application documents.

4.5 Quantum Reverse

Quantum Reverse is the origination software that will provide you with all your application documents. The account is set up after approval and certification from MoOM. This software must be used to access and print all application documents.

4.6 Reviewing HECM Application Documents *(Revised April 2024)*

If all borrower and loan information is input correctly, Reverse Vision or Quantum Reverse will automatically generate all required documents for your application.

Please note that some application forms required by RESPA (Real Estate Settlement Procedures Act) are date sensitive meaning they must be executed within 3 days of the GFE being issued. There are also special application requirements for HECM refinances, trusts, POAs, Guardianships and non-borrowing spouses.

Below is a list of some forms that are included in the application package supplied to you from the LOS:

- **HECM Application Checklist**: This lists documents that must be signed at application as well as documents that should be collected at application. Borrowers do not sign this.
- **Loan Officer Certification**: LO certifies that certain forms have been completed and signed and that the borrower has received copies.

- **1009/Application**: This is like the 1003 used for forward mortgages but specifically altered for reverse mortgages. All spaces must be completed except Case Number. Most information regarding race, ethnicity and gender is necessary for HMDA reporting. LO must sign and date 4th page and complete the interviewer section of 1009 (LO name, NMLS, phone number, and signature must be fully completed). Alternate contact on the second page of 1009 should be completed at application.
- **Fair Lending Disclosure**: this form explains that discrimination is illegal based on certain characteristics.
- **List of Required Providers**: RESPA required addendum to GFE, should list all names and numbers of any third-party providers that were not selected by the borrowers.
- **Servicing Transfer Disclosure**: explains the likelihood of the loan being transferred to someone other than the closing lender.
- **Good Faith Estimate**: estimates the fees that will be listed on the HUD-1 at closing.
- **Tax and Insurance Disclosure**: borrower must indicate whether they intend to set aside funds for taxes and/or insurance. If so, they need to choose between a fully funded LESA or a partially funded LESA, if one is not already required per underwriting.
- **Special Forms**: If the borrower has a multi-family home, please have the appropriate form signed. (i.e., hotel and transient use form)
- **Pre-Counseling Disclosure**: borrower to acknowledge receipt of pre-counseling disclosures and is sent in the application disclosures package (if form does not generate, the "print date" of the disclosures in the proposal package will be used to accommodate loans)
- **State-Specific Forms/disclosures**: refer to section State Specific Requirements in this guide.

Exception to the Rule

This does not include missing signatures and cannot accept DocuSign/DocMagic eSign on the following disclosures:

- 1009
- 1009 Addendum
- 92900-A
- CA Disclosures for CA Cooling Off
- Anti-Churning Disclosure
- GFE Acknowledgement
- State Specific Disclosures for Counseling in: IL / CA / SC / etc.
- Any LO signed/dated documents as these must be dated the day the application package was generated (1009- page 5 & RM Advisor Disclosure)

➢ ***Note**: The corrections must be updated on internal application systems from Intake or Processing so that Final Disclosures are accurate for the closing documents sent to the closing table.*

4.7 Counseling Policies

Counseling must be completed and acknowledged by the borrower(s) (signed/dated) before the loan may be processed or documents that would result in a fee are ordered.

- Every borrower, NBO, NBS (eligible or ineligible), and POA (courtesy or required) must receive counseling prior to the date the case number is pulled.
    - A POA that is identified during the process – not at initial application, but after – may be counseled when their role is identified provided the borrower(s) the POA is acting on behalf of are mentally competent and were able and did attend counseling.
    - The spouse of an NBO who is not on title is not required to be counseled.
- A copy of the original, fully executed counseling certificate must be included in every loan package prior to loan submission
- At NO time in the process may a correspondent contact a counselor to:
    - Refer a client
    - Discuss a client's personal information
    - Request information regarding the topics covered in a specific session
- Counseling certificates are program specific and are available for a variety of loan-types such as USDA, Fannie Mae &HFA loans.

    - There is only one type of certificate for HECM loans – please ensure this is what is provided with the loan application.
- Processors will supply the Counseling Info from Case and HECM Referral List from FHA Connection to pair with the counseling certificate.
    - This will be reviewed by the underwriter to ensure the notes from the counselor confirm all borrowers are counseled and do not raise any concerns for a borrower's lack of understanding or coercion.
    - If any concerns are noted from the counselor, the underwriter will escalate the concerns to the underwriting manager for a secondary review.

5. Processing Guidelines

This section will give an overview of processing policy for these loans. In addition to reading this Guide, you should become familiar with HUD's guidelines. The HECM loan follows the guidelines laid out by HUD in the 4000.1 HUD Handbook.

5.1 Activities Prohibited Prior to Counseling

On a traditional HECM or a HECM refinance, none of the following may be dated before counseling has taken place:

- **Termite Report**: the date of inspection must be after the date of counseling
- **Flood Certification**: the flood determination date on the cert must be after the date of counseling
- **Case Number Assignment**: the date the case number was created, and the assignment date must be after the date of counseling and application.
- **Appraisal**: the date the property was inspected, and the date of the written report must be after counseling

You may order a credit report with proper authorization and have an application signed by the borrowers prior to counseling State Specific Counseling Requirements (Revised June 2026). These guidelines will vary slightly for HECM for purchase transactions.

5.2 Prohibited Activities for Counselors

Counselors may never provide information on the specific prices charged by any specific lender. Counselors are not permitted to represent or recommend any specific lender. If either of these items above has taken place, please contact HUD homeownership center in their jurisdiction immediately. You may also notify NRMLA, please contact Darryl Hicks: dhicks@dworbell.net

5.3 Verifying Identities

Due to the USA Patriot Act, Mutual is required to verify the identities of all borrowers as well as anyone with transactional rights to the loan. This means the identities of the following must be verified:

- all applicants,
- non-borrowing spouses (eligible and ineligible),
- POAs, and
- Guardians/Conservators.

5.4 Minimum Age

All borrowers must be 62 years of age or older at the time of closing. At the time the application is generated, a borrower must be within 60 days of his/her 62nd birthday. The RV or QR proposal can be presented to the borrower no earlier than 6 months before his/her 62nd birthday. It is also important to remember that the closing date in RV or QR is at least one day past the borrower's 62nd birthday.

5.5 Non-Citizens

Mutual will accept applications from citizens and permanent resident aliens. Non-United States Citizens with no lawful residency in the United States are not eligible for Reverse Mortgages with MoOM.

5.6 Verifying the subject property address

For every loan submission, the borrower's address must be confirmed via the United States Post Office website.

- Log in to United States Post Office
- Select "find a zip code"
- Type the address provided by borrower
- Click "send"

- Print the page and include it in the file

The address on all documents contained in the submission package and at closing must be consistent and will typically match the search results from the USPS website.

These documents include:

- Appraisal
- Preliminary title report
- Closing protection letter
- Hazard/flood insurance
- Flood certificate
- Counseling certificate
- Any information keyed into FHA Connection (case assignment, appraisal logging, etc.)

Inconsistencies in the subject property address must be resolved prior to closing. A review of all documents may be required to determine the correct address. The most weight will typically be given to the address showing on the legal description in the preliminary title report but there are instances where this may not be the most accurate.

- ***Note:*** *It is acceptable if the Title agent supplies a title commitment which states both the city and township as indicated on USPS results.*

The underwriter will make the final determination and request any corrections necessary. Please note, when correcting an address on an existing appraisal, all pages must be corrected. When taking the initial application, it is important to first verify the subject property address because an incorrect address can lead to an invalid FHA case number. The first three digits of every case number are assigned based on the HUD field office assigned to the property location. This is verified by HUD using the city, state, and zip code.

- ***Note****: An incorrect property location can result in an invalid case number if the field office is misrepresented. There is no way to correct this once the case number has been assigned except to cancel the case number and start a new application.*

6. Prior to Underwriting

This section will give an overview of the policy regarding documents needed prior to submitting to underwriting for these loans. In addition to reading this Guide, you should become familiar with HUD's guidelines. The HECM loan follows the guidelines laid out by HUD in the 4000.1 HUD Handbook.

6.1 Prior to Underwriting

Prior to submitting file to underwriting be sure to execute all data input in Reverse Vision or Quantum Reverse. Also, follow the underwriting submission checklist. Once all information appears to be correct and complete, you may submit the complete loan file to Mutual.

6.2 Stacking a file for UW

- Do stack the file using the Underwriting Submission Checklist and enclose a copy of the checklist with all the information completed
- Do send a cover letter explaining any issues or red flags
- Do complete the Reverse Vision or Quantum Reverse data input.
- Do submit the file using Reverse Vision or Quantum Reverse "submit" button (Wholesale only)
- Do add any notes or communication on the specific file to the "Notes" section of Reverse Vision or Quantum Reverse

6.3 HMDA (Home Mortgage Disclosure Act) Information

The Home Mortgage Disclosure Act was created to discourage discriminatory lending patterns and disclose application and loan data to the government and the public. For government monitoring information, you must collect the data on race, ethnicity, and gender on all applications whether the loan was closed or not. Aside from race, ethnicity and gender information, HMDA requires other vital information on the loan application and processing to be recorded and reported to the government.

6.4 Aged Loans

If a loan is in our system without changing status within 30 days, Mutual will contact the Loan Originator and possibly the borrowers to confirm whether the borrowers wish to continue with the loan. If the borrowers contact the loan originator to advise him/her of their plans with their loan, this information must be relayed to our operations center. We ask that a letter is sent out to the borrowers outlining the remaining requirements to close their loan. If there is no response to the letter in 10 days, we will cancel the file. If the borrowers reply saying they have withdrawn their application for factors related to the loan, we will send a notification indicating "incomplete application." If the borrowers have not replied or have withdrawn because of factors that do not relate to the loan, we will not send out this notification.

7. Underwriting Guidelines

This section will give an overview of the underwriting policy for these loans. In addition to reading this Guide, you should become familiar with HUD's guidelines. The HECM loan follows the guidelines laid out by HUD in the 4000.1 HUD Handbook.

7.1 Application Requirements *(Revised May 2024)*

In accordance with the Department of HUD regulations which amended Regulation X, RESPA 2010 changes implemented the following elements which constitute "acceptance of an Application" for a HECM loan:

1. Borrower Name(s)
2. Subject Property Address
3. Social Security Number
4. Gross Monthly Income
5. Estimated Value of Subject Property / Estimated Purchase Price
6. Date of Birth
7. Calculated Principal Limit (Reverse Mortgages have fixed Principal Limit Factors and Principal Limits)
8. Expected Interest Rate (includes Rate for Fixed or Margin for ARM)
9. Product Type and Margin (if applicable)

Regulation X of RESPA including all amendments through 7/1/2020, can be found at one of the following websites:

- HUD
- Federal Reserve
- Consumer Finance

It is acceptable for unmarried co-borrowers to complete one application (FNMA1009). All Reverse Mortgage applications should include an alternate contact person.

Alternate Contact

The information for alternate contact should be completed on the 1009 application and Alt Contact Disclosure. The contact person's name, phone #, full address (PO Box is acceptable) and relationship to the borrower are required. In the event Mutual is unable to reach the borrower(s) as needed, the person whose name appears as the alternate contact will be contacted for assistance in locating the borrower(s). Loan details will not be discussed with this alternate contact unless the borrower(s) authorizes such information to be released. Any supporting documentation that is in a foreign language requires a professional translator.

Marital Status

Standard at initial application, the Mortgagee must:

- verify the name and age of any NBS on the Borrower's application; and
- determine if the spouse is an Eligible or Ineligible NBS (specific to HECM, at this time Proprietary Reverse Mortgages do NOT allow for a deferral period for NBS regardless of the concept of eligibility as it applies to a HECM.)

An Eligible NBS may not elect to be ineligible for the Deferral Period. An Eligible NBS becomes an Ineligible NBS and ineligible for the Deferral Period when any of the Qualifying Attributes cease to be met.

Required Documentation the Mortgagee must obtain the following:

- a marriage certificate, legal opinion certifying the validity of the marriage, or other evidence sufficient to establish the legal validity of the marriage;
- the NBS's SSN; and
- either the Ineligible NBS or Eligible NBS certification

7.2 HECM Counseling Requirements

Independent reverse mortgage counseling, provided by a HUD-approved counseling agency, is required by Mutual per HUD guidelines for all loans unless otherwise noted in this section. Counseling must take place prior to incurring any fees that will be charged to the applicant, except for the credit report allowance listed below. Lenders are responsible for compliance with all federal, state, and local laws and regulations.

Per HUD Mortgagee Letter 2014-21, FHA permits lenders to order a credit report prior to completion of HECM counseling if the lender wishes to perform a preliminary credit review. However, the lender may only collect a credit report fee from the borrower at loan closing. If the HECM loan does not close, the borrower cannot be charged for the cost of the credit report.

Except as noted in State Specific Counseling Requirements (Revised June 2026), counseling may be conducted via telephone; however, all applicants must be offered the option to meet face-to-face with either the loan interviewer or the counselor.

7.3 Parties Requiring Counseling *(Revised April 2024)*

All loan applicants who will sign the mortgage note must receive reverse mortgage counseling and receive a counseling certificate. Please note the following additional provisions and exceptions:

All Owners Shown on Property Deed also referred to as Borrower(s), Non-Borrowing Spouse(s) and Non-Borrowing Owner(s)

Mutual requires that any person who is on the deed and/or title at the time of application must be counseled.

Non-Borrowing Owners

If an NBO is on title at the time of application and will remain on title, they are required to be counseled.

Non-Borrowing Spouse

All non-borrowing spouses must receive HECM counseling. This requirement applies even if the subject property is not located in a community property or homestead state. There are no exceptions.

Ex-spouse vested on title at time of application

An ex-spouse reflected on title at the time of application may waive counseling only if the divorce decree is finalized prior to application and removal/vesting update is pending a final payout as provided by the reverse mortgage. If there is a deed executed prior to application removing the ex-spouse but recording has been delayed then the ex-spouse does not need to be counseled.

This relinquishment of ownership cannot be dependent on the HECM. The following requirements will also apply:

- Ex-spouse must deed off title at closing
- Ex-spouse must provide a written letter to opt out of counseling

Testamentary Deeds aka Beneficiary Deeds or "Death Deeds"

Life Estate

A Life Estate is a type of vesting where one or more individuals has an interest in the property during their lifetime and a designated individual or individuals have a remainderman interest that may or may not be effective at time of deed execution but are always effective when the life tenant passes. There is a critical distinction between types of Life Estates and other Testamentary Deeds which requires title to confirm the properties of the testamentary deed to ensure all appropriate parties are counseled (as well as prepared for any Closing involvement.)

Traditional Life Estate

Remainderman has the power of ownership effective on the date the Grantor executes the deed amending vesting to include their interest. A Traditional Life Estate requires all remainderman to be counseled and to participate at Closing (there are no exceptions). **In a Traditional Life Estate, as the remainderman interest is effective at deed*

execution, it is also critical to note that should a remainderman predecease a life tenant their identified ownership would require probate.

Transfer on Death (TOD), Enhanced Life Estate aka Ladybird Deed, Beneficiary Deed

An enhanced life estate, which is commonly referred to as a Ladybird or Death Deed is a life estate where the remainderman does not have power of ownership until the life tenant is deceased.

Similar to an enhanced life estate a Transfer on Death (TOD) Deed or Beneficiary Deed does not provide any ownership to the death beneficiary until the passing of the owner of record. **A critical aspect of the Enhanced Life Estate (Lady Bird), Transfer on Death (TOD) and/or Beneficiary Deed is that the remainderman or death beneficiary has no interest or right to the property (or asset) until the life tenant / current owner passes, it is also critical to note, that should a remainderman or death beneficiary predecease a life tenant or current owner, their future interest is eliminated completely – there is no probate or succession.*

Testamentary Interest (Remainderman, etc.)

For title held in a Testamentary Deed (see above for types), Mutual requires that title confirm how the beneficiary, death benefit, remainderman interest is interpreted by each state.

Please note that states have similar language, but varying interpretations and confirmation from title is required to understand which parties must be counseled and must sign the security instruments. In rare instances, where the Remaindermen is a minor, the Remaindermen legal guardian will receive counseling and sign the cert.

HECM to HECM Borrowers

Only under specific strict conditions may HECM to HECM borrowers opt out of counseling. Counseling waiver can now be used **more than once** (*H2H ONLY*), but must meet all of the following requirements:

- Applicant(s) have received the required HECM Anti-Churning Disclosure form disclosing all figures, at the time of application
- Increase in applicant(s) principal limit exceeds the total cost of the HECM refinance by an amount equal to 5x the cost of the transaction (block #1 on the Anti-Churning Disclosure Form)
- 5 years has not elapsed between the closing on the existing HECM and the application for refinance
    - A copy of the counseling certificate from the prior HECM must be provided
    - The five-year requirement to waive counseling must be calculated from the date of the original HECM closing date and not the closing date of the most recent HECM Refinance
- The subject property state permits counseling to be waived
    - The followings states do not allow counseling to be waived under any circumstances: California, Connecticut, Massachusetts, Minnesota, North Carolina, Tennessee, Texas, Rhode Island & Vermont
- Each borrower provides a fully executed Acknowledgment of HECM Counseling Waiver form

Ladybird Deed

A Ladybird Deed is a life estate where the remainderman does not have power of ownership until the grantor is deceased. Ladybird Deeds do not require any counseling of the remainder beneficiaries, nor do they require any probating.

Legally Competent Applicants

If Applicant(s) are competent but have granted Power of Attorney to another individual, both the applicant and his or her attorney-in-fact must receive counseling, and both must sign a counseling certificate.

Legally Incompetent Applicants

Legally incompetent applicants must be represented by a guardian, conservator, or attorney-in-fact. The borrower's legal representative must receive counseling and must sign a counseling certificate on behalf of the borrower and themselves. Counseling certificates may not be signed by a legally incompetent applicant.

- A wet signature is still required from any non-borrowing spouse, non-borrowing owner, attorney in fact, conservator, guardian, or trustee signing the counseling certificate

Remainderman of Life Estate or Beneficiary Deeds

For title held in a Life Estate, Mutual requires that the Remaindermen receive counseling and any Remaindermen of a Beneficiary Deed's showing on title must also receive counseling and sign the cert. In rare instances, where the Remaindermen is a minor, the Remaindermen legal guardian will receive counseling and sign the cert.

7.4 Counseling Certificate

Upon completion of the counseling session(s), the counseling agency will issue a Certificate of HECM Counseling (HUD Form 92902), which must include the following:

- Correct address of the subject property (must match address on Note at closing)
- Correctly spelled name of applicant(s) and other required parties
- Name of the counselor & counseling agency
- Employer Identification Number (EIN) of the agency
- Certificate number (in the upper right-hand corner)

To be compliant, the certificate must be signed and dated by all applicants and/or their representatives as well as the counselor prior to the date that the case number is issued. Loan processing activities may begin only after counseling is completed, as evidenced by the fully executed certificate. A copy of the signed certificate, delivered via fax or e-mail, is acceptable to begin loan processing.

7.5 Counseling Certificate Expiration

Counseling is valid for 6 months from the date of counseling. The initial application must be taken, and the case number issued PRIOR to the counseling certificate expiring. If the application is dated prior to expiration of the counseling certificate and the case number has been ordered prior to the expiration date of the counseling cert, the loan can close after expiration, except in the state of Texas. In Texas, the HECM loan cannot close greater than 180 days after counseling. If the certificate has expired, the borrower may not waive the additional counseling session, even if they believe that a second session would not be useful. State Specific Counseling Requirements (Revised June 2026)

7.6 Allowable & Prohibited Activities Prior to Counseling *(Revised January 2024)*

The Lender **may undertake the following** permissible activities prior to the applicant(s) receiving counseling:

- Educate the Borrower about reverse mortgages and discuss the borrower's eligibility
- Run an AVM or similar report to help determine the estimated value of the property (cannot charge to the Borrower)
- Discuss fees and the potential financial implications of reverse mortgage products
- Provide the applicant with copies of the security instrument, mortgage note and loan agreement
- Provide applicant with list of counseling agencies
- Complete the initial loan application package (Subject to state requirements)
- Order a property profile
- Preliminary title report

The Lender **may not order the following** before counseling is completed:

- Appraisal
- Flood Certification
- FHA case number

The date the counseling is completed is used to determine the counseling completion date for fee and services for compliance purposes (not the date the counseling cert was signed by the borrower).

Other Prohibited Counseling Practices

Per HUD guidelines, a lender and its originators cannot steer or direct a client to any specific counseling agency, whether it appears on the counseling agency list or not, using any method of communication.

HUD considers "steering" to any act of referring, directing, recommending, or otherwise encouraging any individual to seek the services of any one particular Participating Agency or HECM counselor.

This includes:

- Verbal *or written* direction informing a borrower of:
- Which agency or agencies allows certain payment types, such as payment at closing versus upfront payment; or
- Which agency or agencies provides the fastest turnaround times or weekend scheduling; or
- Which agency provides counseling in a specific language.
- Providing "additional lists" that are not included in the default Proposal and Application document packages - that are generated specific to the transaction and subject property zip code.
- Starring, circling, or otherwise emphasizing any particular agent on the counseling list.
- Including a certain agency or agencies brochure or other materials with the counseling list.

Additionally, a lender and its originators cannot contact a counselor or counseling agency to refer a client; discuss a client's personal information, including the timing or scheduling of counseling; or request information regarding the topics covered in a counseling session.

Counselors **may not**:

- Provide information on the specific prices charged by any individual lender
- Promote, represent, recommend, or speak for any specific lender
- Market their services to the Lending industry

7.7 Counseling Fee

Counseling agencies may charge a fee for reverse mortgage counseling. The fee is generally $125 but may be higher in certain circumstances. Mutual reserves the right to require additional documentation to justify higher fees charged. If counseling for related parties such as spouses and children take place separately from the counseling session for the applicant(s), the fee may be charged per session provided the total fees are disclosed on the Good Faith Estimate.

The counseling agency must decide about an applicant's ability to pay. An applicant must not be turned away because of an inability to pay, and the agency may not withhold counseling, or the certificate based on failure to pay. The Borrower may pay the fee at the time of counseling or request that it be paid through loan proceeds at closing. Lenders may not pay counseling agencies, directly or indirectly, for reverse mortgage counseling services.

7.8 Counseling Agencies *(Revised January 2024)*

Lenders are required to provide every prospective Borrower with a list of the names, addresses, and telephone numbers of the Participating Agencies eligible to provide HECM counseling that includes:

- all HUD-approved intermediaries listed on the HUD Intermediaries Providing HECM Origination Counseling Nationwide;
- Participating Agencies that provide telephone counseling; and
- at least five Participating Agencies located in the prospective Borrower's state or locality, including at least one local agency within a reasonable driving distance of the prospective Borrower's residence for face-to-face counseling.

The list of National Intermediaries is maintained by HUD via HUD Exchange - each LOS pulls directly from HUD to include the listed Intermediaries and the closest local based on the subject property zip code.

https://www.hudexchange.info/programs/housing-counseling/hecm/origination/#hud-intermediaries-providing-hecm-counseling-nationwide

Mutual has reviewed and approved a Supplemental List of Participating Agencies that provide telephone counseling in states, where permitted, that ensure Mutual's diverse customer base has access to:

- Faith-Based Counseling Agencies
- Minority Owned Counseling Agencies
- Women Owned Counseling Agencies
- Counseling Agencies that offer Free, Financed or Immediate/Weekend Sessions
- Counseling Agencies that offer In-Person or Face-to-Face Sessions
- Counseling Agencies with Additional Translation Services

7.9 State Specific Counseling Requirements *(Revised June 2026)*

California

The list of at least 5 agencies provided to applicants must include at least 2 agencies that provide telephone counseling.

CA Cooling Off Period for all CA borrowers counseled 1/1/2015 or after:

- The complete loan application should not be submitted to Mutual until 7 calendar days from date of counseling.
- The credit report may be ordered prior to or during the CA Cooling Off Period and borrowers may be charged for this at closing.
- The case number and all services (except credit) cannot be ordered until the 8th calendar day from date of counseling.
- Two related counseling disclosures are required to be provided to the borrower prior to taking an initial loan application or prior to counseling, whichever is earlier.
    - Important Notice to a Reverse Mortgage Loan Application
    - Reverse Mortgage Worksheet Guide
        - For files where counseling was completed in advance, Mutual will accept a copy of the necessary disclosures as provided by and signed by the counselor, or as included in the Proposal package generated by RV or QR (not signed by the Counselor).
        - For files that are transferred in from a different lender or different LOS, and we are unable to locate the two pre-application disclosures, the "Acknowledgement of Receipt of Pre-Counseling Disclosures" may be provided where it identifies the date the specified disclosures were received and is signed by all borrowers and counseling participants (which may or may not include Non-Borrowing Spouses, Power of Attorney (Convenience or Other), Guardian/Conservator, Trustee, etc.)

➢ ***Note**: **a.** This is in addition to the List of HUD Approved Counselors (HECM) and List of Reverse Mortgage Counselors (Proprietary). **b.** An application can be taken before the seven-day waiting period expires, but the application may not be submitted to Mutual until the 7th day. The proposal package must be submitted to the borrower prior to counseling to be compliant.*

In accordance with HUD Mortgagee Letters 2004-25, 2006-25 and 2014-21, it has been clarified that CA does distinguish the difference between prelim title and final title.

A lender may perform any of the following activities before the expiration of the cooling off period:

1. Explain the reverse mortgage to the prospective client;
2. Order a credit report to perform a preliminary credit review of the borrower's financing obligations;
3. Discuss whether the prospective borrower is eligible;
4. Provide information regarding the fees and charges associated with the reverse mortgage;
5. Describe the potential financial implications of a reverse mortgage loan for the client;
6. Provide the borrower with copies of the mortgage, note, and Loan Agreement;
7. Use automated valuation models (AVMs) to perform a preliminary estimation of the value of the property; and
8. Order a preliminary title search.

- ***Note:*** *The state of CA distinguishes between preliminary title search and title search, but initial title orders in the state of CA are preliminary title searches and permitted per HUD Mortgagee Letters which is permitted per 1715z-20 in the CFR which the CA code does identify as being a component of maintaining compliance with Civil Code 1923.*

Exception

For case transfers or borrowers counseled prior to meeting with Mutual Loan Officer, the following will be required:

- Proposal package with CA Worksheet generated and provided to borrower within a minimum of 24 hours prior to application (must be signed and dated no later than the date the loan application is executed by the borrowers).
- LOE from borrower stating that they received counseling prior to contact with Mutual Loan Officer and confirm that the CA worksheet provided in the proposal package (dated 24 hours prior to application) was, in fact, received by the borrower from the other lender or counselor, however they do not have a copy of the one they received from the other lender/counselor.

Connecticut

Cannot use counseling waiver for H2H's due to 2018 law that requires counseling for each HECM.

Illinois

Cooling off period is 3 business days, close on the 4th business day (cannot count Saturdays, Sundays, and Federal Holidays). Prior to counseling, the borrower(s) must be provided with the following 2 disclosures (these are included in the proposal package in RV):

- The Reverse Mortgage Counseling Notice
- The Attorney General Disclosure

Massachusetts

Counseling must be provided by a mortgage counseling program that has been approved by the *Massachusetts Executive Office of Elder Affairs*. The counseling agency must meet both HUD-approval and Massachusetts state approval requirements.

A list of approved counseling programs in Massachusetts may be found at the following websites: Mortgage Counselors **or** Information for Consumers.

Effective for all counseling sessions performed on or after March 31st, 2024, MA borrowers can be counseled remotely by synchronous real time video conference or telephone, must be from the MA counselor approved list, and the requirement to provide borrowers a 7 day "cooling off" period following the acceptance of a loan commitment. In addition, we must retain evidence of compliance with the disclosure requirements outlined in General Laws.

These include:

- Evidence of the 7-day cooling off period disclosure
- Evidence of counseling by an agency approved by the Executive Office of Elder Affairs in accordance with General Laws.

- ***Note****: Licensed mortgage brokers are reminded that they may not provide an applicant with the Disclosure; however, they may transmit the Disclosure provided to the broker by a mortgage lender to applicants.*

Minnesota

The borrower(s) must be counseled prior to lender's acceptance of a final and complete application by an independent counseling agency whose address is in the state of Minnesota. Minnesota law provides a seven-day "cooling off" period during which you can withdraw your acceptance of the lender's written commitment to make the reverse mortgage loan.

North Carolina

Although HUD Guidelines recommend face-to-face counseling, telephone counseling is permitted. Counselors must advise potential reverse mortgage applicants of the choice to have a face-to-face meeting or through another mutually agreed upon format such as the telephone. Counselors may also visit a reverse mortgage applicant's home if the applicant is unable to travel to the participating agency's office. Within 10 business days after the application is made by a borrower, but not less than 20 business days before closing of the loan, Mutual shall provide the borrower with the NC Disclosure of Loan Terms for Home Equity Conversion Mortgage Loans in the proposal package. Mutual shall inform applicants that reverse mortgage counseling is required before the loan can be closed and shall provide the names and addresses of counselors listed with the Commissioner's office.

Rhode Island

The loan may not be processed, other than ordering an automated valuation model and a preliminary title search until HECM counseling has been completed.-Counseling waiver is not permitted.

South Carolina

Proof that The Advisability of Counseling Notice has been given to the borrower(s) upon initial contact from the borrower(s) is required. The Attorney and Insurance Preference Form must be signed and dated prior to closing.

Texas

If the borrower(s) counseling is outside 180 days at the time of closing, re-counseling is required, and the borrower(s) is required to wait a minimum of 5 days after re-counseling is complete to close.

Vermont

Counseling must be completed before an application may be taken.

7.10 GFE and Related Disclosures *(Revised February 2024)*

A GFE must be provided to a Borrower within 3 business days of receiving a complete application. Pursuant to the prevailing RESPA Guidelines instituted in January 2010, a HECM Application is considered complete if the following information is received by the Originator:

- Borrower's Name
- Borrower's Monthly Income
- Borrower's SSN
- Borrower's Date of Birth or Age
- Estimated Property Value
- HECM Product Type
- Interest Rate
- Property Address
- Proposed Loan Amount

The following listed Application documents are required to be included in all submission packages to MoOM:

- 1009
- 92900-A (pages 1 and 2)
- Loan Comparison/Scenarios
- Acknowledgement for Electronic Communication
- All necessary Borrower documents
- Alternative Contact Information Sheet
- Amortization Schedule
- Anti-Churning Disclosure & HECM Refi Acknowledgement (HECM to HECM Only)
- Borrower Certification and Authorization
- Counseling Fee Disclosure
- Face-to-Face Meeting Disclosure and Election Form
- Good Faith Estimate (GFE)

- GFE Acknowledgment
- Important Privacy Choices for Consumers
- Important Terms Mutual Disclosure
- List of HUD-Approved Counseling Agencies
- Notifications & Disclosures (5-page document– Mutual proprietary form)
- Patriot Act Disclosure
- Required Providers Disclosure
- Servicing Disclosure Statement
- Suggested Settlement Service Provider List
- TALC (Total Annual Loan Cost)
- Tax & Insurance Disclosure
- TIL (Truth-in-Lending) (Fixed Rate)
- State-Specific Disclosures (as applicable)

➢ ***Note**: This list is subject to change and is not all-inclusive depending on specific Borrower situations, Federal regulations, State requirements, and Property types.*

7.11 FHA Connection & Case Number *(Revised November 2023)*

FHA Connection is an interactive website that gives approved Federal Housing Administration (FHA) lenders and other HUD-approved business partners real-time access to HUD data for the purpose of originating, processing, and servicing. Case number cannot be ordered prior to counseling and executed valid application **BUT** must be ordered before ordering the Appraisal.

Do FHA case numbers expire?

Beginning April 18, 2011, FHA systems will automatically cancel any uninsured FHA case number where there has been no activity for 6 months except:

- loans where an appraisal update has been entered
- loans where the Upfront Mortgage Insurance Premium (UFMIP) has been received

Last action includes:

- case number assigned
- appraisal information entered (please note; appraisal logging for a 2nd appraisal does not register as activity)
- firm commitment issued by FHA
- insurance application received and subsequent updates
- Notice of Return (NOR) and resubmissions

➢ ***Note**: Last action does not include updates to borrower names and/or property addresses. (For example, making changes to the number of borrowers on the loan will not reset the 6-month timeframe for automatic cancellation).*

ADP Codes

Automated Data Processing (ADP) codes are used for Direct Endorsement (DE) processing of FHA-insured home mortgages.

ADP Description	HECM Saver ADP Codes	HECM Standard ADP Codes
New HECM/Fixed	N/A	961
New HECM/ARM	N/A	962
New HECM Condo/Fixed	N/A	967
New HECM Condo/ARM	N/A	968

➢ ***Note**: Fixed and ARM ADP for site condos use the same ADP codes as Fixed and ARM regular condos.*

Case Number Contacts

To reach FHA / HUD directly, you can email your question to answers@hud.gov or you can contact the appropriate homeownership center (HOC) for your property at the info below:

Center	States
Santa Ana HOC **Santa Ana Federal Building** **34 Civic Center Plaza, Room #1715** **Santa Ana, CA 92701-4558** Phone: (714) 796-5521 or (714) 796-5519	Alaska, Arizona, California, Hawaii, Idaho Nevada, Oregon, Washington
Atlanta HOC **Five Points Plaza** **40 Marietta Street, 5th Floor** **Atlanta, GA 30303-3388** Phone: (813) 228-2478	Alabama, Caribbean, Florida, Georgia, Illinois, Indiana, Kentucky, Mississippi, N. Carolina, S. Carolina, Tennessee, Virgin Islands
Philadelphia HOC **100 Penn Square East** **Philadelphia, PA 19107** Phone: (215) 656-3438 or (215) 656-3434	Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, Washington, DC
Denver HOC **1670 Broadway** **Denver, CO 80202-4801** Phone: (303) 672-5210 or (303) 672-5211	Arkansas, Colorado, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, N. Dakota, S. Dakota, Oklahoma, Texas, Utah, Wisconsin, Wyoming
National Phone Number:	1-800-CALL-FHA

7.12 Identification Exhibits *(Revised March 2025)*

All borrowers must be 62 years of age or older at the time of closing. At the time the application is generated, a borrower must be within 60 days of his/her 62nd birthday. The RV or QR proposal can be presented to borrower no earlier than 6 months before his/her 62nd birthday. It is also important to remember that the closing date in RV or QR is at least one day past the borrower's 62nd birthday. The list below is not all inclusive. It is at the discretion of the underwriter to decide the acceptability of a document. To avoid potential delays, ensure that all exhibits submitted are **clear and legible**. Evidence of date of birth must be provided at the time of Underwriting.

Examples of Acceptable SSN Exhibits:

- Social Security Card issued by the government (not plastic **or metal**)
- Social Security Awards Letter (or) SSA-1099
- Printouts from the Social Security Administration (acknowledged by SSA **if applicable**)
- Medicare card with any of the following codes: A, J1, J2, J3, J4, LM, M, M1, T,TA
    - Effective 4/2018, Medicare stopped issuing Medicare cards with the SSN. The newer versions of the Medicare cards are not an acceptable SSN exhibit; however, the older versions are still acceptable if they list one of the codes above.
- Military ID
- W2 Form
- 1098 or 1099 Form
- Third-Party Verification (DataVerify, Intertying/Sysdome, Rapid Reporting) using a fully executed SSA-89 disclosure.
    - This can be used as a single exhibit provided there are no discrepancies or red flags in the file. This can also be used to confirm or validate a discrepancy or red flag as identified by the Underwriter, such as, but not limited to:
        - Credit Report SSN discrepancies (where the SSN used to order was/is correct, but there are additional SSN reporting); and/or
        - Borrower, Non-Borrowing Spouse (INBS or ENBS) validation errors in FHA Connection.

Examples of Acceptable DOB Exhibits:

- State-issued driver's license or ID card
    - Expired cards are accepted but may require a Third-Party Verification (DataVerify), using a fully executed SSA-89 disclosure if additional discrepancies or red flags exist in the file.
    - If using an expired DL or ID card, the Underwriter will condition for title to confirm the requirements needed from them and/or the notary for closing.
- Certificates of Birth
- Passports (must not be expired)
- Letter from the Social Security Administration (acknowledged by SSA if applicable)
- Certificate of United States Naturalization (form N-550 or N-570)

Lawful Permanent Resident Aliens:

The Federal Housing Administration (FHA) will insure mortgages for borrowers with lawful permanent resident status under the same terms as for US citizens. The US Citizenship and Immigration Services (USCIS) within the Dept. of Homeland Security provides evidence of lawful permanent residency status.

The loan file MUST include:

- A copy of the front AND back of the Permanent Resident Alien card (aka Green Card) signifying permanent residency; and
- Indication on the 1009 Declarations section that the borrower(s) is a lawful permanent resident alien
- Copy of SSN card/verification

Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau

A Borrower with citizenship in the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau may be eligible for FHA-insured financing provided the Borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens.

For Borrowers who are citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau, the HECM file must include evidence of such citizenship.

Non-Permanent Resident Aliens:

The Federal Housing Administration (FHA) will not insure mortgages for non-permanent resident aliens.

7.13 Borrower Principal Residence

The subject property must be the principal residence of each borrower, which is defined as the dwelling where the borrower maintains his or her permanent place of abode with residency of a minimum of 183 days per calendar year.

Following are key elements of our underwriting policy:

- A person may have only one principal residence at any one time.
- Mutual must be able to conclude that the subject property is the borrower's current principal residence.

Supporting documentation may be requested at the underwriter's discretion:

- For Traditional HECM and HECM to HECM transactions, all borrowers must occupy the property at the time of application and closing.
    - Where the borrower has temporarily relocated due to repair, remodel or other qualifying event, the following will be required:
        - LOE from the borrower identifying the following:
            - Reason for leaving primary residence
            - Date borrower moved out of primary residence
            - Requirements to return to primary residence
        - Evidence of furniture removal/storage and/or repair, work started, etc., may be required at underwriter discretion.
        - Additional qualifying events may include rehabilitation or relocation – additional documentation may be required at underwriter discretion
- At least one borrower must be on title or have demonstrated legal use at the time of application for a refinance transaction.
    - Satisfactory chain of title documentation must be provided. In cases where the chain of title indicates recent transfers among family members or other non-arm's length transactions, additional documentation may be required, such as proof of uninterrupted occupancy by the HECM Applicant.
- For purchase transactions, the borrower(s) must occupy the property within 60 days of closing. In addition, if the borrower's departure residence is secured by a HECM, that loan must be paid in full prior

to closing the new purchase transaction – the borrower may not have more than one outstanding HECM/FHA loan at any time under HUD regulations.

- ***Note**: All eligible mortgagors (which include borrowers) must be on title prior to or at closing unless a specific exception has been requested and documented on the conditional approval.*

7.14 Occupancy Issues

There may be circumstances where occupancy of the subject property is in question on a loan file. A file may have specific factors that call occupancy into question therefore each file should be addressed individually for this purpose. For instances where occupancy is in question, the underwriter may require additional documentation to establish the subject property as the borrower's primary residence.

Examples of discrepancies that can indicate an occupancy issue are (list is not all inclusive):

- Property address on 1009 does not match address history on credit report
- Driver's License does not agree with the property address on the 1009
- Borrower owns more than **one property**
- Mailing address discrepancy throughout loan file
- Borrower owns other property that is listed as homestead
- Subject property recently listed for sale
- Interior appraisal photos appear to reflect a vacant home

If, per underwriter discretion, additional verification of occupancy is required, the borrower may be required to provide multiple documents from the list below (*a minimum of 3 items is required*).

- Copy of current SS award letter
- Copy of borrower's most recent two months bank statements
- Copy of most recent tax statements/returns
- Copy of borrower's mortgage statement
- Copy of borrower's auto insurance policy page
- Copy of borrower's most recent two months utility statements (must show MAILING address in addition to service address)
- Copy of borrower's voter registration card and/or vehicle registration
- Copy of borrower's cable/phone bill
- Proof of Homestead for subject property

- ***Note**: The Underwriter reserves the right to ask for additional documentation and/or explanation regarding owner occupancy of subject property*

7.15 CAIVRS

The *Credit Alert Interactive Voice Response System (CAIVRS)* is a federal interagency database that contains delinquent debt information from the Departments of: Housing and Urban Development, Agriculture, Education, Veterans Affairs, Small Business Administration, and judgment lien information from the Department of Justice.

CAIVRS Authorization in FHA Connection is used to access CAIVRS and determine if a potential borrower has a federal debt that is currently in default or foreclosure or has had a claim paid by the reporting agency within the last three years.

Federally approved lenders must use CAIVRS to prescreen all applicants for federally insured loans. Each file submitted to Mutual for underwriting must include a CAIVRS print out for each Borrower on the loan. The CAIVRS report may not be older than 90 days at the time of underwriting and 120 days at closing.

If there is any federal debt in default or foreclosure, the delinquency can be paid with loan proceeds through closing. However, if there has been an actual claim paid by the reporting agency within the last three (3) years, the Applicant is not eligible for a HECM.

If the borrower feels that the CAIVRS message is in error, s/he may use the telephone referral number provided by CAIVRS to contact the appropriate HUD Homeownership Center (HOC) for instructions or required documentation to support the borrower's eligibility. Contact the Credit Alert Coordinator at the HOC if there is a Social Security Number error. For an erroneous message reported by another Federal agency, contact the agency at the phone number provided by CAIVRS.

Exceptions

If CAIVRS indicates that the borrower has had a claim paid within the previous three years toward a loan made or insured by HUD on his or her behalf, the borrower is not eligible.

Exceptions to this policy may be granted in the following situations:

- **Assumptions**: If the borrower sold the property, with or without a release of liability, to a mortgagor who subsequently defaulted, and the borrower can prove that the loan was not in default at the time of the assumption, that borrower is eligible.
- **Divorce**: A borrower may be eligible if the divorce decree or legal separation agreement awarded the property and responsibility for payment to the former spouse.
    - However, the borrower is NOT eligible if a claim was paid on a mortgage in default at the time of or prior to the divorce
- **Bankruptcy**: If a bankruptcy was caused by circumstances beyond the borrower's control such as the death of the principal wage earner, loss of employment due to factory closings or reductions in the workforce, or serious long-term uninsured illness, the borrower may be eligible if they provide thorough documentation.

7.16 SAM and LDP

The System for Award Management (SAM) and Limited Denial of Participation (LDP) are web-based systems that identify parties excluded from receiving federal contracts and certain types of federal financial and non-financial assistance and benefits. These systems help to determine if a potential borrower is eligible for a reverse mortgage. Files submitted to underwriting must include search results printouts from both programs. An Applicant who is suspended, debarred, or otherwise excluded from participation in HUD's programs is not eligible for a HECM.

If the name of any party to the transaction appears on either list, the application is not eligible for mortgage insurance, and Mutual will decline the application. If the name of an internal associate appears on either list, an email from HR confirming we are able to proceed must be obtained.

SAM website

When completing the GSA search on the SAM website, be sure to use the multiple search function located on the right-hand side of the page under "Advanced Search – Exclusion" if you are running more than one name per search.

If multiple names are entered into the "Quick Search" field, the results will not be accurate & underwriting will condition for this to be re-run.

LDP website

When completing the LDP search, that processor MAY provide only the list as shown below along with a cover letter detailing all parties to the loan transaction. They will no longer need to individually search for each party to the transaction.

- ***Note:*** *Processors are not permitted to save a copy on their desktop and reuse the same list for multiple loans. A new list must be generated for each loan transaction.*

Required Parties to be run against SAM and LDP:

- All Borrowers except the NBS (not required by HUD)

- Loan Officer
- Processor
- Appraiser, Appraiser's company, and AMC (Appraisal Management Company)
- Buyers, Sellers, Real Estate Attorneys, and all agents
- Notary for closing
- POAs, conservators, and guardians
- Title and escrow companies and all officers

7.17 Credit Reports and Documentation *(Revised April 2024)*

A credit report is valid for 120 days (the loan must have funded and disbursed prior to the expiration date).

- A tri-merge credit report which includes a public record search is required with every submission.
  - In addition, an OFAC** search must also be included.
  - In addition, two disclosures are required to be completed as part of the credit process – the Notice to Home Loan Applicant and Credit Score Disclosure**.
- A joint/single report that includes all three bureaus (tri-merge) is acceptable for married couples.
- Non-married multiple borrowers require a separate credit report for each individual unless the borrowers have shared assets and/or have lived together for several years.

** Mutual has configured the order template with CoreLogic Credco to ensure any traditional tri-merge credit report will include an OFAC search as well as automatically mail the two completed disclosures (that print with the reports) to the borrower(s) at the address identified on credit.

The credit report must evidence the following:

- Correct borrower's name
- Date of birth
- *Correct* Social Security Number
- Current address / Residence
- Name of Originating Company (Broker or Lender)
- Name and Address of the Credit Provider (e.g. CoreLogic Credco)
- Repositories Providing Data (Transunion – TUC, Equifax – EFX and Experian – XPN)

Any additional social security numbers and recent addresses linked to the borrower(s) on the credit report must be researched and explained with proper documentation provided.

Mutual may only obtain a credit report for a Non-Borrowing Spouse or Other Non-Borrowing Household Member when his or her income will be used to reduce family size or as a compensating factor to meet the residual income requirement. Prior to pulling a credit report for a participant that was not on the initial application or part of the initial interview (i.e. an ineligible non-borrowing spouse or other household member) Mutual must have written authorization.

- ***Note:*** *If in qualifying an other non-borrowing household member to reduce the family size, one or more of the OHNBM is missing a credit score or does not have an SSN/TIN (i.e., under 18, no credit history, foreigner), it must be escalated to Preflight (files not submitted) or escalated to underwriting (files in process) for approval to remove from household count.*

7.18 Financial Assessment *(Revised June 2026)*

Mutual must evaluate the borrower's willingness and capacity to meet his or her financial obligations in a timely manner. In conducting financial assessment, Mutual will take into consideration that some borrowers seek a HECM due to financial difficulties, which may be reflected in the borrower's credit report and/or property charge payment history. Mutual will also consider to what extent the proceeds of the HECM could provide a solution to any such financial difficulties. The required information for income, expenses, assets, and liabilities is not captured

on Fannie Mae Form 1009, *Residential Loan Application for Reverse Mortgages*. Mutual must capture the additional information required using the Fannie Mae Form *1009 Addendum to Residential Loan Application*.

Mutual must ensure that the mortgagor certifies the accuracy and completeness of the financial information provided.

Financial assessment must be conducted in a uniform manner that shall not discriminate because of race, color, religion, sex, age, national origin, familial status, disability, marital status, actual or perceived sexual orientation, gender identity, source of income of the mortgagor, or location of the property.

Financial Assessment Lookback Period:

The credit review period, or "look back period", is based on the earlier of the application date (as generated) or by the credit report pull date. The Credit Report should only be repulled provided we have authorization from the applicant, and the credit report has expired.

Borrower(s) Authorization for Verification:

Mutual must obtain the borrower's authorization to verify the information needed for financial assessment. When necessary, Mutual may also obtain authorization from a non-borrowing spouse or other non-borrowing household member. This authorization may be accomplished through a blanket authorization form generated through Reverse Vision or Quantum Reverse.

Verification of Social Security Number (SSN):

Mutual must obtain signatures from the borrower(s) on Part IV of Form 92900-A and non-borrowing spouse on the Non-Borrowing Spouse – Addendum to 92900-A to verify their Social Security numbers with the Social Security Administration (SSA).

Tax Verification Form:

At the time the 1009 is executed, Mutual must obtain signatures from all borrowers on the Internal Revenue Service 4506C. This is required to obtain tax returns directly from the IRS. Tax Transcripts are required to be obtained on all loans where Tax Returns are being used. Tax Transcripts will be required on any years of those Tax Returns provided.

- ***Note:*** *the IRS released a new version of the 4506C that went into effect on 11/30/2022. Vendors will no longer accept 4506C forms where the information in fields 1a through 8 are filled in by hand. Only the signature field can still be handwritten.*

Maximum Age of Documents:

Most documents used in the financial assessment may not be more than 120 Days old at the Disbursement Date. Documents whose validity for financial assessment purposes is not affected by the passage of time, such as divorce decrees or tax returns, may be more than 120 Days old at the Disbursement Date.

Credit History Analysis:

Mutual must determine if the borrower has demonstrated the willingness and capacity to meet his or her financial obligations in a timely manner by analyzing the borrower's credit.

Credit Review Lookback Period is based on Credit Pull or Application Printed Date (RESPA Application Date), whichever is earlier, as shown on table below.

Credit Review	0-12 Months – Requirements	13-24 Months – Requirements	Serious Derogatory Marker(s)
Revolving	Max: 2x60, 1x90	n/a	Charge-off
Installment	Max: 0x30	Max: 2x30	Repossession / Charge-off
Mortgage	Max: 0x30	Max: 2x30	Modification, Foreclosure, Short-sale, Deed-in-Lieu
Collection	LOE / EC and Supporting Docs	LOE / EC and Supporting Docs	> 24 months LOE / EC
Charge-off	LOE / EC and Supporting Docs	LOE / EC and Supporting Docs	> 24 months LOE / EC
Foreclosure	LOE / EC and Supporting Docs	LOE / EC and Supporting Docs	> 36 months LOE / EC
Repossession	LOE / EC and Supporting Docs	LOE / EC and Supporting Docs	> 36 months LOE / EC
Bankruptcy – Ch 7 or 13	LOE / EC and Supporting Docs	LOE / EC and Supporting Docs	> 36 months LOE / EC

- ***Note**: This does not include Credit Inquiries Lookback Period, which is based by Credit Pull Date.*

Property Charge History Analysis:

Mutual must determine if the borrower has demonstrated the willingness and capacity to meet his or her property charge obligations in a timely manner by analyzing the borrower's property charge payment history.

Property Charge Lookback Period is based on Application Printed Date (RESPA Application Date) as shown on table below.

Property Charge	Lookback Period	Requirements
Property Tax	24 Months	Satisfactory: No Interest or Penalties
HOA (if applicable)	24 Months	Satisfactory: No Interest or Penalties
HOI	12 Months	Satisfactory: No Lapse
Flood (if applicable)	12 Months	Satisfactory: No Lapse

Residual Income Analysis:

Mutual must determine if the borrower has demonstrated the capacity to meet his or her financial obligations by analyzing the borrower's income documentation. The borrower's financial assessment can be tracked by using the HECM Financial Analysis Worksheet which can also be accessed from Reverse Vision or Quantum Reverse.

7.19 Types of Credit History

Traditional Credit

Credit report must obtain all information from at least one credit repository pertaining to credit, residence history, and public records information, be in an easy to read and understandable format and not require code translations. The credit report may not contain whiteouts, erasures, or alterations. If a traditional credit report generates a credit score, Mutual must utilize a traditional credit history.

Non-Traditional Credit (allowed on HECM for Purchase only)

For borrowers without a reported credit score, Mutual must either obtain a Non-Traditional Mortgage Credit Report (NTMCR) from a credit reporting company or independently develop the mortgagor's credit history using the requirements outlined below. Non-traditional credit reports are required for each borrower on H4P. If, within a couple, one spouse has a credit score and the other spouse does not, the latter spouse will need to develop a non-traditional credit score. An NTMCR accesses the credit history of borrowers who do not have the types of trade references that appear on traditional credit.

We can use an NTMCR developed by a credit agency if the credit agency verifies:

- The existence of the credit providers
- The credit was extended to the borrower
- The creditor has a published address or telephone number

To independently verify non-traditional credit, the processor must:

- Use a published address or phone number, to verify credit information (rather than the information the borrower provides)
- We require cancelled checks for the most recent 12 months, or equivalent proof of payment, demonstrating the timing of payments to the credit provider.
- To verify the borrower's rental payment history, the processor must obtain rental reference from the rental management company demonstrating the timing of payment for the most recent 12 months, or 12 months of cancelled checks or equivalent proof of payment.
- The credit history for a HECM purchase must include 3 credit references to include one of the following:
    - Rental housing payments (subject to independent verification)
    - Telephone service
    - Utility companies include gas, electricity, water, television, internet, telecom, or cable.

If you cannot obtain three items from the above list, use the following sources of unreported recurring debt:

- Insurance premiums not payroll deducted (auto, medical, life, renters etc.)
- Payment to childcare providers made to businesses that provide the service
- School tuition
- Retail store credit cards
- Rent to Own (furniture, appliances etc.)
- Payment of medical bills not covered by insurance
- Documented 12-month history of saving evidence by regular deposits (at least quarterly, not payroll deducted, and caused no insufficient funds
- Auto Lease
- Personal loan from an individual with repayment terms in writing and supported with cancelled checks to document payments

➢ ***Note****: A minimum of 3 sources are required, and each must have a 12-month history with no history of delinquent housing payments*

7.20 Payment History on Housing Obligations *(Revised April 2025)*

The mortgagee must verify and document the previous 12 months' housing history. If the borrower has an open mortgage or HELOC, Mutual must determine the borrower's housing obligation payment history through one of the following:

- The credit reports
- Verification of mortgage received directly from the mortgage servicer
- Verification of rent received directly from the landlord (only applies to landlords with no identity-of interest with the borrower(s))
- A review of canceled checks that cover the most recent 12-month period (bank statements are also acceptable if the payments are being paid to the mortgage servicer, the amount matches the amount due per the most recent mortgage statement and the borrower is the accountholder).

For mortgagors who indicate they are living rent-free, the mortgagor should provide a signed LOE confirming this and confirming how long s/he has been living rent-free. If subject property or departure residence is/was owned free and clear of any mortgages, the borrower does not have to provide a signed letter of explanation confirming the property is/was owned free and clear and for what length of time. However, a letter of explanation, or additional supporting documentation, may be required upon review of credit findings, fraud guard, home insurance policies, title commitment, or other documents received that contradict the property is owned free and clear.

- ***Note**: If a borrower sold their primary residence in the 24 months prior to the application date, the borrower will still be required to provide a payment history for any mortgage payments, property taxes, hazard insurance & HOA dues that were due during the period of ownership that coincides with the lookback period for each (12 months for mortgage & hazard insurance and 24 months for property taxes & HOA dues).*

7.21 Credit History *(Revised June 2026)*

Mutual underwriters must determine whether the borrower has demonstrated the willingness to meet his or her financial obligations in a timely manner by analyzing their credit and property charge payment history. The underwriter will review the overall credit behavior pattern not just isolated, unsatisfactory incidents or slow payments to adequately determine the borrower's ability to manage financial obligations.

- ***Note**: Mutual does not consider the credit history of a Non-Borrowing Spouse or other Non-Borrowing Household Member*

Mutual will evaluate the mortgagor's payment histories in the following order:

1. Current or previous mortgage debt and housing-related expenses
2. Installment debts
3. Revolving accounts
4. Liens/judgments.

The mortgagee must obtain a written explanation from the mortgagor for all inquiries shown on the credit report that were made 90 Days from the date credit was pulled. If any new accounts were opened during that time that do not appear on the credit report, the borrower must provide the most recent statement for the new account to verify the balance & monthly payment amount. Alternately, a credit supplement may be provided adding the tradeline for the new account and verifying the balance, monthly payment amount & rating.

Satisfactory Credit

Mutual will consider the borrower(s) to have satisfactory credit if all the following items below are met:

- All housing and installment payments were made on time for the past 12 months*
- Has no more than 2 30-day late mortgage or installment payments in the past 24 months*
- Has no major derogatory credit on revolving accounts in the past 12 months*
    - Revolving derogatory debt includes any payment made more than 1x90 or 2x60, from the date credit was pulled
- Disputed accounts are not considered derogatory if there is no evidence of a failure to make payment.

<u>Examples include:</u>

- Disputes with a 0 balance
- Disputes with late pays greater than 24 months
- Disputes that are current and paid as agreed

Derogatory Credit

Mutual underwriters must evaluate the cause of the delinquent payment(s) and how much time has passed since the date the last derogatory account was reported in order to determine whether:

- The borrower has a disregard for their financial obligations
- The borrower has an inability (lack of capacity) to manage their debt
- The borrower has acceptable extenuating circumstances that led to the derogatory items on their credit report

<u>Examples of Derogatory Credit include but are not limited to:</u>

- Bankruptcies (Chap 7, 11 or 13)
- Charge Off Accounts
- Collection Accounts

- Disputed Derogatory Credit Accounts
- Delinquent Federal Debt
- Liens/Judgments
- Delinquent FHA-Insured Mortgages

➢ ***Note:*** *If the above items appear on the credit report, they are required to be addressed even if over 24 months old.*

Charge Offs

A Charge-Off Account refers to a mortgagor's loan or debt that has been written off by the creditor. Mutual must determine if charge off accounts were a result of:

- The mortgagor's disregard for financial obligations
- The mortgagor's inability to manage debt
- Extenuating circumstances

Mutual must document reasons for approving a mortgagor for a HECM when the mortgagor has any charge off accounts.

The mortgagor must provide a letter of explanation along with supporting documentation for each outstanding charge off account that occurred within 2 years of the date of the credit report. The explanation and supporting documentation must be consistent with other credit information in the file. For any charge-offs that occurred outside of 2 years from the date of the credit report, Mutual will require a signed, detailed letter of explanation from the borrower regarding the circumstances that led to the charge-off.

Collections

A collection account is a mortgagor's loan or debt that has been submitted to a collection agency through a creditor.

Mutual must determine if collection accounts were the result of:

- The mortgagor's disregard for financial obligations
- The mortgagor's inability to manage debt
- Extenuating circumstances.

Mutual must document reasons for approving a mortgagor for a HECM when the mortgagor has any collection accounts. The mortgagor must provide a letter of explanation along with supporting documentation for each outstanding collection account that occurred within 2 years of the date of the credit report. The date of the collection is determined by the date the collection account was opened per the credit report. The explanation and supporting documentation must be consistent with other credit information in the file.

For any collections that occurred outside of 2 years from the date of the credit report, Mutual will require a signed, detailed letter of explanation from the borrower regarding the circumstances that led to the collection. If the credit report used in the analysis shows a cumulative outstanding collection account balance of $2,000 or greater, we must:

- Verify that the debt is paid in full prior to settlement using an acceptable source of seasoned funds (HECM proceeds are not an acceptable source of funds), ***or***
- Verify that the mortgagor has made payment arrangements with the creditor and verify the current monthly payment amount to be included in the expense analysis, ***or***
- If a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the expense analysis.

Mutual must be provided with the following documentation if we will not be including the monthly payment in the borrower's expense analysis:

- Evidence of payment in full of properly sourced and seasoned funds, if paid prior to settlement, ***or***
- Payment arrangement with creditor, if not paid prior to or at settlement

➢ ***Note**: If 5 percent of the outstanding balance is used as the monthly payment, no documentation is required.*

Debt Consolidation & Debt Settlement

These types of agreements are relief options designed to assist clients with unsecured debt by negotiating with creditors to settle the debt for less than the full amount owed. If the borrower is actively participating in debt consolidation and is making payments to a third party, the agreement is considered a contractual obligation.

The following documentation is required for Financial Assessment purposes:

- Debt consolidation/settlement agreement
  - Monthly payment terms must be identified
- Payment ledger directly from the consolidation/settlement company
  - All payments to date must be listed

Debt Consolidation in Expense Analysis

A monthly payment amount must be included in the expense analysis when the following exists:

- Credit Debt is part of an active consolidation agreement, and payments are being made to a third party.
- Credit Debt is charged off, listed in the consolidation agreement, and the borrower is actively making payments.
- Credit Debt is in collection status, listed in the consolidation agreement, and the borrower is actively making payments.
  - Underwriting will determine applicable 5% calculations as needed
  - The greater of 5% or the actual payment to the consolidation company will be utilized

For all other cases, the Underwriter will review Collections and Charged Off accounts per requirements outlined in 7.21 Credit History.

Disputed Derogatory Credit Accounts

Disputed derogatory credit accounts refers to disputed charge-off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. If the mortgagor has $1,000 or more collectively in disputed derogatory credit accounts, we must include a monthly payment in the expense analysis. A 5% payment is required to be calculated using the unpaid balance of the aggregate total.

The following items are excluded from the expense analysis & will not be counted toward the $1,000 limit:

- Disputed medical accounts
- Disputed derogatory credit resulting from identity theft, credit card theft, or unauthorized use.

If the disputed derogatory credit resulted from identity theft, credit card theft, or unauthorized use balances, Mutual must obtain a copy of the police report to support the status of the accounts. If the credit report indicates that the mortgagor is disputing derogatory credit accounts, the mortgagor must provide a letter of explanation and documentation supporting the basis of the dispute.

Derogatory Federal Non-Tax Debt

Mutual is prohibited from closing on an application for an FHA insured mortgage for borrowers with delinquent federal non-tax debt, including deficiency judgements and other debt associated with past FHA insured mortgages. Borrowers with delinquent federal non-tax debt are ineligible until the debt has been paid or resolved. Borrowers with delinquent FHA debt on the primary residence can proceed if the debt is being paid at closing.

However, delinquent FHA debt on other residences makes them ineligible until the debt is paid with properly sourced and seasoned funds (outside and prior to closing) or resolved. The lender must contact the creditor agency to verify the validity of the delinquency status. If the delinquency status is valid, the borrower is ineligible until the debt is resolved. The lender cannot find the borrower ineligible based solely on unverified CAIVRS information.

Delinquent Federal Tax Debt

Mortgagors with delinquent federal tax debt are ineligible. Mutual must suspend processing of the application until the debt has been resolved with the creditor agency. Tax liens may remain open if the mortgagor has entered into a valid repayment agreement with the federal agency and the mortgagor can provide the following:

- A copy of the repayment agreement outlining the terms and payment schedule (must be regular payments)
- Evidence of timely payments made for the most recent three months (the mortgagor cannot prepay scheduled payments to meet the requirement)

Mutual must include the agreed payment amount in the mortgagor's expenses when calculating residual income.

➢ ***Note**: Federal tax liens may be paid at closing as a mandatory obligation with valid payoff demand.*

Judgments

A judgment refers to any debt or monetary liability of the mortgagor created by a court or other adjudicating body. Mutual must verify that court-ordered judgments are resolved or paid off prior to or at closing.

- A judgment must be resolved whether it shows on the title report, fraud guard, or the credit report.
- It may be considered a mandatory obligation and paid with HECM proceeds at closing, ***if***
    - Judgement is reflected on title.
    - If it does not reflect on title but reflects on credit or fraud guard, then the judgment must be satisfied with properly sourced and seasoned funds prior to the clear to close being issued.

Regardless of the number of outstanding judgments, Mutual must determine if the judgment was a result of;

- The mortgagor's disregard for financial obligations.
- The mortgagor's inability to manage debt
- Extenuating circumstances

A judgment is considered resolved if:

1. The mortgagor has entered into a valid agreement with the creditor to make regular payments on the debt,
2. The mortgagor has made timely payments for at least three months of scheduled payments, ***and***
3. The judgment will not supersede the FHA-insured mortgage lien.
    - The mortgagor cannot prepay scheduled payments to meet the required minimum of three months of payments.

Mutual must include the agreed payment amount in the mortgagor's expenses when calculating residual income. We must obtain a copy of the agreement and evidence that payments were made on time in accordance with the agreement**.** One of the following must be documented and provided to Mutual:

- Evidence of payment in full of properly sourced and seasoned funds, if paid prior to settlement
- Payoff statement, if paid at settlement (only if judgment is reflected on title)
- Payment arrangement with creditor showing the borrower made payments for three consecutive months, if not paid prior to or at settlement.

Delinquent Mortgages

If the mortgagor is currently delinquent on an FHA-insured mortgage on their principal residence and the HECM will pay off the delinquent mortgage, the mortgagor may be eligible provided they meet all other HECM requirements. If the mortgagor is currently delinquent on other FHA-insured mortgages associated with investment properties, they are ineligible for a new FHA insured mortgage unless the delinquency is resolved prior to closing.

➢ ***Note**: Borrowers with a prior CAIVRS claim paid within the last three years are ineligible and cannot go through a waiver process.*

7.22 Alimony, Child Support, and Maintenance Income *(Revised April 2024)*

Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a noncustodial parent of the Borrower's minor dependent.

The Mortgagee must obtain:

- A fully executed copy of the Borrower's final divorce decree, legal separation agreement, court order, or voluntary payment agreement with documented receipt.
    - When using a final divorce decree, legal separation agreement, or court order, the Mortgagee must obtain evidence of receipt using deposits on bank statements, canceled checks, or documentation from the child support agency for the most recent three months that supports the amount used in qualifying.
    - The Mortgagee must document the voluntary payment agreement with 12 months of canceled checks, deposit slips, or tax returns.
- The Mortgagee must provide evidence that the claimed income will continue for at least three years.
    - The Mortgagee may use the front and pertinent pages of the divorce decree, settlement agreement, or court order showing the financial details.

Liens for delinquent child support must be paid in full if they are a lien against the property or a federal lien. If they are not a lien against the property, then we must document and include the monthly alimony, child support, and/or maintenance payment in the borrower's expense analysis.

Calculation of Effective Income:

- When using a final divorce decree, legal separation agreement, or court order, if the Borrower has received consistent Alimony, Child Support, and Maintenance Income for the most recent three months, the Mortgagee may use the current payment to calculate Effective Income.
- When using evidence of voluntary payments, if the Borrower has received consistent Alimony, Child Support, and Maintenance Income for the most recent six months, the Mortgagee may use the current payment to calculate Effective Income.
- If the Alimony, Child Support, and Maintenance Income have not been consistently received for the most recent three months if court ordered or six months if voluntary, the Mortgagee must use the average of the income received over the previous two years to calculate Effective Income. If Alimony, Child Support, and Maintenance Income have been received for less than two years, the Mortgagee must use the average over the time of receipt.

7.23 Outstanding Mortgages *(Revised October 2023)*

All outstanding mortgages tied to the subject property must be paid off in full at closing. If there is an additional mortgage obligation listed on the credit report, which is tied to a different property, the applicant will be required to provide a statement, mortgage coupon, or letter from the mortgage company to confirm the address of the property encumbered by the lien.

For Traditional HECM's, the borrower may be currently delinquent on a mortgage tied to another property and not required to bring it current, at underwriter discretion. However, the borrower will need to provide a Letter of Explanation to explain the circumstances behind the delinquency.

For HECM for Purchase loans, the borrower must bring the other mortgage current prior to closing and source funds used to bring the mortgage current. Seasoning Requirements for Non-HECM Liens

7.24 Federal & State Tax Liens

Federal and state tax liens are considered derogatory debt for the purposes of financial assessment. If the date the lien is within 3 years of the application date and the borrowers wish to avoid closing with a LESA, they will need to provide acceptable extenuating circumstances as well as supporting documentation.

Federal Tax Liens

The lien can be paid through closing with HECM proceeds (a payoff statement from the IRS is required and this payoff must show on the final HUD-1). This option applies whether the lien is shown on the title report, the credit report or fraud guard.

All federal tax liens associated with the borrower, co-borrower, and, if applicable, the non-borrowing spouse must be resolved through one of the following:

- Borrower may pay the lien in full using their own funds.
    - Funds must be seasoned for 2 months; any deposits may need to be sourced
    - Evidence must be provided that the lien has been released because of payment
- The lien can be resolved by showing that the borrower has entered a repayment plan with the IRS if the following criteria are met:
    - A copy of the repayment agreement is provided
    - Evidence is provided that the borrower has made timely payments for the most recent three consecutive months.
        - the borrower cannot prepay scheduled payments to meet the three-month requirement
        - the payment amount must be added as a credit liability
    - If the lien has been recorded against the property and is shown on the title report, the IRS must agree to subordinate the lien to the 3rd. lien position behind Mutual and HUD and subordination agreements will be required.
    - If the IRS will not subordinate the lien, it must be paid at closing.
    - If the lien is only shown on the credit report (and is not on the prelim), a subordination agreement is not required
- The borrower can provide one of the following to show that the lien has already been released. If the lien is shown as an unresolved lien on the title report, documentation should also be provided to the title company so that they can confirm the lien will be removed and will not show on the final policy.
    - Certificate of Release Form668(z)
    - Zero demand from issuing authority AND credit supplement showing lien status as released (only applies if the lien is shown on the credit report)
    - Statement on letterhead from the issuing federal authority confirming no balance due. The letter must include the following references:
        - Borrower Name
        - Borrower SSN or Tax Id
        - Tax Filing Year(s) referenced
        - Docket / Serial Number of Original Lien Filing
        - Statement confirming lien has been satisfied in full and released
        - Signature of issuing authority representative
        - Name, title, and contact information for party signing on behalf of issuing authority

State Tax Liens

State tax liens assessed to the borrower(s) that are not shown on the preliminary title report are not considered mandatory obligations and proof of satisfaction is not required.

All state tax liens shown on the preliminary title report must be resolved in one of the following ways:

- Borrower may pay the lien in full at closing using HECM proceeds.
- Borrower may pay the lien in full using their own funds.
    - Funds must be seasoned for 2 months; any deposits may need to be sourced
    - Evidence must be provided that the lien has been released because of payment
- Show that the borrower has entered an acceptable repayment plan by providing the following:
    - A copy of the repayment agreement
    - Evidence that the borrower has made timely payments for the most recent three consecutive months
        - the borrower cannot prepay scheduled payments to meet the three-month requirement
        - the payment amount must be added as a credit liability
- Provide one of the following to show that the lien has already been released.
    - Certificate of Release Form668(z)
    - Zero demand from issuing authority AND credit supplement showing lien status as released (only applies if the lien is shown on the credit report)

- Statement on letterhead from the issuing federal authority confirming no balance due. The letter must include the following references:
  - Borrower Name
  - Borrower SSN or Tax Id
  - Tax Filing Year(s) referenced
  - Docket / Serial Number of Original Lien Filing
  - Statement confirming lien has been satisfied in full and released
  - Signature of issuing authority representative
  - Name, title, and contact information for party signing on behalf of issuing authority

7.25 Student Loans

Student loan refers to liabilities incurred for educational purposes.

The mortgagee must include all student loans in the expense analysis, regardless of the payment type or status of payments.

Student loan payment calculation

The mortgagee must include all student loans in the expense analysis, regardless of the payment type or status of payments.

If the payment used for the monthly obligation is **less** than the monthly payment reported on the borrower's credit report, *the mortgagee must obtain written documentation of:*

- the actual monthly payment,
- the payment status, and
- evidence of the outstanding balance and terms from the creditor or student loan servicer.

For outstanding student loans, regardless of payment status, the mortgagee must use:

- The payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or
- 0.5 percent of the outstanding loan balance, when the monthly payment reported on the borrower's credit report is zero.

The Mortgagee may exclude the payment amount from the monthly debt calculation where written documentation from the student loan program, creditor, or student loan servicer indicates that the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.

Federally insured student loans that are delinquent:

- All delinquent federally insured student loans must be brought current, paid off, or otherwise satisfied prior to or at closing.

7.26 Bankruptcies – Chapter 7, 11 and 13 *(Revised March 2025)*

Traditional HECM and HECM for purchase listed below. In all instances, Chapter 11 bankruptcies must be escalated for Second Level Review.

Traditional HECM

Chapter 7 and Chapter 11

Bankruptcies must be discharged or dismissed. If the credit report does not reflect a discharge or dismissal, a credit supplement or court order signed by the judge evidencing the discharge/dismissal may be submitted as proof of the discharge or dismissal.

If a delinquent Federal Housing Administration (FHA) insured loan was included in the Bankruptcy, where the claim was paid, the borrower is ineligible for another FHA insured loan for three years from the date the claim was paid to the closing date of the new loan.

Chapter 13

Bankruptcies, there are two options:

- The borrower may pay the bankruptcy off prior to loan closing with properly sourced and seasoned funds. Chapter 13 payoffs cannot be considered a mandatory obligation and cannot be paid off at loan closing with loan proceeds.
    - Proof of discharge or dismissal will be required to document closure of the bankruptcy.
- The borrower may continue with the bankruptcy and the reverse mortgage if written approval from the bankruptcy trustee is provided allowing the borrower to close the HECM transaction outside of the bankruptcy.
    - Mutual will require 24-month bankruptcy plan payment history, and we must include the payment required under the bankruptcy plan in the expense analysis
    - Borrower must pay off any liens against the property and any federal debt
    - The court must provide written permission signed by the judge indicating that the borrower does not need to pay off the bankruptcy with the reverse mortgage. Permission must indicate that the mortgage may be an adjustable-rate mortgage, if applicable.

➢ ***Note:*** *a- Request that the court not specify a rate. If the court requires a reference, it can reference "current market rate" and should note, where applicable, that the rate is adjusting. If the court allows a lower rate than the current rate at closing, Mutual will require an updated court approval. b- If the filing date of the BK was within 36 months, extenuating circumstances and supporting documentation are required to proceed without a LESA.*

HECM for Purchase

Chapter 7

Bankruptcy (liquidation) does not disqualify a mortgagor from consideration for a HECM for purchase if, at the time of case number assignment, at least two years have elapsed since the date of the bankruptcy discharge.

- During the most recent two years, the borrower must have:
    - re-established good credit; or
    - chosen not to incur new credit obligations.
- An elapsed period of less than two years, but not less than 12 months, may be acceptable, if the borrower:
    - can show that the bankruptcy was caused by Extenuating Circumstances beyond the borrower's control; and
    - has since exhibited a documented ability to manage his or her financial affairs in a responsible manner.

➢ ***Note****: If the filing date of the BK was within 36 months, extenuating circumstances and supporting documentation are required to proceed without a LESA.*

Mutual must also document that the borrower's current situation indicates that the events which led to the bankruptcy are not likely to recur.

Chapter 13

Bankruptcy does not disqualify a mortgagor from consideration for a HECM for purchase if at the time of case number assignment at least 12 months of the payout period under the bankruptcy has elapsed.

If the bankruptcy has not been discharged, the Mortgagee must determine that, during the most recent 12 months (or up to 24 months, if applicable):

- the Borrower's payment performance has been satisfactory, and all required payments have been made on time, and

- the Borrower has received written permission from the bankruptcy court to enter into the mortgage transaction.

➢ ***Note:*** *The Mortgagee must include the payment amount in the court-approved payment plan in the Borrower's expenses when calculating Residual Income.*

Required Documentation:

- If the credit report does not verify the discharge date or additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy, the Mortgagee must obtain the bankruptcy and discharge documents.
- The Mortgagee must also document that the Borrower's current situation indicates that the events that led to the bankruptcy are not likely to recur.

7.27 Foreclosures / Short Sales

Foreclosure / Short Sale on a Government-Insured Loan in the last 3 years

A borrower whose previous principal residence or other real property was foreclosed on, had a short sale completed or was given a deed-in-lieu of foreclosure **within the three years** prior to the closing date of the new loan is **not eligible** for a new FHA-insured mortgage **if the loan was government insured (FHA, VA, or USDA).**

➢ ***Note****: The minimum 3-year period for government loans starts on the date the claim was paid and ends on the closing date of the new loan.*

Foreclosure / Short Sale on a Conventional Loan in the last 3 years

If the foreclosure/deed-in-lieu/short sale was on a **conventional loan**, there is no waiting period before a new application can be taken. If the borrower wishes to proceed **without a LESA** and the date of the foreclosure/deed-in-lieu/short sale is within three years of the date of the credit report, the borrower will need to provide acceptable* extenuating circumstances as well as supporting documentation.

Acceptable extenuating circumstances must be one of the following:

- Death of a primary wage earner
- Serious long-term un-insured medical illness
- Divorce –*NOT* considered an extenuating circumstance. An exception may be granted where a borrower's loan was current at the time of his/her divorce, the ex-spouse received the property, and the loan was later foreclosed.

➢ ***Note****: The inability to sell a property due to a job transfer or relocation to another area does NOT qualify as an extenuating circumstance.*

Supporting documentation is required for the above extenuating circumstances and must show dates of occurrences coinciding with foreclosure dates. If the borrower will close with a LESA or the date of the delinquency is outside of three years from the date of the credit report, the borrower will only need to provide a detailed LOE regarding the extenuating circumstances that led to the delinquency. Approval is subject to underwriter discretion.

7.28 Judgments

See Section 7.21, Credit History

7.29 Delinquent Federal Debt

If the borrower is presently delinquent on any Federal debt (e.g., VA-guaranteed mortgage, HUD Section 312 Rehabilitation loan or Title I loan, Federal student loan, Small Business Administration loan, delinquent Federal taxes, etc.) or has a lien, including taxes, placed against his or her property for a debt owed to the United States, the borrower is not eligible until the delinquent account is brought current, paid or otherwise satisfied, or a satisfactory repayment plan is made between the borrower and the Federal agency owed and is verified in writing.

- The Borrower may pay off any delinquent Federal debt with HECM proceeds regardless of if it is a lien on title.
- If a repayment plan has been established, Mutual will require written proof that the plan has been in place for at least 3 months and that the payments are current.
- If the delinquent obligation is a lien on title and will be subordinated, a subordination agreement to subordinate the lien to the first and second HECM liens is required.
    - If the IRS will not provide acceptable subordination agreements, the federal tax lien must be paid in full at closing.
    - If the debt is to be paid at closing with the HECM proceeds, a payoff statement and HUD-1 showing the disbursement is required as proof that the federal debt has been satisfied.

7.30 Property Charge History *(Revised March 2024)*

Property charges include:

- Homeowners/Hazard insurance and Flood insurance
- Homeowners Association (HOA), condominium, and planned unit development (PUD) fees
- Ground rents
- Other assessments (including utilities such as water & sewer) levied by municipalities or under state law
- All property taxes – school, city, county, state, etc.
    - **Exempt Taxes**: Where a taxing authority has permanently waived or otherwise permanently exempted the mortgagor from payment of property taxes, i.e., taxes are not due and payable and do not accrue or result in a lien against the property, such taxes may be excluded from the financial assessment. Documentation for the waiver or exemption must be placed in the case binder.
    - **Deferred Taxes**: Where a borrower is participating in a Real Estate Tax Deferral Program, such taxes may be excluded from the financial assessment provided:
        - That the deferral period will be in place until the death of the mortgagor or the sale of the property, whichever occurs first
        - That a lien senior to the HECM first and second mortgages will not be created upon the termination of the deferral period
        - Documentation on the deferral is placed in the case binder
        - The mortgagor shall not participate in a real estate tax deferral program or permit any liens to be recorded against the property unless such liens are subordinate to the insured mortgage and any second mortgage held by HUD.

Mutual may consider the borrower to have a satisfactory property charge payment history were, at the time of loan application:

- All property charges (for all retained properties) are current and there are no property tax arrearages in the prior 24 months.
- Homeowners/hazard insurance and, if applicable, flood insurance (for all properties owned), were current and were in place for a minimum of the prior 12 months. If the mortgagor did not have homeowner's and flood insurance, mortgagors must obtain and prepay for 12 months at loan closing.
- HOA, condominium, or PUD fees (for all properties owned) are current and there were no arrearages in the prior 24 months. Verification is also required that any HOA, PUD, or condo fees are paid current through the month of closing.

➢ ***Note****: Documentation will be required to determine the payment of property charges FOR ALL properties owned in accordance with the above.*

Mutual must determine and document the reason for any late payments and determine if there exists a disregard for financial obligations, an inability to manage debt, or acceptable extenuating circumstances. Where the mortgage owns no other real estate and has changed his or her principal residence within the last 24 months, Mutual must review the property charge payment history for the current principal residence and the prior principal residence for a combined 24 months.

Even where a fully funded LESA is required, Mutual must still determine if the mortgagors' property charge history provides reasonable assurance that the mortgagor can effectively manage their financial obligations. In order to meet this requirement, the applicable property charge payment history for property taxes, insurance & HOA dues must still be provided even when the loan will close with a LESA.

Timeshares

Please note, Mutual does not require evidence of, or a payment history property charge related to ownership stakes in timeshares. If the borrower is still making payments toward the timeshare, the loan will show on the borrower's credit report and be subject to the requirements outlined for an installment loan. Credit History

7.31 Expense Analysis *(Revised April 2024)*

Using the credit report, Fannie Mae Form 1009, Part VI of URLA or equivalent, most recent federal and state income tax returns, and other documents that may be available to Mutual (e.g., bank statements), Mutual must identify all secured and unsecured debts.

To complete the expense analysis, Mutual must consider:

- federal and state income taxes
- Federal Insurance Contributions Act (FICA)
- property charges for the subject property
- estimated utility and maintenance expenses for the subject property (automatically calculated once square footage is input in either LOS)
- installment account payments
- property charges for all real estate owned (at time of application), including: mortgage (even when not reporting on credit), insurance, tax, HOA/Condo/PUD fees, and/or special assessments
- revolving credit account payments
- alimony, child support, and/or maintenance payments
- judgments under payment plans against borrower(s)
- payments required under any bankruptcy plans
- other obligations described in this guide.

Where the borrower utilizes or has enrolled in federal, state, or local benefit programs that reduce borrower expenses, the reduced amounts may be used to calculate monthly expenses provided that Mutual complies with the requirements in HUD Handbook 4000.1 (currently under Undisclosed Debt and Inquiries).

Mutual must obtain a written explanation from the borrower(s) for all inquiries shown on the credit report that were made 90 days from the date the credit report was pulled.

Mutual must document all undisclosed debt and ensure it is included in the borrower's expense analysis. When a debt or obligation is revealed during the application process that was not listed on the mortgage application and/or credit report, the mortgagee must:

- verify the actual monthly payment amount;
- include the payment amount per the agreement in the Borrower's expense analysis; and
- determine that any new accounts/activity were not/will not be used for the Borrower(s) settlement requirements.

Items which will be included in the Expense Analysis as recurring debt:

- Federal Debts (refers to non-delinquent Federal debt – see Credit History for Delinquent Federal Debt)
- Alimony, Child Support and Maintenance (recurring expense to be determined from review of the complete divorce decree, court ordered/legal document, or documented garnishment)
- Deferred Obligations (excluding student loans) refer to expenses that have been incurred but where payment is deferred/not yet started, including accounts in forbearance. Mutual is required to document the terms, including the outstanding balance and monthly payment, using either the actual payment (as reported on the credit report or statement) or 5% of the outstanding balance.

- For Student Loans only, if the actual payment is zero or is not available, 0.5% of the unpaid balance will be used).
- Installment Loans (excluding Student Loans, refers to loans, not secured by real estate, that require periodic payment of Principal and Interest (P&I). **A loan secured by an interest in a timeshare must be considered an Installment Loan)**
- Revolving Charge Accounts (if no payment is shown and we are unable document payment using the current statement, Mutual must use 5% of outstanding balance)
- 30 Day Accounts require evidence that they are paid in full (current month statement reflecting payment made, credit supplement, etc.) or that assets have been verified that can cover the balance as identified on the credit report or statement (if a new account) – to exclude. Where assets have not been verified and a balance remains, 5% of the balance must be input as the monthly payment amount.
- Business Debt in Borrower's Name (the debt must be included in the monthly expenses, unless Mutual can document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business).
- Recurring Capital Loss
- Contingent Liabilities (The mortgagee must include monthly payments on contingent liabilities in the expense analysis unless the mortgagee verifies that there is no possibility that the debt holder will pursue debt collection against the mortgagor should the other party default, or confirm the other party has made 12 months of timely payments)
    - Mortgage Assumptions
    - Cosigned Liabilities
    - Court ordered Divorce Decree.
- Private Savings Clubs (non-traditional method of savings - If the mortgagor is obligated to continue making ongoing contributions under the pooled savings agreement, this obligation must be included in the expense analysis)
- Federal and State Income Taxes (Mutual may use current pay stubs, tax tables, or federal, state, and local tax returns from the most recent tax year to document federal, state, and local taxes. If the most recent tax return is more than two years old, Mutual must estimate current taxes using available guidance and tax tables)
- Maintenance and Utility Charges (based on VA formula of LIVING AREA X $0.14 which is calculated automatically in Reverse Vision or Quantum Reverse)
- Property Charges - Mutual must verify and document the amount of property charges in accordance with the following requirements and include:
    - *Property Taxes* – Documentation showing annual tax amount from all taxing authorities is required (annual amount divided by 12 to be included in analysis)
    - *Homeowners/Hazard Insurance* – Current years declaration sheet showing annual premium (annual amount divided by 12 to be included in analysis). When no hazard insurance was previously in place, use annual amount quoted for new insurance policy for HECM transaction.
    - *Flood Insurance* – Current years declaration sheet showing annual premium (annual amount divided by 12 to be included in analysis). When no flood insurance was previously in place, use annual amount quoted for new insurance policy for HECM transaction.
    - *HOA, PUD, and Condominium Fees* – Obtain fees from appraisal or from current written statements from the associations
    - *Other Assessments* – Obtain documentation of assessment from party levying the assessment or from written statement documenting the amount of assessment
    - *Ground Rents* – Obtain rent amount from deed, the lessor, or a written statement from the management agent

➢ ***Note****: HUD has identified situations where property taxes exceed 10% of the mortgagor's gross income as carrying greater levels of risk of default. Mortgagees must calculate property charges as a percentage of gross income and enter this figure on the Financial Assessment Worksheet.*

Expense Analysis for Eligible Non-Borrowing Spouse (ENBS)

Mutual will analyze an ENBS's obligations from the sources specified above if a ENBS's income is used as a compensating factor or to reduce family size.

ENBS expenses must meet the same documentation and verification standards as the borrower's expenses.

- ***Note**: NBS must be "eligible" to use income as a compensating factor or to reduce family size. Imputed income from dissipated assets may not be included.*

Expense Analysis for Other Non-Borrowing Household Members (NBHM)

Mutual will analyze a NBHM's obligations from the sources specified above if a NBHM's income is used to reduce family size. Mutual expenses must meet the same documentation and verification standards as the borrower's expenses.

Occupancy verification will also have to be documented. Examples of occupancy documentation can be found in Occupancy Issues.

Excluding Debt

Excluding liens against the subject property

When a lien against the property, such as a mortgage, is being paid off with HECM proceeds, the monthly payment associated with that lien is not included in the expense analysis.

Excluding liens against other properties owned

When the borrower is a co-signor on another mortgage, the payment for that mortgage must be included in the borrower's expense analysis except when the following is provided:

- Evidence that the borrower is a co-signor & that another borrower is also on the loan (copy of the note or initial 1009)
- Evidence that the last 12 months of payments have been paid on-time by the other borrower on the loan via 12 months' cancelled checks or bank statements showing the automatic payment clearly made to the lender in the amount established on the credit report. The payor must be listed as a borrower on the loan.
    - If the payor has made any late payments in the last 12 months, the lien cannot be excluded from the borrower's expense analysis
    - If the borrower has made any of the payments in the last 12 months, the lien cannot be excluded from the borrower's expense analysis
    - If the account from which the payments are made lists the borrower as an account holder, the lien cannot be excluded from the borrower's expense analysis

Other Debt that is Eligible for Exclusion *(Revised October 2023)*

All applicable monthly liabilities must be included in the expense analysis. Mutual will be required to document the reasons for exclusion of any debt listed on above mentioned documents. Closed end debts/Installment Loans debt that is eligible may be excluded if all following criteria are met:

- The debt will be paid off within 10 months (the mortgagor may not pay down the balance in order to meet the 10-month requirement)
    - the total monthly payment of all such excluded debts is less than or equal to 5 percent of the mortgagor's gross monthly income.
- Accounts for which the mortgagor is an authorized user where the following criteria is met:
    - the mortgagee can document that the cardholder (not the authorized user) has made the last 12 months' payments on time (Please note, if a party other than the cardholder is making payments, the debt is not eligible for exclusion. Evidence of the cardholder's identity will be required. If the account from which the payments are made lists the borrower as an account holder, the lien cannot be excluded from the borrower's expense analysis.)
- Accounts for which the mortgagor is a co-signor, the debt represents a contingent liability and one of the following is met:
    - Verification is provided directly from the lender that there is no possibility that the debt holder will pursue debt collection against the mortgagor should the other party default
    - The mortgagee can document that the financially responsible & legally obligated party has made the last 12 months' payments on time (Please note, if a party other than the person established as the financially responsible & legally obligated party is making payments, the debt is not eligible for

exclusion. Evidence of the cardholder's identity will be required. If the account from which the payments are made lists the borrower as an account holder, the lien cannot be excluded from the borrower's expense analysis.)

- Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset and these funds are not included in calculating the mortgagor's assets (a copy of the note will be required.)
- Credit liabilities showing on the credit report that are paid for by the borrower's business.
    - Evidence is required that the borrower's company is a legally & financially responsible co-signor to the debt. (A credit supplement / credit card statement identifying all account holders may be sufficient to identify the legally & financially responsible co-signors.)
- If the business is not a legally & financially responsible co-signor of the debt, the debt cannot be excluded from the borrower's expense analysis.
    - Transaction history for the liability showing all payments received over the last 12 months (the transaction history must come from the creditor)
    - Most recent 12 months' bank statements from the borrower's business checking account showing all payments made to the creditor. The statement cannot show the borrower as an accountholder, only the business. The payments to the creditor must exactly match the payments shown on the transaction history provided from the creditor.

➢ ***Note**: If any payments in the last 12 months were made from an account other than the borrower's business checking account, the liability is ineligible for exclusion.*

7.32 Residual Income/Cash Flow *(Revised December 2024)*

The purpose of the cash flow/residual income analysis is to determine the capacity of the borrower to meet his or her documented financial obligations with his or her documented income. If the HECM is being used to pay off a delinquent mortgage or a mortgage in default, Mutual must evaluate the circumstances leading to the delinquency or default and determine whether the HECM pay-off represents a sustainable solution. The borrower's residual income is calculated by adding the total monthly income from all sources and subtracting the total monthly expenses. To determine if the borrower's monthly residual income is sufficient to meet his/her financial obligations, compare the borrower's monthly residual income with the applicable family size, and region from the table below.

Table of Residual Incomes by Region

Family Size	Northeast	Midwest	South	West
1	$ 540	$ 529	$ 529	$ 589
2	$ 906	$ 886	$ 886	$ 998
3	$ 946	$ 927	$ 927	$1,031
4 or more	$1,066	$1,041	$1,041	$1,160

When determining "**family size**," count all members of the household (without regard to the nature of the relationship) including the Non-Borrowing Spouse and Other Non-Borrowing Household Members as applicable. The mortgagee may omit a Non-Borrowing Spouse and/or Other Non-Borrowing Household Member from the family size provided that their residual income is equal to or exceeds the income required for a one-person family size for the geographic area in which the property is located. The 1-person family size may only be used for a mortgagor where:

- Fannie Mae Form 1009, Residential Loan Application for Reverse Mortgages, indicates that the mortgagor is single or unmarried
- For mortgagors required to file tax returns, the results of a Form 4506C verification or copies of tax returns confirm that the mortgagor files as a single person
- For mortgagors not required to file tax returns, the property title, credit report, or other information supports the marital status claimed by the mortgagor
- The mortgagor identifies him or herself as unmarried in the certification regarding marital status

- ***Note**: This documentation is not required where the Non-Borrowing Spouse or Other Non-Borrowing Household Member has been excluded from household size based on the criteria defined in this section.*

States included on the Table of Residual Income:

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC,TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Determining if the Residual Income Requirement has been met

Negative Residual Income

Any loan with negative residual income that does not have compensating factors per Life Expectancy Set-Aside (L.E.S.A.) of this guide will be denied regardless of whether a Life Expectancy Set Aside is put in place.

See negative residual income example:

Financial Assessment

Cash Flow/Residual Income

Source	Income	Expense	Residual Income
[redacted]	3,128.28		3,128.28
Maintenance and Utility Charges		98.84	-98.84
Property		149.08	-149.08
[redacted]	1,980.00		1,980.00
[redacted]		5,385.00	-5,385.00
Total	**5,108.28**	**5,632.92**	**-524.64**

Required Residual Income (Household of 2)	998.00
Shortfall	1,522.64
Residual Income Shortfall as Percentage of Required Income	**-153%**

Cash Flow/Residual Income Considering Compensating Factors

HECM as Compensating Factor	Auto Calculated
Scope of Hecm as Compensating Factor	Dissipation only

Source	Income	Expense	Residual Income
Total from Residual Income (Table above)	5,108.28	5,632.92	-524.64
Imputed Income From HECM CF	564.61		564.61
Total	**5,672.89**	**5,632.92**	**39.97**

Residual Income Required (Household of 2)	998.00
Shortfall	958.03
Residual Income Shortfall as Percentage of Required Income (Compensated)	**-96%**

- ***Note**: Only on a fully funded LESA can the underwriter back out property taxes and insurance as a compensating factor if a negative residual income is present.*

Negative residual income increased by a compensating factor to meet the residual income requirement

Loans with negative residual income that have compensating factors which cause the borrower(s) to meet the residual income standard set forth in the Table of Residual Incomes by Region (see above) will not be required to have a LESA (subject to underwriter review of credit).

- ***Note**: If using a partially funded LESA, HECM proceeds cannot be used as a compensating factor.*

7.33 Income Requirements *(Revised May 2024)*

Income from any of the sources described in the following section must be calculated and documented for all borrowers to the extent necessary to determine that the borrower has residual income equal to or exceeding the required amount based on geographic region and family size. Residual Income/Cash Flow

Effective Income

Refers to income that may be used in the calculation of residual income.

The underwriting requirements for effective income are:

- Must be able to determine income is reasonably likely to continue through at least the first three years of the mortgage
- Document the borrower's income and employment history when required
- Verify the accuracy of the amounts of income being reported
- Determine if the income can be considered as effective income in accordance with the requirements listed in this section
- Determine whether effective income was legally derived and properly reported to the IRS via tax returns as applicable
- Subtract negative income from the borrower's gross monthly income (negative income is not to be treated as a recurring monthly liability)

Income from Non-Borrowing Spouse

A "Non-Borrowing Spouse" is defined as the spouse as determined by the law of the state in which the spouse and borrower reside or the state of celebration of the HECM borrower at the time of closing and who also is not a borrower. Non-Borrowing Spouses may not be required to provide information on income.

Only an Eligible Non-Borrowing Spouse may voluntarily provide information on his or her income and Mutual may use the residual income of the Non-Borrowing Spouse in one of two ways as a compensating factor:

- To increase income for qualification purposes
- To reduce the family size by one Residual Income/Cash Flow
    - If using to reduce the family size, or as a compensating factor, verify and document the eligible NBS has received the income for a minimum of 6 months.

To use his/her income as a compensating factor, the Eligible Non-Borrowing Spouse must disclose and have his or her SSN verified, must agree to have their credit report pulled and must meet the same documentation and verification standards as required for the borrower. **Non-taxable income may not be grossed up, and imputed income from dissipated assets may not be included.**

Income from Other Non-Borrowing Household Members

An "Other Non-Borrowing Household Member" is defined as a person who occupies the property to be secured with the HECM but who is not the spouse of the borrower and who also is not a borrower. Another Non-Borrowing Household Member may voluntarily provide information on his or her income and Mutual may use his or her residual income to reduce the family size, Residual Income/Cash Flow.

To have their income considered, the Other Non-Borrowing Household Member must disclose and have his or her SSN verified, agree to have their credit pulled and must meet the same documentation and verification standards as required for the borrower's income. **Non-taxable income may not be grossed up, and imputed income from dissipated assets may not be included.**

- ***Note**: Proof of occupancy will be required for the NBHM.*

Grossing Up Non-Taxable Income

Non-taxable income may not be grossed up as the cash flow/income analysis will consider federal taxes. If federal taxes are not paid on some or all a borrower's income, it will be reflected in the expense analysis.

Employment Related Income

Income that a borrower receives as an employee of a business that is reported on IRS Form W2. Mutual may use employment related income as effective income in accordance with the standards provided for each type of employment related income in this chapter. For all employment related income, Mutual will require the most recent pay stubs covering a minimum of 30 consecutive days or if paid weekly or bi-weekly, paystubs must cover a minimum of 28 consecutive days.

The most recent paystub should not be dated more than 120 days from the disbursement date, and all paystubs should exhibit the following:

- Borrower's YTD (year-to-date) earnings
- Employer's name and address
- Pay period
- Borrower's name and identify the borrower as an employee

Traditional Employment Documentation

Mortgagee must obtain one of the following to verify current employment and income:

- The most recent pay stub, covering a minimum of 30 consecutive days (if paid weekly or biweekly, paystubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings and a written verification of employment covering two years: **or**
- Direct electronic verification of employment by a TPV vendor covering two years, subject to the following requirements:
  - the Borrower has authorized the Mortgagee to verify income and employment; **and**
  - the date of the data contained in the completed verification conforms with FHA requirements at maximum age of HECM documents.

➢ ***Note:*** *Re-verification of employment must be completed within 10 days prior to funding (Disbursement) when Traditional verification of income was used during Underwriting.*

Alternative Employment Documentation

Mortgagee must obtain one of the following to verify current employment and income:

- The most recent paystub, covering a minimum of 30 consecutive days (if paid weekly or biweekly, paystubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings;
- Obtain copies of the W2s from the previous 2 years; **and**
- Document current employment by telephone sign and date the verification documentation, and note the name, title, and telephone number of the person with whom employment was verified (VVOE).

➢ ***Note:*** *Re-verification of employment must be completed within 10 days prior to signing (Note) when Alternative verification of income was used during Underwriting.*

Past Employment Documentation/Verification

Direct verification of the borrower's employment history for the previous two years is not required if ALL the following conditions are met:

- The current employer confirms a two-year employment history, or a paystub reflects a hiring date
- Only base pay is used in calculating effective income (no overtime or bonuses)
- The borrower(s) executes IRS Form 4506C, Request for Copy of Tax Return, or IRS Form 8821, Tax Information Authorization, for the previous two tax years. (The 4506C can also be generated from Reverse Vision or Quantum Reverse.)

➢ ***Note:*** *the IRS released a new version of the 4506C that went into effect on 11/30/2022. Vendors will no longer accept 4506C forms where the information in fields 1a through 8 are filled in by hand. Only the signature field can still be handwritten.*

If the borrower has not been employed with the same employer for the previous two years and/or not all conditions immediately above can be met, Mutual must obtain one or a combination of the following for the most recent two years to verify the borrower's employment history:

- W-2(s)
- VOE(s)
- Electronic verification acceptable to FHA
- Evidence supporting enrollment in school or the military during the most recent two full years.

Calculation of Income

- Salaried income:
  - Mutual will use the current salary
- Hourly income where hours are consistent:
  - Mutual will consider the current hourly rate
- Hourly income where hours vary:
  - Mutual will average the income over the past 2 years. If a pay raise can be documented, Mutual may use the most recent 12-month average of hours at the new rate.
- Part-time income:
  - Mutual will consider part-time income as effective income if there is a 2-year employment history & income is likely to continue. Income will be calculated using a 2-year average. If a pay raise can be documented, Mutual may use the most recent 12-month average of hours at the new rate.

Additional calculations for income such as seasonal, overtime, bonus, etc. can be found in the guidelines laid out by HUD in the 4000.1 HUD Handbook.

Frequent Changes in Employment

If the borrower has changed jobs more than three times in the previous 12-month period, or has changed lines of work, Mutual must take additional steps to verify and document the stability of the borrower's employment income.

Mutual must obtain one of the following:

- Transcripts of training and education demonstrating qualification for a new position
- Employment documentation evidencing continual increases in income and/or benefits

Gaps in Employment

For borrowers with gaps in employment of 6 months or more, Mutual may consider the borrowers current income as effective income if we can verify & document the following:

- The borrower had been employed in the current job for at least six months at the time of case number assignment
- The borrower had a two-year work history prior to the absence from employment (standard or alternative employment verification required)

Returning to Work After Retirement

Mortgagees may consider the income of Borrowers who have returned to work after retirement of more than two years if it can verify and document that:

- The Borrower has been employed in the current job for at least six months at the time of case number assignment;
- The Borrower intends to continue working; and
- The Borrower's employer expects the Borrower's employment to continue.

7.34 Eligible Types of Income *(Revised April 2024)*

Mutual may consider all the below effective income types, provided they are properly documented (additional income types can be found in the guidelines laid out by HUD in the 4000.1 HUD Handbook.:

- Aid for Dependent Children

- Alimony, Child Support, and/or Maintenance Income
- Annuity Income or Similar Income
- Automobile Allowance or Expense Account
- Boarder/Roommate Income (only acceptable if there is a 2-year history)
- Bonus Income
- Capital Gains
- Clergy Income (Housing allowance and base pay)
- Commission Income
- Disability Benefits
- Employment from Family-Owned Business/Interested Parties
- Employer Housing Subsidy
- Expected Income (with limitations)
- Foreign Income (with limitations)
- Government Assistance (non-cash benefits)
- Hourly
- Interest/Dividend Income
- IRA Distributions
- Military Income
- Notes Receivable Income
- Other Public Assistance
- Overtime
- Part-Time Income (less than 40-hour work week)
- Pension/Retirement Income
- Rental Income from Subject Property (if subject family is a multi-unit property)
- Rental Income from an Accessory Dwelling Unit (ADU)
- Rental Income from Other Real Estate
- Royalty Payments
- Seasonal Income
- Self-Employed Income (Schedule C, Partnership, S Corp, LLC, Corporation)
- Social Security Income
- Tips/Gratuity Income
- Truck Driver Income
- Trust and Estate Income
- Union Employee
- VA Benefits
- Imputed Income from Asset Dissipation

➢ ***Note**: This guide will explain the most common types of effective income regarding documentation and calculations. For questions on other types of effective income please email preflight@mutualmortgage.com*

7.35 Ineligible Types of Income

Mutual will not consider any of the income types below:

- Expense Account Advances/Payments
- Grossed Up Income
- Income from a percentage of assets
- Income from illegal activities
- Income tax declared on tax returns (i.e., tax refund declared on a 1099 form)
- Retained Earnings in a company
- Rent from second home
- Stipends
- Income from "ineligible" non-borrowing spouse
- Undocumented income

7.36 Annuity Income or Similar Income

Annuity Income refers to a fixed sum of money periodically paid to the borrower from a source other than employment. Legal Agreement/Documentation provided must clearly specify payment amount, duration, and frequency.

Mutual will require ONE of the following:

- Copy of Annuity agreement establishing amount of annuity, frequency, and at least a 3-year continuance w/ most recent bank statement evidencing receipt of annuity income
- Signed letter from managing financial institution establishing amount of annuity, frequency, and at least a 3-year continuance w/ most recent bank statement evidencing receipt of annuity income

7.37 Disability Benefits

These are benefits received from the SSA, Department of Veterans Affairs (VA), or a private disability insurance provider. Mutual must verify and document receipt of the above benefit by obtaining documentation that establishes the award of benefits to the borrower. This documentation must clearly show that the income is stable and expected to continue. If any disability income is due to expire within three years from the date of mortgage application, that income cannot be used as effective income. If the Notice of Award or equivalent document does not have a defined expiration date, Mutual may consider the income effective and reasonably likely to continue. Mutual may not rely upon a pending or current reevaluation of medical eligibility for benefit payments as evidence that the benefit payment is not reasonably likely to continue. The following are requirements for each type of disability benefit.

Social Security Disability Benefits

This category includes Supplement Security Income (SSI). Mutual will require the most recent Notice of Award letter from the SSA.

Veterans Affairs Disability Benefits

Mutual must obtain a copy of the veteran's most recent benefits letter showing the amount of assistance granted and the borrower's most recent bank statement evidencing receipt of income from the VA.

Private Disability Benefits

Mutual will require documentation from the private disability insurance provider showing the amount of assistance and the expiration date of the benefits, if any, and the borrower's most recent bank statement evidencing receipt of income from insurance provider.

7.38 Pension/Retirement Income *(Revised November 2025)*

Pension income is income the borrower receives from his or her former employer(s). Mutual must verify and document the borrower's receipt of continuous payments from the borrower's pension and that the payments are likely to continue for at least 3 years. Mutual must obtain a copy of the borrower's Pension/Retirement statement paired with one of the documents below to confirm receipt:

- Most recent federal tax return (must be signed, dated, and have been filed with the IRS)
- Most recent bank statement showing receipt of income from the former employer

If the source of the pension income is a municipal, state, or the federal government, Mutual will consider the income effective and reasonably likely to continue and will accept the borrower's pension/retirement statement on its own.

- ***Note**: If above documentation does not verify a 3-year continuance, then additional documentation will be required.*

7.39 Social Security Income *(Revised January 2025)*

Mutual must verify and document the Borrower's receipt and continuance of income from the SSA by obtaining legible copies of the following:

- Last Notice of Award letter, or
- Copy of most recent SSA-1099, or
- Most recent Benefit Letter paired with one of the following:
  - Tax Return, or
  - Most recent Bank Statement evidencing receipt of income from SSA

If the borrower needs to use COLA (Cost of Living Adjustment) to qualify, we will need one of the following in addition to the above:

- COLA document that was sent to the borrower notifying them of the adjustment, or
- Most recent bank statement that confirms the increase

➢ ***Note:*** *For example, if you have the most recent 1099 and need to use a recent increase (COLA) to the borrower's benefit to qualify, then you must also provide a COLA letter OR recent bank statement supporting the increase.*

If any income from the SSA is due to expire within three years from the date of case number assignment, that income may not be used in calculating residual income. If the Notice of Award, or equivalent document, does not have a defined expiration date, Mutual must consider the income effective and reasonably likely to continue. If the Notice of Award letter, or equivalent document, specifies a future start date for receipt of income, this income may only be considered effective on the specified start date.

7.40 Trust and Estate Income

Trust Income refers to income that is regularly distributed from a trust. Mutual must obtain all the following:

- A copy of the entire Trust Agreement w/all amendments
- Verification and documentation of the frequency, duration, and amount of the distribution via most recent 2 months bank statements showing consistent receipt
- Verification that the payments will continue for at least 3 years by obtaining most recent month's trust account bank statement showing balance.

7.41 VA Benefits

Mutual will require a copy of the VA Award letter/Verification of benefits, showing the amount of the assistance and the expiration date of benefits, if any. For VA pensions, continuance will be assumed unless termination date is shown.

7.42 Self-Employment Income *(Revised April 2024)*

Self-Employment Income refers to income generated by a business in which the mortgagor has an ownership interest of at least 25%. For self-employment income to be acceptable, the borrower must be self-employed at least two years and the income generated from the business must be stable or increasing annually. There are four basic types of business structures:

7.42.1. sole proprietorships
7.42.2. corporations
7.42.3. limited liability or "S" corporations
7.42.4. partnerships

➢ ***Note****: - If a borrower has been self-employed more than one year, but less than two years, the borrower must have been previously employed in the same or related line of work for at least 2 years. - A decline greater than 20% in effective income (after-tax income) over the analysis period requires documentation that the business is now stable, the reduction was the result of an extenuating circumstance, and the income has been stable or increasing for at least 12 months.*

Self-Employment Documentation

The following is required:

- Tax returns for the most recent two years, with all schedules, including Schedule C, C-EZ, or E and SE.
- Corporate returns (if applicable)
- 4506C results

In addition, Mutual must obtain:

- A year-to-date profit and loss statement (P&L) and balance sheet.
  - This is only necessary if more than a calendar quarter has elapsed since the customer filed the most recent fiscal year-end tax return and the documents are not required to be audited. A balance sheet is not required for self-employed borrowers filing Schedule C income.
- An audited profit and loss statement or signed quarterly tax return obtained from the IRS.
  - This is only necessary if the income used to calculate residual income exceeds the two-year average of the tax returns.
- A business credit report for all corporations and "S" corporations

Calculation

Mutual will analyze the borrower's tax returns to determine gross self-employment income which will be calculated using the LESSER of the following:

- The average gross self-employment income over the previous two years
- The average gross self-employment income over the previous one year

➢ ***Note**: Mutual will subtract any unreimbursed business expenses if the borrower itemizes on Schedule A and divide the total by 12 months.*

7.43 Commission Income *(Revised June 2025)*

Commission income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.

The mortgagee may use commission income as effective income if the mortgagor:

- Earned the income for at least one year in the same or similar line of work, and
- It is reasonably likely to continue.

For all Commission Income, the Mortgagee must use traditional or alternative employment documentation

The Mortgagee must calculate Effective Income for commission by using the lesser of:

- the average Commission Income earned over either:
  - the previous two years; or
  - the length of time Commission Income has been earned if less than two years; or
- the average Commission Income earned over the previous one year.

7.44 Tips/Gratuity Income

Tip income averaged over a 2-year period, may be included for qualification purposes provided it meets the following requirements:

- Borrower must have a 2-year history evidencing receipt of tip income
- Tip income must be stable or increasing, and likely to continue
- Provide a verification of employment letter or 2 years of personal income tax returns (including W-2s).
- Current paystub with year-to-date earnings for the most recent 30 days
- If the tip income is not reported on the paystub for income tax returns, it may not be used for qualifying or as a compensating factor

7.45 IRA Distributions/Income *(Revised May 2024)*

Retirement income refers to income the borrower received from an individual retirement account, such as an IRA or 401K. The borrower must verify and document that he or she receives recurring IRA/401(k) distribution income and that it is reasonably likely to continue for three years.

Mutual must obtain the following:

- Most recent IRA/401(k) statement, and one of the following documents:
  - federal tax returns; or
  - The most recent bank statement evidencing receipt of income

For borrowers who have been and will continue to consistently receive IRA/401(k) income, the lender uses the current amount of IRA/401(k) income to calculate effective income.

For borrowers with fluctuating IRA/401(k) income, Mutual will calculate effective income from the average of the IRA/401(k) income over the previous two years. If the borrower received IRA/401(k) income for less than two years, the lender uses the average over the period the borrower received it.

Mutual requires the most recent statement from the retirement account to document a 3-year continuation. The current balance of the retirement account must equal 36 times the amount of the monthly payment.

➢ ***Note**: If borrower has a current outstanding loan, the balance of the loan must be deducted from the retirement account value.*

7.46 Borrowers Employed by Family/Family-Owned Business *(Revised April 2024)*

Mutual must obtain all the following:

- Verify and document that the Borrower is not an owner in the family-owned business by using official business documents showing the ownership percentage.
- Most recent 30 consecutive days pay stubs
- Most recent 2 years W2's
- Most recent 2 years 1040's
- IRS transcripts will be required
- Written VOE at underwriting
- Re-verification of employment within 10 days of funding

7.47 Rental Income from the Subject Property *(Revised October 2025)*

Rental Income from the Subject Property refers to income received when the subject property has 2-4 units or will be a one-unit dwelling with an ADU.

Mutual may consider rental income from existing and prospective tenants if documented in accordance with the following requirements.

➢ ***Note**: Rental Income derived from Family member must be escalated up for 2nd Level Review.*

Requirements for Limited or No History of Rental Income

The borrower does not have a history of rental income from the subject property since the previous tax filing.

Mutual must verify and document the proposed rental income by obtaining:

- Letter of explanation from the borrower as to why there is no history of rental income since the previous tax filing;
- An appraisal showing fair market rent [use Fannie Mae Form 1025, Small Residential Income Property Appraisal Report]; and
- Prospective leases, if available.

Requirements for Established History of Rental Income

The borrower has a history of rental income from the subject property since the previous tax filing. Mutual must verify and document the existing rental income by obtaining:

- The current lease
- The 24-month rental history (must be free from unexplained gaps greater than three months - such gaps could be explained by student, seasonal or military renters, or property rehabilitation)
- The mortgagee must obtain the mortgagor's last two years of tax returns with Schedule E along with IRS tax transcripts to verify each tax year.

➢ ***Note****: For properties with less than two years of rental income history, Mutual must document the date of acquisition by providing the deed, Settlement Statement, or other legal document.*

Calculating Rental Income from the Subject Property

Limited or No History of Rental Income:

To calculate the effective income from the subject property where the borrower does not have a history of rental income from the subject property since the previous tax filing, the mortgagee must use:

- 75 percent of the lesser of:
  - Fair market rent reported by the appraiser
  - The rent reflected in the lease or other rental agreement

Established History of Rental Income:

- Mutual must calculate the rental income by averaging the amount shown on the Schedule E.
- Depreciation, mortgage interest, taxes, insurance, and any HOA dues shown on Schedule E may be added back to the net income or loss.
- If the property has been owned for less than two years, Mutual must annualize the rental income for the length of time the property has been owned.

One-Unit with an Accessory Dwelling Unit:

- Mutual must verify and document the proposed Rental Income from the ADU by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, URAR, and a Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, showing fair market rent and, if available, the prospective leases.
- The amount of the Rental Income from an ADU used as Effective Income must not exceed 30 percent of the total monthly Effective Income used to qualify the Borrower.

7.48 Rental Income from Other Properties *(Revised October 2025)*

Rental income from other real estate holdings may be considered effective income if the documentation requirements listed below are met. If rental income is being derived from the property being vacated by the borrower, the borrower must:

- be relocating to an area located more than 100 miles from the mortgagor's current principal residence.
- Mutual must obtain a lease agreement of at least one year's duration after the mortgage is closed, and
- evidence of the payment of the security deposit **or** first month's rent.

Mutual may consider rental income from other properties if documented in accordance with the following requirements.

➢ ***Note****: Rental Income derived from Family member must be escalated up for 2nd Level Review.*

Requirements for Limited or No History of Rental Income

Defined as the borrower does not have a history of rental income since the previous tax filing, including property being vacated by the borrower, and must meet the following requirements:

- Letter of explanation from the borrower as to why there is no history of rental income since the previous tax filing;
- The borrower must have at least 25 percent equity in the property.
- **One Unit:**
    - Mutual must verify and document the proposed rental income by obtaining a Fannie Mae Form 1004, *Uniform Residential Appraisal Report* that includes a Fannie Mae Form 1007, *Single Family Comparable Rent Schedule*, showing fair market rent and, if available, the prospective lease.
- **2-4 Units:**
    - Mutual must obtain an appraisal evidencing market rent. The appraisal is not required to be completed by an FHA Roster appraiser but must meet the following criteria:
        - Mutual must verify and document the proposed rental income by obtaining a Fannie Mae Form 1025, *Uniform Residential Appraisal Report*, Fannie Mae Form 1007, *Single Family Comparable Rent Schedule*, showing fair market rent and, if available, the prospective lease.

Requirements for Established History of Rental Income

The mortgagee must obtain the mortgagor's last two years of tax returns with Schedule E along with IRS tax transcripts to verify each tax year.

Calculating Rental Income from Other Properties

Limited or No History of Rental Income:

To calculate the effective net rental income from other real estate holdings where the borrower does not have a history of rental income since the previous tax filing, Mutual must deduct the principal, interest, taxes, and insurance payment (PITI) from:

- 75 percent of the lesser of:
    - Fair market rent reported by the appraiser
    - The rent reflected in the fully executed lease or other agreement. A copy of the most recent rental deposit via cancelled check matching the lease agreement will also be required.

Established History of Rental Income:

- Mutual must calculate the net rental income by averaging the amount shown on the Schedule E provided the borrower continues to own all properties included on the Schedule E.
- Depreciation shown on Schedule E may be added back to the net income or loss.
- If the property has been owned for less than two years, Mutual must annualize the rental income for the length of time the property has been owned.
- For properties with less than two years of rental income history, Mutual must document the date of acquisition by providing the deed, Settlement Statement, or other legal document.
- Positive net rental income must be added to the borrower's effective income.
- Negative net rental income must be included as a debt/liability.

7.49 Imputed Income from Asset Dissipation *(Revised April 2024)*

Imputed Income from Dissipation of Liquid Assets

Mutual may estimate imputed income from dissipation of liquid assets. Liquid assets are assets that can be converted to cash within one year without payment of an IRS penalty. The borrower does not have to liquidate assets in order to obtain HECM financing. It is not permitted to count the same asset twice, i.e., as a source of interest income and as imputed income from the dissipation of the asset. This applies to income from interest, dividends, or other returns on the account. If any funds to close will come from the account, Mutual will first subtract the funds to close from the account balance before dissipating the funds.

If the account receives deposits from other sources of effective income i.e., social security, pension, W-2 income, etc., and those sources are income are being included in the borrower's financial assessment, Mutual will subtract any of those deposit from the ending balance of the most recent month's statement before dissipating.

Liquid asset sources from which imputed income may be calculated include:

Asset Source	Amount To Be Counted
Savings and Checking Accounts, Certificates of Deposit, Roth IRAs and any other assets that are not subject to Federal taxes.	100%
Other assets that are subject to Federal taxes	85% *

- ***Note**: Mutual may use the borrower's actual tax rate based on Federal tax returns from the prior tax year if tax rate is lower than 15% or no discount if borrower does not have a Federal tax obligation.*

Assets may not be dissipated from an account where the borrower is not an owner of the account. If the asset is jointly held with a Non-Borrowing Spouse or other party not obligated for the mortgage, the asset may be counted if documentation is provided to confirm that the borrower(s) has unrestricted access to that asset (100% access letter).

Calculation:

Total Discounted Asset Value – Funds to Close (if applicable) ÷ Life expectancy in months = Total Monthly Income from Assets

- ***Note**: This is a brief overview of the Asset Dissipation from the guidelines laid out by HUD in the 4000.1 HUD Handbook.*

Imputed Income from Dissipation of HECM Proceeds (Effective 12/1/2023)

Mutual will allow imputed income from the dissipation of HECM proceeds as a sole source of income to meet the financial assessment residual income requirement, as long as:

- No other Compensating Factors – Residual Income Shortfall (Revised May 2024) are being used.
- They pass the Financial Assessment (Revised June 2026) for credit and property charges without using Extenuating Circumstances.

7.50 Foreign Income

Foreign Income refers to income received by a Borrower from sources located outside of the United States by a foreign corporation or a foreign government and is paid in foreign currency. Mutual may consider Foreign Income as effective income if the Borrower has received this income for the previous two years and it is reasonably likely to continue. When using Foreign Income, the following must be obtained:

- Complete individual federal income tax returns showing Foreign income for the most recent 2 years, including all schedules.
    - For all Foreign Income, Standard Documentation Requirements must be satisfied in accordance with the requirements listed based on source and type of income.
    - If the Foreign Income documents are not received in English, Mutual will require a complete and accurate translation for each document and convert foreign currency to U.S. dollars.

Calculation of Income

The Mortgagee must analyze the Borrower's tax returns to determine gross Foreign Income and must average the Foreign Income over the previous two years to calculate Effective Income.

7.51 Extenuating Circumstances

Where the borrower's credit and/or property charge payment history does not meet the referenced criteria, Mutual must consider the extenuating circumstances that led to the credit/financial issues.

Extenuating circumstances are defined as beyond the borrower's control and may include, but are not limited to:

- Loss of income due to the death or divorce of a spouse that directly resulted in late payment of obligations

- Loss of income due to the borrower's or spouse's unemployment, reduced work hours or furloughs, or emergency medical treatment or hospitalization that directly resulted in late payments of obligations
- Increase in financial obligations due to emergency medical treatment or hospitalization for the borrower or spouse, emergency property repairs not covered by homeowners or flood insurance, divorce, or other causes that directly resulted in late payments of obligations.

When required, documentation of extenuating circumstances must demonstrate:

- The connection between the specific occurrence(s) and the measurable impact of the occurrence(s) on the borrower's finances
- That no other actions taken by the borrower contributed to the derogatory incident(s) (e.g., assuming new financial obligations, voluntarily terminating employment or reducing hours, etc.)
- The likelihood that these circumstances will not recur. In assessing the likelihood that the circumstances will not recur, Mutual may consider the impact of the HECM on the borrower's circumstances, through the elimination of financial obligations and/or through an increase in borrower income
- The borrower demonstrates financial liquidity through non-HECM assets, additional sources of income, access to revolving credit or other factors that are present that enhance his or her ability to endure financial challenges.

➢ ***Note**: **a**. Possible documentation required may include, but is not limited to: LOE's, Notices, Doctors Letters, Death Certificates, Employment related items/documents, corresponding tax return, attorney, or CPA letters. **b**. Debt consolidation is not considered a valid extenuating circumstance to avoid a LESA. **c**. Extenuating Circumstances are not used for residual income shortfalls.*

7.52 Compensating Factors – Residual Income Shortfall *(Revised May 2024)*

Compensating Factors – Other Sources of Income (No Pre-Qualifier Requirement)

In assessing whether the borrower has demonstrated the capacity to meet financial obligations Mutual may consider Compensating Factors where the borrower's residual income does not meet the applicable standards per Residual Income/Cash Flow.

Income from the sources described below may be used as a Compensating Factor where:

- The borrower's residual income, combined with the documented income from one or more of these sources, equals or exceeds the applicable amount for his or her family size and geographic region on the Residual Income/Cash Flow
- Mutual can document that the specific criteria described for the individual Compensating Factor has been met.

Eligible Non-Borrowing Spouse Income

Mutual must document residual income from an Eligible Non-Borrowing Spouse according to all expenses and income requirements in this guide

Overtime, Seasonal, Part-time or Bonus Income

Mutual must document overtime, bonus, part-time, or seasonal income that the borrower has received for at least the most recent 6 months and is likely to continue (normal income documentation required including VOE)

Expected SSI or Pension Income

The borrower has received an award letter stating that the borrower will begin receiving pension or social security income within the next 12 months from loan closing. The award letter must confirm the exact monthly income and start date.

Imputed Income from HECM Proceeds (Effective 12/1/2023)

An increase in monthly income would result from dissipating available HECM proceeds remaining after closing (based on the available principal limit which includes deductions for Repairs, Life Expectancy and Servicing Set-

aside's and disbursements for Mandatory Obligations). If dissipating HECM proceeds on a fixed rate product, only the funds available to the borrower at closing may be dissipated. Mutual will allow imputed income from the dissipation of HECM proceeds as a sole source of income to meet the financial assessment residual income requirement, as long as:

- No other Compensating Factors – Residual Income Shortfall (Revised May 2024) are being used.
- They pass the Financial Assessment (Revised June 2026) for credit and property charges without using Extenuating Circumstances.

Compensating Factors – Other Resources (Pre-Qualifier Required)

The following Compensating Factors may **ONLY** be used when the borrowers' residual income is 80-99% of the applicable amount for his or her family size and geographic region on the Residual Income/Cash Flow. Imputed income from the HECM cannot be used to help meet the 80%. Mutual must be able to document that the specific criteria described for the individual Compensating Factor has been met.

Property Charge Payment History

The borrower must meet all the following:

- Borrower has paid his or her own property charges directly for at least the last 24 months (i.e., they were not paid by a mortgagee from an escrow account or by another party)
- Borrower meets the standard in Property Charge History for an acceptable property charge history
- Borrower's current income is not less than income during the previous 24months

Assets Equal to Life Expectancy Property Charges

Borrower has assets (excluding HECM proceeds) equivalent to the anticipated property charge payments for the life expectancy of the borrower that were not dissipated or considered in the residual income calculation.

HECM Sufficient to Pay Off Debts

HECM proceeds remaining after closing (based on original principal limit less required Repair, Life Expectancy and Servicing Set-Asides and disbursements for Mandatory Obligations) that were not dissipated and counted as income, are sufficient to pay off revolving and installment debt, including revolving and installment accounts in collection, that would reduce monthly payments to the extent that residual income would meet or exceed the applicable standard for his or her family size and geographic region on the Residual Income/Cash Flow.

Access to Other Credit

The borrower must meet all the following:

- The Borrower's housing payment for the Property to secure the HECM is the only open account with an outstanding balance that is not paid off monthly;
- The borrower has access to revolving credit that provide the borrower with financial liquidity that would enhance his or her ability to endure a financial crisis/hardship.
- The credit report shows established credit lines, other than his or her housing payment, that are in the borrower's name
- The credit has been open for at least six months
- The borrower can document that these accounts have been paid off in full monthly for at least the past 6 months

➢ ***Note**: Borrowers who do not have any established credit other than their housing payment, nor other credit lines in their own name open for at least 6 months, or who cannot document that all other accounts are paid off in full monthly for at least 6 months, do not qualify under this criterion. Borrowers with credit lines in which they are Authorized User's do not qualify under this criterion.*

7.53 Life Expectancy Set-Aside (L.E.S.A.)

Where Mutual determines that the borrower(s) has demonstrated the willingness and the capacity to meet his or her property charge obligations and the borrower meets the required residual income requirement, a Life

Expectancy Set-Aside is not required. Where Mutual determines that the borrower(s) has not demonstrated the willingness and/or the capacity to meet his or her property charge obligations and / or the borrower does not meet the residual income requirement, a Life Expectancy Set-Aside is required.

A Life Expectancy Set-Aside (LESA) is an amount withheld from the mortgage proceeds for the payment of property charges (property taxes & insurance) during the lesser of the following:

- The projected life of the borrower
- The reserve is depleted

The holdback of property charges includes funds for homeowner's insurance, flood insurance (if applicable) and property taxes. If the property is later assessed for supplemental taxes, the payment of these taxes will be the responsibility of the borrower.

If the borrower wishes to have the supplemental taxes paid from their LESA account, they will need to contact their servicer. The LESA does not include homeowners' association (HOA) dues. The need for a Life Expectancy Set-Aside, the funding amount of the Life Expectancy Set-Aside, and the structure of the Life Expectancy Set Aside, are based on the results of the financial assessment of the borrower.

When a LESA is required but the HECM proceeds are insufficient to cover the amount of the LESA, the borrower may bring in their own documented/verified/seasoned funds to reduce the mandatory obligations which will then allow for sufficient HECM proceeds to cover the LESA withholding.

7.54 Types of Life Expectancy Set-Asides (L.E.S.A.)

Fully Funded Life Expectancy Set-Aside

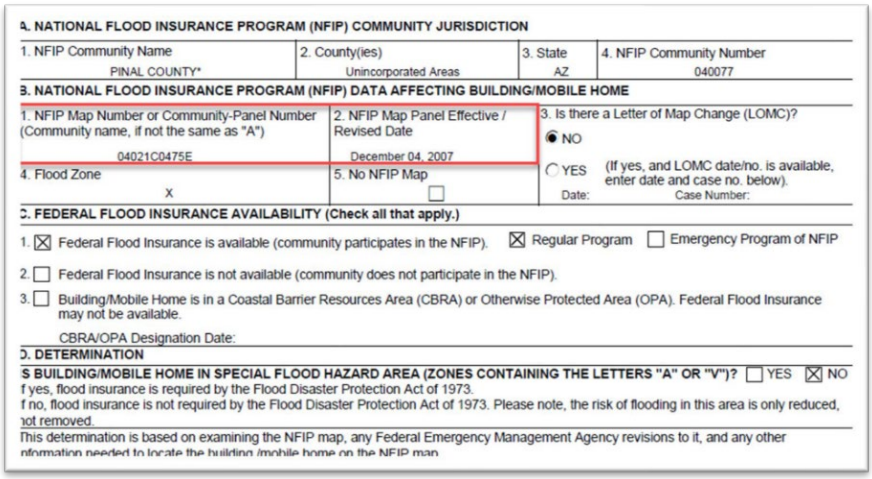
Where Mutual determines that the borrower has not demonstrated the willingness to meet his or her financial obligations even where residual income is sufficient, or where the borrower has not demonstrated the willingness and capacity to meet his or her financial obligations, the Life Expectancy Set-Aside must be fully funded.

➢ ***Note**: When a fully funded LESA applies, taxes and insurance can be deducted from expenses*

The mortgagee will use HECM proceeds to pay property taxes and insurance premiums on behalf of the borrower for a length of time equal to the projected life expectancy of the borrower. The borrower is responsible for all other property charges including HOA dues during this time. When a LESA is required on a H4P we must use 1.25% of the purchase price for property taxes unless title is able to confirm the first year of property taxes.

7.55 Flood Certification

A Flood Certificate is required on every loan submitted to Mutual for underwriting. All Flood Certificates should have the National Flood Insurance Program (NFIP) map number and date completed. All Flood Certificates are good for the life of the loan:



A. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) COMMUNITY JURISDICTION

1. NFIP Community Name	2. County(ies)	3. State	4. NFIP Community Number
PINAL COUNTY*	Unincorporated Areas	AZ	040077

B. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING BUILDING/MOBILE HOME

1. NFIP Map Number or Community-Panel Number (Community name, if not the same as "A")	2. NFIP Map Panel Effective / Revised Date	3. Is there a Letter of Map Change (LOMC)?
04021C0475E	December 04, 2007	◉ NO ○ YES (If yes, and LOMC date/no. is available, enter date and case no. below). Date: Case Number:
4. Flood Zone: X	5. No NFIP Map: ☐	

C. FEDERAL FLOOD INSURANCE AVAILABILITY (Check all that apply.)

1. ☒ Federal Flood Insurance is available (community participates in the NFIP). ☒ Regular Program ☐ Emergency Program of NFIP
2. ☐ Federal Flood Insurance is not available (community does not participate in the NFIP).
3. ☐ Building/Mobile Home is in a Coastal Barrier Resources Area (CBRA) or Otherwise Protected Area (OPA). Federal Flood Insurance may not be available.

CBRA/OPA Designation Date:

D. DETERMINATION

S BUILDING/MOBILE HOME IN SPECIAL FLOOD HAZARD AREA (ZONES CONTAINING THE LETTERS "A" OR "V")? ☐ YES ☒ NO

f yes, flood insurance is required by the Flood Disaster Protection Act of 1973.
f no, flood insurance is not required by the Flood Disaster Protection Act of 1973. Please note, the risk of flooding in this area is only reduced, ot removed.
This determination is based on examining the NFIP map, any Federal Emergency Management Agency revisions to it, and any other nformation needed to locate the building /mobile home on the NFIP map

When an area has not been mapped, or if NFIP is not available, the following chart may be used to verify if a property is eligible:

Mapping Refer to box 1, 2 or 5	Flood Zone Refer to box 4	NFIP Participation Refer to boxes C1 & C2	Eligible Property?
Mapped	In a flood zone	NFIP Available	Eligible
Mapped	In a flood zone	NFIP Not Available	Ineligible
Mapped	Not in a flood zone	NFIP Not Available	Eligible
Not Mapped	Undetermined	NFIP Available	Lender Discretion
Not Mapped	Undetermined	NFIP Not Available	**Manufactured:** Ineligible **Stick-built:** Lender Discretion

The Underwriter will review the flood zone and flood insurance availability sections on every flood certificate. If the property is located within a SFHA and the National Insurance Program (NFIP) is not available within the community, the property is not eligible.

If the chart above indicates "Lender Discretion" the underwriter will review the area for local bodies of water, annual rain fall, last flood, and availability of NFIP coverage to determine if the property is eligible.

Flood certification must not be expired as of funding date and should reflect Mutual of Omaha Mortgage as the Lender if the closing will be in our name. If property is in a special flood hazard area, indicated by Flood Zones containing the following designations: A, AO, AH, A1-30, AE, A99, VO or V1-30, VE or V, these zones require flood insurance.

- ***Note**: Properties within zones B and C do NOT require flood insurance. Flood Insurance (Revised April 2026)*

7.56 Hazard Insurance *(Revised Oct. 2026)*

Each submission package must include proof of insurance. The policy must be effective at time of signing and be in effect for 45 days past the funding date or a renewal policy will be required. The policy must be paid at least 45 days past funding. If the loan is closing in the name of Mutual, all declaration pages must contain the following mortgagee clause prior to closing:

Mutual of Omaha Mortgage Servicing, Inc. ISAOA
PO BOX 39457
Solon, OH 44139

All declarations pages must include evidence of payment status. Property insurance for a home mortgage must show the property is protected against loss or damage from fire and other perils covered by the standard extended coverage endorsement. Hazard binders that limit or exclude coverage, in whole or in part, from windstorm are not acceptable unless additional insurance policy that provides coverage over wind.

General Coverage Requirements

The policy must reflect:

- All borrower names (NBS/NBO names acceptable to reflect on policy)
- Correct property address (must match loan file documents)
- Effective date and Expiration date should cover 12 months and must have 45 days remaining after funding
- Dwelling coverage amounts
- Deductible
- Annual premium
- Mortgagee clause
- Loan Number

The hazard insurance dwelling coverage must be greater than or equal to the lesser of one of the following replacement amounts:

- Maximum Claim of the HECM loan
- Total Estimate of Cost New
- Appraised Value minus the Site Value
- Replacement cost estimator (RCE) provided by insurance agent.
    - Must list property address
    - Dwelling coverage must be greater than or equal to the estimated replacement cost

➢ ***Note**: Actual Cash Value policies (ACV) or Comprehensive Personal Liability only policies are not permitted.*

Deductible

Unless a higher maximum deductible amount is required by state law, the maximum allowable deductible is 5% of the face amount of the insurance policy.

Additional Requirements for Condo & PUD master policies:

The policy must cover all the general and limited common elements that are normally included in coverage including fixtures, building service equipment, and common personal property and supplies belonging to the homeowner's association.

Commercial and general liability coverage for condominiums must be at least $1 million for bodily injury and property damage per single occurrence. Condominiums and Co-ops (Revised July 2025)

7.57 Flood Insurance *(Revised April 2026)*

Property Analysis and Eligibility

To be eligible for FHA insurance, a Property located in an SFHA must be in a community that participates in the National Flood Insurance Program (NFIP) and has NFIP available, regardless of whether the Borrower obtains NFIP coverage.

<u>Requirements:</u>

- Life of Loan Flood Certification for all Properties.
- If applicable:
    - FEMA Letter of Map Amendment (LOMA);
    - FEMA Letter of Map Revision (LOMR); or
    - FEMA NFIP Elevation Certificate (FEMA Form 086-0- 33); and
    - A copy of the certificate of Flood Insurance, or, if required, a complete copy of the Flood Insurance policy.

<u>Eligible Properties:</u>

- Existing Construction in SFHA:
    - Flood insurance must be obtained.
- Condominiums in SFHA:
    - Association must have Flood Insurance on buildings located within the SFHA;
    - The coverage must protect the interest of the Borrowers who hold title to an individual unit; and
    - The coverage must protect the interest of the common areas of the Project.
- Manufactured Housing in SFHA:
    - The finished grade level beneath the MH must be at or above the 100-year return frequency flood elevation.
    - If any portion of the dwelling and related Structures or equipment essential to the value of the Property for both new and existing MH is located within an SFHA and subject to flood damage, the Property is ineligible for FHA unless the Mortgagee obtains:
        - FEMA issued LOMA or LOMR that removes the Property from the SFHA; or

        - FEMA NFIP Elevation Certificate (FEMA Form 086-0-33) showing that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation, and
            - Flood Insurance is obtained.

Ineligible Properties:

- Properties located within a flood zone and National Flood Insurance Program (NFIP) insurance is unavailable, or
- Properties improvements, or proposed to be, are located within Coastal Barrier Resources System (CBRS)

General Special Flood Hazard Areas Coverage Requirements

Flood Insurance Requirements:

- The policy must be effective at time of signing and be good through 45 days past the signing date or the renewal will be required.
- The amount of flood insurance coverage must be at least equal to the lowest of the following:
    - 100% of the replacement cost of the insurable value of the improvements (excluding land); or
    - The maximum amount of NFIP insurance available for the property type
        - $250,000 for 1-4 unit residential properties
- Deductibles must be reasonable and may not exceed the lesser of $10,000 or 5% of the coverage amount, unless a higher amount is required by state law.

Private Flood Insurance (PFI) Requirements:

- If the Borrower purchases a PFI policy in lieu of an NFIP policy, the PFI policy must meet the following criteria:
    - The insurance company must be licensed, admitted, or otherwise approved to engage in the business of insurance in the State or jurisdiction in which the Property to be insured is located, by the insurance regulator of the State or jurisdiction;
    - Flood Insurance coverage that meets the standard NFIP Flood Insurance coverage requirements;
    - Includes deductibles that are no higher than the specified maximum, and includes similar non-applicability provisions, as a NFIP policy;
    - Includes requirement for the insurer to provide written notice 45 days before cancellation or non-renewal of Flood Insurance coverage to the Borrower, or the non-Borrowing spouse where applicable, and the Mortgagee.
        - In cases where the Mortgagee has assigned the loan to HUD, the insurer must provide notice to HUD and the Borrower or the non-borrowing spouse where applicable.
    - Includes information about the availability of Flood Insurance coverage under the NFIP;
    - Includes a mortgagee clause similar to the clause contained in a NFIP policy;
    - Includes a provision requiring the Borrower to file suit no later than one year after the date of a written denial for all or part of a claim under the policy; and
    - Contains cancellation provisions that are as restrictive as the provisions contained in a NFIP policy.

PFI Policy Compliance Aid:

- Mortgagees should note not all Private Flood Insurance policies permitted under the Biggert-Waters Act meet FHA requirements. HUD has established a unique compliance aid for Private Flood Insurance policies to reflect FHA requirements and legal authority.
    - The Private Flood Insurance (PFI) Policy Compliance Aid is defined as the statement: “This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for FHA-insured mortgages.”
- The PFI Policy Compliance Aid may be made by the insurance provider, attesting that a PFI policy meets the requirements of Flood Insurance in 4235.1 Chapter 3-4H-.; or
- The Mortgagee may rely on the PFI Policy Compliance Aid to determine whether a PFI policy meets the Flood Insurance requirements.; and
- A Mortgagee may not reject a policy solely because it is not accompanied by a PFI Policy Compliance Aid.

NFIP or Private Flood policy must reflect:

- All borrower names (NBS names acceptable to reflect on policy)
- Correct property address (must match loan file documents)
- Effective date and Expiration date (must have 45 days remaining after signing)
- Dwelling coverage amounts
- Deductible
- Annual premium
- Mortgagee clause
- Loan Number

For properties in Flood Zones A, AO, AH, A1-30, AE, A99, VO or V1-30, VE or V:

- If the Borrowers do not currently have flood insurance, a new policy must be obtained.
- The disclosure entitled "Notice to a Borrower in a Special Flood Hazard Zone" must be signed & dated by the Borrower at least ten days prior to loan closing.
- Adequate proof of insurance is required before the loan is cleared to close.
- The Borrower must provide a copy of the declarations page showing the appropriate insurance coverage.

If the loan is closing in the name of Mutual, the mortgagee clause must reflect the following loss payee endorsement and the loan number:

Mutual of Omaha Mortgage Servicing, Inc. ISAOA
PO BOX 39457
Solon, OH 44139

See chart below for additional info regarding special circumstances:

	New / Proposed Construction	Existing Construction	Manufactured Homes	Condo Projects	All Other Properties
Life-of-Loan flood zone determination certificate	Required	Required	Required	Required	Required
Property within Coastal Barrier Resource System (protected areas)	Ineligible for FHA insurance	Ineligible for FHA insurance	Ineligible for FHA insurance	Ineligible for FHA insurance	Ineligible for FHA insurance
Property within Special Flood Hazard Areas (SFHA)	Ineligible for FHA insurance	Adequate flood insurance for term of loan. If National Flood Insurance Program (NFIP) insurance is not available, property is ineligible.	Ineligible for FHA insurance	Adequate flood insurance for term of loan. If National Flood Insurance Program (NFIP) insurance is not available, property is ineligible.	Adequate flood insurance for term of loan. If National Flood Insurance Program (NFIP) insurance is not available, property is ineligible.
Exceptions	**New / Proposed Construction**	**Existing Construction**	**Manufactured Homes**	**Condo Projects**	**All Other Properties**
Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR)	Property is eligible for FHA insurance. No flood insurance required	No flood insurance required.	Property is eligible for FHA insurance. No flood insurance required.	No flood insurance required.	No flood insurance required.
FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 81-31) indicating property is above Base Flood Elevation.	Property is eligible for FHA insurance. Flood insurance is required if property is in SFHA.	Flood insurance is required if property is in SFHA.	Loan is ineligible. Urban does not lend on Manufactured Homes in a flood zone.	Flood insurance is required if property is in SFHA.	Flood insurance is required if property is in SFHA.

- ***Note**: It is acceptable for New Construction to be in a flood zone if we can be provided with an Elevation Cert that confirms the lowest portion of the structure, including basement (if applicable) is above the 100-year flood plain.*

Servicing Requirements

Requirements:

- The Mortgagee must review all Properties annually to determine if the Property is:
  - Still located within a Special Flood Hazard Area (SFHA); or
  - Was located in an area that is no longer designated as an SFHA; or
  - Is now located in an SFHA due to FEMA's flood zone rezoning.
- For Properties located within an SFHA, that are required to carry Flood Insurance, the Mortgagee must:
  - Ensure flood insurance is in force for the life of the Mortgage; and
    - Review annually that the Property carries sufficient Flood Insurance.
  - Flood Insurance must be an amount at least equal to the lesser of:

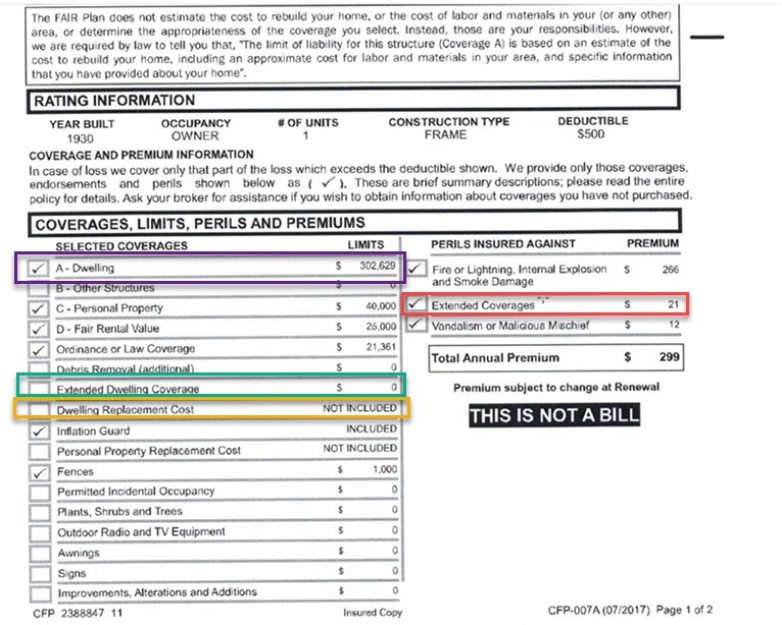
- 100% of the replacement cost of the insurable value of the property improvements at the time of closing;
- The maximum amount of the NFIP insurance available with respect to the property improvements; or
- The outstanding MCA of the HECM.
    - Where the outstanding MCA of the Mortgage is used to determine the amount of Flood Insurance coverage, Flood Insurance must be adjusted each renewal cycle to cover an amount at least equal to the outstanding MCA at the end of the insurance coverage period.

7.58 CA Fair Plan Insurance

FAIR Plan is a critical insurance option for California residents. While created by the Governor and Legislature, the FAIR Plan is a private association whose day-to-day operations are controlled by insurance companies, not taxpayers. For more information, visit: CA Fair Plan**.** Mutual does accept CA Fair Plan (CFP), and in doing so requires the following to be met:

- Must Be Checked:
    - Box A – Dwelling
    - Extended Dwelling Coverage OR Dwelling Replacement Cost
- Required:
    - Supplemental Policy / Addendum including all coverages and any restrictions or exclusions
    - If Extended Coverage is marked, provide the supplemental reflecting what is covered

See example below:



The FAIR Plan does not estimate the cost to rebuild your home, or the cost of labor and materials in your (or any other) area, or determine the appropriateness of the coverage you select. Instead, those are your responsibilities. However, we are required by law to tell you that, "The limit of liability for this structure (Coverage A) is based on an estimate of the cost to rebuild your home, including an approximate cost for labor and materials in your area, and specific information that you have provided about your home".

RATING INFORMATION

YEAR BUILT	OCCUPANCY	# OF UNITS	CONSTRUCTION TYPE	DEDUCTIBLE
1930	OWNER	1	FRAME	$500

COVERAGE AND PREMIUM INFORMATION

In case of loss we cover only that part of the loss which exceeds the deductible shown. We provide only those coverages, endorsements and perils shown below as (✓). These are brief summary descriptions; please read the entire policy for details. Ask your broker for assistance if you wish to obtain information about coverages you have not purchased.

COVERAGES, LIMITS, PERILS AND PREMIUMS

SELECTED COVERAGES	LIMITS
✓ A - Dwelling	$ 302,629
B - Other Structures	$ 0
✓ C - Personal Property	$ 40,000
✓ D - Fair Rental Value	$ 26,000
✓ Ordinance or Law Coverage	$ 21,361
Debris Removal (additional)	$ 0
Extended Dwelling Coverage	$ 0
Dwelling Replacement Cost	NOT INCLUDED
✓ Inflation Guard	INCLUDED
Personal Property Replacement Cost	NOT INCLUDED
✓ Fences	$ 1,000
Permitted Incidental Occupancy	$ 0
Plants, Shrubs and Trees	$ 0
Outdoor Radio and TV Equipment	$ 0
Awnings	$ 0
Signs	$ 0
Improvements, Alterations and Additions	$ 0

PERILS INSURED AGAINST	PREMIUM
✓ Fire or Lightning, Internal Explosion and Smoke Damage	$ 266
✓ Extended Coverages	$ 21
✓ Vandalism or Malicious Mischief	$ 12
Total Annual Premium	**$ 299**

Premium subject to change at Renewal

THIS IS NOT A BILL

CFP 2388847 11 Insured Copy

CFP-007A (07/2017) Page 1 of 2

7.59 Seasoning Requirements for Non-HECM Liens *(Revised Oct. 2026)*

Mutual may only permit the payoff of existing non-HECM liens using HECM proceeds if the liens have been in place longer than 12 months or resulted in less than $500 cash to the borrower.

There are exceptions to this rule for borrowers who have taken out a home equity line of credit (HELOC) in the 12 months prior to the closing date.

- ***Note**: 12 months is calculated from the closing date of the non-HECM lien to the closing date of the current HECM. Closing date refers to the date the closing documents are signed by the borrower(s). The closing date of the non-HECM lien can be determined by reviewing the final settlement statement or the date the deed of trust was executed by the borrower(s).*

For Non-HECM Liens in place for MORE than 12 months

Mutual may document the age of the non-HECM lien by using the final HUD-1 or final Closing Disclosure, title report, or credit report. The seasoning requirement is satisfied if the lien has been in place for more than 12 months regardless of any draws within the most recent 12 months.

For Non-HECM liens in place for 12 months or less

Mutual must verify and document that cash to the borrower was less than $500, whether at closing or through cumulative draws using the Final Signed HUD-1 or final Closing Disclosure from the transaction. There are no exceptions to requiring the HUD-1/Closing Disclosure documentation. If the borrower did receive more than $500 cash at closing, the current HECM may not close (docs may not be generated) until the full 12 months has elapsed.

For HELOCs in place for 12 months or less

HELOCs that do not meet the seasoning requirement may be paid off at closing with HECM proceeds, borrower funds, or a combination of both, provided the Initial Disbursement Limit or Borrower's Advance does not exceed 60% of the Principal Limit.

If available HECM proceeds are insufficient to satisfy the HELOC payoff, the borrower may bring verified funds to closing to cover the difference. A paydown prior to Clear to Close is not required.

Unseasoned HELOC payoffs are not considered Mandatory Obligations for purposes of exceeding the 60% disbursement limitation.

7.60 Multiple FHA Loans *(Revised April 2026)*

Any borrower applying for a HECM loan and currently has an FHA-insured forward loan on a different property (not the subject property) must qualify under ONE of the following exceptions to be eligible for a second FHA-insured loan.

- If the borrower is vacating a residence that will remain occupied by a co-borrower in a situation such as divorce, the borrower is permitted to obtain another FHA-insured mortgage. Documentation will be required to support this exception.
- The borrower is a non-occupying co-borrower on a property purchased with an FHA-insured mortgage.

The property must be the principal residence of another family member, but the borrower may have a joint interest in that property and still maintain their own principal residence secured by an FHA-insured mortgage. (See HUD Handbook 4000.1 for additional information).

One of the following is required to document this exception:

- Copy of Final signed 1003's showing borrower was the non-occupying co-borrower for another's principal residence. The non-occupying borrower's copy is required and must reference the case number.
- Signed letter from the current servicer of the existing FHA-insured mortgage confirming that the borrower was a non-occupying co-borrower (letter must show case number, address, etc.)

In all other cases, the borrower must either pay off the FHA-insured mortgage on the previous residence or terminate ownership of that property before financing another FHA-insured mortgage.

IMPORTANT: A borrower may **NEVER** have two HECM mortgages at the same time.

7.61 Mandatory Obligations *(Revised April 2024)*

Mandatory Obligations are fees and charges related to the origination of the HECM. They include the amounts required to discharge any existing liens on the property that are paid at loan closing.

Per HUD's Final Rule, §206.25, issued January 19, 2017, the following may be considered mandatory obligations for traditional & refinance transactions:

- Initial MIP under §206.105(a)
- Loan origination fee
- HECM counseling fee
- Reasonable & customary amounts, but not more than the amount actually paid by the mortgagee for any of the following items:
    - Recording fees & recording taxes, or other charges incident to the recordation of the insured mortgage
    - Credit report
    - Survey, if required by the mortgagee or borrower
    - Title examination
    - Mortgagee's title insurance
    - Fees paid to an appraiser for the initial appraisal of the property
    - Flood certifications
    - Repair Set Asides
    - Repair administration fee
    - Delinquent Federal debt
    - Amounts required to discharge any existing liens on the property
    - Customary fees & charges for warranties, inspections, surveys & engineering certifications
    - Funds to pay contractors who performed repairs as a condition of closing in accordance with standard FHA requirements for repairs required by the appraiser
    - Property tax, HOA, flood & hazard insurance payments required by the mortgagee to be paid at closing
        - PACE/HERO assessments on title are required to be paid off at time of closing.
    - Property charges not included in paragraph (b)(11) of this section, and which are scheduled for payment during the first 12-month disbursement period of the loan (see §206 (25) (2) (iii) (b) (12).)
    - Required pay-off debt not secured by the property, as defined by the Commissioner through Federal Register notice*
    - Other charges as authorized by the Commissioner through notice

Mandatory obligations for HECM for purchase transactions include all the above as well as the following:

- Fees & charges for real estate purchase contracts, warranties, inspections, surveys & engineer certifications
- The amount of the principal that is advanced towards the purchase price of the subject property

Disbursements at loan closing and within 12 months of closing, when applicable, cannot exceed the greater of:

- 60% of the principal limit
- Mandatory obligations plus 10% of the principal limit

➢ ***Note****: Settlement agreements to an ex-spouse per the divorce decree or between family members as part of an inheritance MAY be considered a mandatory obligation if the filed court order specifies an amount that must be satisfied through the refinance of the property. The underwriter will review the filed agreement and make the final determination. If there is not a court order or lien on title, then this cannot be considered a mandatory obligation.*

Obligations Not Considered Debt include:

- medical collections;
- automatic deductions from savings, when not associated with another type of obligation;
- retirement contributions, such as 401(k) accounts;
- collateralized loans secured by depository accounts;
- childcare;
- commuting costs;
- union dues;

- insurance, other than property insurance;
- open accounts with zero balances; and
- voluntary deductions, when not associated with another type of obligation.

7.62 Preliminary Title Commitment *(Revised October 2025)*

Each submission package must include a preliminary title commitment. Mutual may approve one or more title providers.

1) Premier Reverse Closings orders may be placed via their website.
2) TIMIOS Title which is ordered through Encompass.

Required Information

Prior to loan approval, Mutual requires a title commitment that includes the following information:

- **Date of Issue**: The Date of Issue must not be older than 120 days at the time of closing.
- **Correct Proposed Insurance amount**: The minimum amount of title insurance coverage required is the maximum claim amount.
- **Correct Proposed Insured & Closing Protection Letter**: If closing in our name, the proposed insured and mortgagee clause should read as: **Mutual of Omaha Mortgage, Inc. ISAOA 3131 Camino Del Rio N, Ste 1100 San Diego, CA 92108**
- **Property Type**: Must show Fee Simple, Life Estate, or Leasehold etc.
- **Correct Vesting**:
    - A mortgagor is not required to be a borrower; however, any borrower is required to be on title to the property which serves as collateral for the HECM (§206.35, Federal Register, Vol. 82, No. 12, Final Rule)
    - Copy of most recent Warranty Deed/Quit Claim/Grant Deed may need to be provided by title to ensure the current vesting of subject property. Vesting
- **Property Address**: Must match appraisal, flood cert, hazard/flood insurance, counseling cert, USPS, and case assignment/appraisal logging
- **Legal Description of the Property**:
    - The legal description must match the legal description on the Appraisal.
    - "Undivided Interest" is not acceptable for FHA insurance for SFRs (not applicable for Condos)
    - Deed restrictions other than 55+ communities are not acceptable
- **Tax Search**: Tax Certificate must be current and indicate correct name/address. If the borrower(s) currently have a property tax deferral through the local taxing authority, refer to section 7.30 Property Charge History for deferral requirements.
- **Outstanding Mortgages, Liens & Judgments**: All liens on title must be paid off or satisfactory Subordination Agreements must be provided. Subordination
- **24 Month Chain of Title**: Recent vesting and/or ownership changes may require explanation and occupancy documentation. HECM for purchase loans do not allow transfers of the subject property in the 90 days prior to the date of the purchase contract.

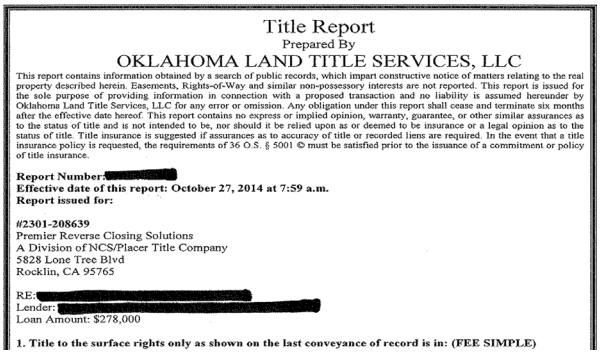
Insuring Over Liens

Mutual requires all liens on title to be paid in full or otherwise satisfied or subordinated and the HECM to be in first lien position. If a lien cannot be satisfied, released, or subordinated and title chooses to "insure over" the lien by removing it from the commitment and final title policy, Mutual requires evidence that the title company has performed due diligence to ensure the lien has been paid in full previously but not released and is subject to review and approval from Underwriting.

Oklahoma Title

Oklahoma is an abstract state where title companies require the borrowers to obtain their title abstract and arrange for an attorney to review it before the title company provides a Title Commitment. Some title companies may provide a "Title Report" in lieu of the Title Commitment. However, this **does not** provide the same lender coverage as a title insurance policy. Mutual requires a Title Commitment in each Oklahoma loan file prior to closing.

The "Title Report" form (example below) is NOT allowable:



Title Report
Prepared By
OKLAHOMA LAND TITLE SERVICES, LLC

This report contains information obtained by a search of public records, which impart constructive notice of matters relating to the real property described herein. Easements, Rights-of-Way and similar non-possessory interests are not reported. This report is issued for the sole purpose of providing information in connection with a proposed transaction and no liability is assumed hereunder by Oklahoma Land Title Services, LLC for any error or omission. Any obligation under this report shall cease and terminate six months after the effective date hereof. This report contains no express or implied opinion, warranty, guarantee, or other similar assurances as to the status of title and is not intended to be, nor should it be relied upon as or deemed to be insurance or a legal opinion as to the status of title. Title insurance is suggested if assurances as to accuracy of title or recorded liens are required. In the event that a title insurance policy is requested, the requirements of 36 O.S. § 5001 © must be satisfied prior to the issuance of a commitment or policy of title insurance.

Report Number: [redacted]
Effective date of this report: October 27, 2014 at 7:59 a.m.
Report issued for:

#2301-208639
Premier Reverse Closing Solutions
A Division of NCS/Placer Title Company
5828 Lone Tree Blvd
Rocklin, CA 95765

RE: [redacted]
Lender: [redacted]
Loan Amount: $278,000

1. Title to the surface rights only as shown on the last conveyance of record is in: (FEE SIMPLE)

Oil and Mineral Rights

Mutual may allow outstanding oil, water or mineral rights, or damage caused by the exercise of such rights. Damage is typically covered under the actual recorded oil or mineral lease, or else the title company insures against it. (Any noticeable damage will be required to be repaired) (No visible drilling may be apparent). Mutual may allow oil and mineral leases if they are common for the area and are customarily waived by prudent leading institutions and leading attorneys within the community without causing the property to be uninsurable by FHA.

Undivided Interest

Shared lots with undivided interest, i.e., properties with legal descriptions that read "an undivided 1/2 (or 1/3,) interest in and to lot....." are NOT eligible for mortgage insurance. If requested to complete an appraisal on a property with this kind of legal description, the appraiser should REJECT the property as the lot is not considered a Fee Simple entity. The lender should be notified of this rejection as soon as it is determined by the appraiser. Condos are exempt from this rule, and they will typically show an undivided interest in their legal description. PUDs may show an undivided interest, but this is only acceptable if it applies to the common area, not the lot on which the property sits. If clarification of the legal description is needed to determine this, please reach out to the title company.

Vested in a Business/Corporation at Application

For this type of vesting to be acceptable, the borrower must provide documented proof that they are 100% owner of the company. If acceptable, Mutual will require the borrower to deed the property out of the business and transfer it to themselves as individuals at close. If borrower(s) are not 100% owner, the loan is not acceptable and will be denied.

Title Seasoning

There is no seasoning requirement other than at least one borrower must be on title at the time of application. For recent transfers into borrower's name prior to application, occupancy documentation will be required. Occupancy Issues

HERO/PACE Program

Due to recent discussions with HUD, the following changes to the California HERO/PACE program have been made effective immediately:

- Properties that have participated in the PACE/HERO Program will have a tax assessment on title
- The assessment will be in the first lien position
- The assessment/lien must be paid at closing and CANNOT be subordinated
- Underwriter is required to verify any notice of assessment and/or notices on title to ensure they are not part of a PACE/HERO assessment
- PACE/HERO assessments on title are required to be paid off at time of closing.

MV Realty and Similar "Homeowner Benefit Agreement" Programs

Certain companies offer homeowners small upfront cash payments, typically between $300 and $5,000 in exchange for signing a long-term contract known as a Homeowner Benefit Agreement (HBA). Under these agreements, the homeowner grants the company the exclusive right to act as their listing agent if the property is sold during the term of the agreement.

In exchange for the payment, the homeowner becomes contractually obligated to use that company as their agent in any future sale or transfer of the property. If the homeowner sells, refinances, or otherwise conveys the property without using that company, the agreement may require the homeowner (or their successors) to pay a penalty fee, often around 3% of the home's value.

These agreements are recorded and run with title as a Memorandum of Agreement, Notice of Homeowner Benefit Agreement, or similar instruments. The recording serves as a lien-like encumbrance against the property and can create a cloud on title that must be cleared prior to closing.

Mutual must address these agreements as follows:

- The agreement must be obtained and reviewed by Underwriting
- If the homeowner borrowed $500 or less, payoff may be included in loan proceeds with lender approval.
- Payoff may be permitted only after all reasonable efforts to obtain a release without payment have been made and documented.
    - If negotiations fail, the matter may be escalated for senior management review to determine if payoff from loan proceeds is acceptable.
- The borrower must acknowledge and agree to the payoff prior to closing.

➢ ***Note**: as of 12/5/2025, MV Realty has been ordered to void all contracts with Idaho Homeowners regardless of the date the contract was executed. Please be sure to work with title to have the lien removed without the borrower making any payment.*

7.63 Vesting *(Revised February 2024)*

Vesting should be fee simple and must include all borrowers. At least one borrower must be a vested owner of the subject property at the time of application. Per HUD's Final Rule, a mortgagor is not required to be a borrower; however, any borrower is required to be on title to the property which serves as collateral for the HECM and is therefore, by definition, also a mortgagor.

If a party is being removed from title at closing, a copy of the deed to be executed at closing will be required prior to closing to verify how final vesting will read.

Names must appear on the FHA case assignment exactly as they will be vested on the final deed at closing. Refer to sections Trusts (Revised March 2025), Life Estates (Revised December 2023), Death Certificates, and Non-Borrowing Spouses (Eligible and Ineligible) (Revised August 2025) for vesting and processing requirements.

Non-borrowing Owners

Any party that is, or will be, vested on title but will not be a borrower is required to provide the following:

- Set up accordingly in RV or QR
- Certificate of Non-borrowing mortgagor disclosure
- Letter of explanation from borrower confirming the physical residence address of the non-borrowing mortgagor
    - IDs of the non-borrower mortgagor is not required, but we do need to document their address of residence. The address of their current residence will be listed on certain documents at closing.
- Non-borrowing mortgagor screen to be updated with physical address accordingly
    - If the non-borrowing mortgagor is truly living with the borrower(s), we must verify that the occupancy count for FA purpose is accurate in RV or QR and on the 1009.

7.64 Surveys

Mutual requires survey coverage on all loans. In most states, the title company will automatically provide survey coverage without a survey. Typically, borrowers in Texas, Florida, and New Mexico will need additional documentation to ensure that the survey coverage is extended and acceptable.

Texas:
Title will be required to confirm on a supplement or directly on the title commitment that they have reviewed the survey and that they will issue the T-19 endorsement without any survey related exceptions.

The only exception that is acceptable is if the prelim shows an exception due to "shortages in area."

FL, NM, and OH:
Fully Executed Survey affidavit will be required at closing

7.65 Life Estates *(Revised December 2023)*

A property held in a life estate is eligible for an FHA reverse mortgage. Life Estates are separated by two types:

- Standard (aka Traditional) Life Estate is where the remainderman interest is effective immediately and they are on title. The remainderman must complete counseling, and must execute the following at closing:
  - Deed of Trust and any riders
  - Rescission and Truth in Lending
- Enhanced (aka Ladybird or Testamentary) Life Estate is where the remainderman interest is effective at the death of the owner. Most companies will provide a preliminary title and an explanation as to why the remainderman are not listed on vesting even though the deed (warranty/grant/QCD) shows the life estate. Where the "death deed" is confirmed from title/attorney, and where the remainderman has no other role in the file, the remaindermen is not required to be counseled.

➢ ***Note**: The party or parties holding the remainder or reversionary interest must be an individual and may not be a trust or LLC.*

7.66 Subordination *(Revised Oct. 2026)*

A subordination occurs when an existing lender is taking third position to the HECM loan (behind Mutual and HUD). HUD does not allow a new financial obligation in relation to the reverse mortgage transaction.

Existing liens against the subject property, excluding first mortgage liens, may be subordinated provided they meet the following requirements:

- The borrower must pay the junior lien in full, rather than subordinate that lien, if the proceeds from the HECM are sufficient to cover a payoff of the forward mortgage
- The customer cannot take out a lien to cover a shortfall at closing
- Title must evidence the lien was recorded prior to application.
- The current lender must be willing to subordinate to the third lien position behind the Lender (MoOM) and HUD.
- The borrower may not subordinate a mortgage or deed of trust that is currently in first lien position.
- The borrower may not subordinate a revolving line of credit.
- Mutual may require the borrower to satisfy unpaid or local court-ordered judgments before closing at the underwriter's discretion.
- Liens against the subject property that resulted from outstanding state or local court judgments must be satisfied and removed or subordinated to the HECM first and second liens at closing.
- Federal judgments or debts must be paid in full before closing or have a satisfactory repayment plan w/ evidence of three months of timely payments provided, even if they are not attached to the subject property.

When loans are subordinated, the subordinating lender cannot place any restrictions on the reverse mortgage lender, the investor, Federal Housing Administration (FHA), HUD, or the terms of the mortgage agreement.

Deferred government assistance loans with no required monthly payments may be considered for subordination, subject to Underwriting approval, provided the lienholder agrees to subordinate and the financing is otherwise acceptable under (FHA) HUD guidelines.

Subordination Agreements

Subordination Agreements require underwriter approval prior to closing. Two subordination agreements must be prepared by the current lender evidencing 150% of the maximum claim amount. One subordinates to the us, reverse mortgage lender, and the other subordinates to U.S. Department of Housing and Urban Development (HUD). On the subordination agreement,

- MoOM's name must read: **Mutual of Omaha Mortgage, Inc. ISAOA,** and
- HUD's name must read: **Federal Housing Commissioner.**

The original subordination agreements must be recorded by the current lender or recorded at closing by the title company.

➢ ***Note****: Both agreements must be provided prior to close to ensure they are correct and fully executed.*

7.67 Death Certificates

A certified copy of the death certificate is required if someone with ownership interest in the property and who is named on the title is deceased and needs to be removed from the title. This includes any person named in a trust who is deceased and who is listed as a primary beneficiary of the trust. Each state has different laws about removing deceased persons from title. An affidavit of death may also be required, based on state requirements. The title company must confirm that the deceased party can be removed from title at the closing without probate.

7.68 Solar Leases/ Solar Systems *(Revised April 2026)*

A solar lease is an energy system the borrower does not fully own. It is part of the subject property but is not included in the subject property value.

Property requirements

A conventional heating system must be in place; the heating system cannot rely entirely on solar. If leased, the solar electric system must not be given any value in the appraisal. When a solar system enhances a conventional heating system, or is used for energy efficiency, we require one of the following:

- The borrower may own the solar electric system,
- If the borrower financed the system, it may be paid off through HECM funds at closing,
- If the borrower wants to continue the lease, the underwriter will review the file to ensure that it meets U.S. Department of Housing and Urban Development (HUD) Compliance guidelines.

Solar Lease Requirements

In order to be eligible for a HECM, a home that operates with a leased energy system or PPA (power purchase agreement) must not have any restrictions that prevent the borrower from freely transferring the property. Solar leases are acceptable provided the conveyance (ownership transfer) of the insured property does not cause any of the following:

- The conveyance is voided, or voidable by a third party.
- The lease agreement is the basis of contractual liability of the borrower, including rights of first refusal, pre-emptive rights or options related to a borrowers' efforts to convey.
    - For example, a right of first refusal requires the borrower to give the leasing agent the first right to purchase or refuse the property, which makes the property ineligible.
- The conveyance could result in termination of all or part of the borrower's interest in the property.
- The conveyance is subject to the consent of a third party.
- The conveyance is subject to limits on the number of sales proceeds a borrower can retain because of a lien or sales clause, and so forth
- The lease agreement cannot be considered grounds for accelerating the insured mortgage
- The lease agreement cannot be considered grounds for increasing the interest rate of the insured mortgage.

All solar leases tied to the subject property are subject to attorney review and must be submitted to the underwriter regardless of whether there is a recorded notice of the solar lease / notice of solar contract showing on the prelim.

The following documents are required to be submitted to the underwriter: a copy of the fully executed solar lease, a copy of the recorded notice of solar lease or UCC financing statement as it appears on title (if applicable) and a copy of the preliminary title report. The underwriter will then condition the loan for the processor to obtain written approval by the reviewing attorney:

Mutual requires one of the following vendors for solar lease review and approval:

Jack Miller, Attorney at Law Jack Miller Law, PLLC Email: jack@htxrealestatelaw.com Direct: (281) 231-8969	Jay Resendez, Attorney at Law Email: jay@resendezlegal.com Phone: (916) 945-9619 Fax: (916) 273-3040	Paul N. Lovegrove, Esq. Email: plovegrove@lovegrovelaw.com Direct: (631) 669-4370

- ***Note**: If the borrower chooses this option, the title report must NOT contain Uniform Commercial Code (UCC) filings/liens regarding the solar system. Any reference to a UCC filing /lien must be removed from the final title policy. The title company must confirm in writing that the UCC will not be present in the final policy.*

The attorney will approve the lease based on the following criteria:

- The solar contract filing cannot constitute a lien or encumber real property
- The solar filing cannot take superior lien position to the HECM liens
- Acceptable remedies the solar company may enforce in the event of default

Verification of the above must be present in each loan file by way of attorney approval letter per the above attorney approval requirement.

IMPORTANT: If the solar contract or UCC filing does constitute a lien, encumber real property, or will remain a superior lien to the HECM liens, the borrower is not eligible for a HECM.

Uniform Commercial Code (UCC-1)

A UCC lien is a type of security interest that can be used by creditors to secure their interest in the property of a debtor. A UCC lien is enforceable for five (5) years, and the lien can be continued if it has not been fully paid off during that period.

These types of liens are solely tied to solar equipment in most cases, and must be addressed as follows:

- The UCC financing statement must be terminated using borrower funds prior to closing; or
- The UCC holder temporarily releases the UCC to allow the Mortgagee to close the HECM in first lien position without impairment; or
- UCC holder completes a subordination to 3rd lien position. Such subordination is not required to be recorded at 150% of the Maximum Claim Amount (MCA), as the UCC represents a lien against solar equipment only and not the subject real property.
- If the UCC is tied to financed solar and reflected on the credit report (not a traditional lease or PPA), then it may be included in the payoff at closing.

7.69 Leasehold Estates *(Revised April 2026)*

Leasehold interest refers to real estate where the residential improvements are located on land that is subject to a long-term lease agreement from the underlying fee simple owner, creating a divided estate in the property.

Mutual will accept leasehold interest properties so long as the leasehold agreement is reviewed and approved by our legal counsel.

A copy of the leasehold agreement must be provided, and requirements are as follows.

SFR or PUD properties only

- Lease must be renewable for not less than 99 years, or a lease with the actuarial life expectancy of the borrower.
    - Actuarial Life Expectancy: the remaining lease term must support the duration of the borrower's life.
- Value or replacement of the property shall be the value or replacement cost of the leasehold estate, which shall in all cases be less than the value of replacement cost of the property in fee simple.

➢ ***Note**: Sub-leasehold Estates are not eligible for FHA mortgage insurance.*

7.70 Land Contracts *(Revised March 2024)*

If the borrower(s) will use HECM proceeds to complete payment on a land contract, contract for deed, or other similar type financing agreement in which the borrower(s) do not have title to the property, Mutual will not accept the loan.

The Borrower may use a HECM for Purchase transaction to satisfy an outstanding payment obligation associated with a land contract, contract for deed, or other similar purchase arrangement that will ensure the Property will meet FHA's title requirements. (Refer to Land Contracts (Added March 2024) for additional requirements)

7.71 Non-Borrowing Spouses (Eligible and Ineligible) *(Revised August 2025)*

4000.1 indicates that we must treat non-borrowing spouses as "**ineligible**" or "**eligible**" according to the Federal Housing Administration (FHA) definition. The Principal Limit is based on the age of the youngest borrower or ELIGIBLE non-borrowing spouse.

➢ ***Note**: The PLF factor is NOT impacted by the age of an INELIGIBLE non-borrowing spouse. However, the non-borrowing spouse (eligible or ineligible) MUST still be input in the system as a non-borrowing spouse.*

Non-Borrowing Spouse

A "**spouse**" is defined by the law of the state in which the borrower and spouse reside, or by the "state of celebration" (the state where the marriage took place). Depending on state law, this may include domestic partners and common law spouses. A "**non-borrowing spouse**" is married to the HECM borrower at the time of closing and is NOT also a borrower.

Ineligible Non-Borrowing Spouse (INBS):

A non-borrowing spouse who DOES NOT meet the Qualifying Attribute requirements can be found in guidelines laid out by HUD in the 4000.1 HUD Handbook.

Eligible Non-Borrowing Spouse (ENBS):

A non-borrowing spouse who DOES meet the definition requirements can be found in guidelines laid out by HUD in the 4000.1 HUD Handbook.

Qualifying Attribute Requirements

To be considered as Eligible, the non-borrowing spouse must have:

- Been the borrower's spouse when the loan closed, and throughout the duration of the borrower's lifetime.
- Been properly disclosed to the lender at origination and be named as non-borrowing spouse in the HECM documents.
- Occupied, and continue to occupy, the subject property as a primary residence.

Domestic Partnerships

Domestic partnerships are accepted to treat as a borrower or NBS as a married person if state laws allow. Verification can be completed through the legal department. Mutual must determine eligibility of the non-

borrowing spouse at application, based on the above criteria. The non-borrowing spouse CANNOT elect to be either eligible or ineligible. The determination is solely a factual determination per HUD.

In addition, a non-borrowing spouse who is ineligible at application cannot later become eligible. However, a non-borrowing spouse who is eligible at application can later become ineligible if he or she no longer meets one or more of the criteria.

A non-borrowing spouse who meets the definition of eligible non-borrowing spouse in the 4000.1 has a deferral period when the loan becomes due and payable upon the death of the last surviving borrower, provided he or she was married to the borrower and was identified as the non-borrowing spouse at the time of closing. "Deferral Period" is defined as the period following the death of the last surviving borrower during which the due and payable status of a HECM is further deferred based on the continued satisfaction of the requirements for a Non-Borrowing Spouse under this ML and all other FHA requirements.

Evidence of Ineligibility

If the non-borrowing spouse is ineligible, evidence must be provided to support this determination. The following is required:

- Borrower to provide signed and dated letter of explanation stating why the INBS is not eligible.
- **TWO** pieces of occupancy documentation are required from the INBS to show that the INBS and the borrower are currently married but living apart. See Occupancy Issues for a list of acceptable documents.

The following requirements apply to **all** INBS/ENBS transactions:

- INBS/ENBS must be counseled (the INBS/ENBS cannot opt out of counseling in any state)
- Verification of DOB and SSN is required for INBS/ENBS
- Fully executed INBS/ENBS disclosures and counseling certificate (see below)
- INBS/ENBS may be required to execute additional docs at closing, based on state specific requirements
- INBS/ENBS must be listed on the case assignment and input into Reverse Vision or Quantum Reverse

➢ ***Note****: No exceptions to the above requirements available for legally separated spouses or estranged couples that no longer communicate. All the requirements stand until the borrower and NBS are legally divorced.*

Required Disclosures

At application:

- Eligible NBS Certification (ENBS signs)
- Eligible NBS Borrower Certification (borrower signs)
- Ineligible NBS Certifications (INBS signs)
- Ineligible NBS Borrower Certification (borrower signs)
- All INBS and ENBS must execute the Addendum to 92900-A

At closing, whenever a non-borrowing spouse is present:

- Married Mortgagor Certification

➢ ***Note****: This disclosure applies to borrowers with a non-borrowing spouse. Married co-borrowers do not need to sign this disclosure.*

- **Borrower Certification**: Ineligible Non-Borrowing Spouse, for borrowers with an ineligible non-borrowing spouse. (borrower signs)
- **Ineligible Non-Borrowing Spouse Certification**, for borrowers with an ineligible non-borrowing spouse. (INBS signs)
- **Borrower Certification**: Eligible Non-Borrowing Spouse, for borrowers with an eligible non-borrowing spouse. (borrower signs)
- **Eligible Non-Borrowing Spouse Certification**, for borrowers with an eligible non-borrowing spouse. (ENBS signs)

➢ ***Note**: All other unmarried borrowers must sign the Unmarried Mortgagor Disclosure at closing.*

Closing

In states that allow for homestead or community property rights for non-vested spouses, non-borrowing spouses must be present at closing to sign:

- The top of Page 1 of the loan application form Fannie Mae 1009
- First and second security instruments and riders
- Notice of Right to Cancel
- Truth in Lending Statement
- Bankruptcy Statement
- The applicable documents listed in the above Required Disclosures section.

➢ ***Note**: ENBS in the state of TX is **not** allowed*

7.72 Power of Attorney *(Revised Oct. 2026)*

The Power of Attorney has the right to sign for and make decisions for the borrower. The borrower's competence and reason for the using of the POA will determine the specific requirements.

POA Document Requirements

The power of attorney document must meet the following requirements:

- Durable (continues in effect if the borrower becomes incapacitated)
- Gives the right to encumber the property
- Executed by a competent borrower
- Executed by the borrower prior to the date of counseling and application
- Can be revocable or irrevocable
- Must meet all state requirements
- Title must provide POA approval

Mutual requires the Attorney-in-Fact to execute a POA Affidavit at closing.

➢ ***Note**: No "temporary" POA's are allowable (unless being used solely for closing). "Springing" POAs (POAs that go into effect after the incapacity of the borrower) are allowable if the borrower is already incompetent, and the POA meets all other requirements.*

Application and Counseling Requirements

On the application and closing documents, the POA's signature must follow the guidelines laid out in the POA document.

A typical example:
"**Jane Smith by John Doe, as Attorney in Fact**"

The Power of Attorney (POA) must attend counseling and sign the counseling certificate in all cases where a POA is used for the initial application.

POA Usage Scenarios

The borrower is using a POA at closing only (signed initial application for self)

- Borrower(s) must have executed entire application package and counseling certificate themselves
- Borrower must provide a signed letter of explanation indicating the reason for using the POA for closing only
- POA can be durable or special/specific and title approval required
- POA is required to be counseled
- Borrower(s) must satisfy the face-to-face requirement at counseling, application, or closing. If not previously met, borrower must attend closing in person.

The borrower is competent but prefers a POA to sign the application and closing docs

- Borrower must sign the initial application 1009 and 92900-A
- Borrower & POA must attend/participate in counseling and sign the counseling certificate
- Borrower to provide a signed letter of explanation indicating the reason they are having the POA sign on their behalf
- POA can sign all other application disclosures and closing docs
- POA document must be durable and title approval required
- Processor to obtain an email, or signed and dated letter from Counselor, certifying that the borrower(s) attended counseling
- Borrower(s) must satisfy the face-to-face requirement at counseling, application, or closing. If not previously met, borrower must attend closing in person.

The borrower is mentally competent, but physically incapable of signing

- Current physician's letter confirming only physical incapacitation is required
- Borrower must still attend/participate in counseling along with the POA (borrower is not required to sign the counseling cert)
- POA signs all application, counseling and closing documents
- POA document must be durable and title approval required

The borrower is mentally incompetent

- A doctor's letter is required to certify that the borrower is no longer capable of handling his or her own financial affairs. This letter must include the date the borrower became incapable of handling his/her financial affairs. The date on the doctor's letter must be current. If the borrower signed the POA SHORTLY before the application date, the letter should verify that the borrower was capable of handling financial affairs as of the date the POA was executed. (Two doctors may be required depending on POA verbiage)
- The borrower must have clearly executed the power of attorney when the borrower was still competent
- POA attends counseling on behalf of the borrower
- POA signs all application and closing documents
- POA document must be durable and title approval required

➢ ***Note****: The borrower's name appears at the top of the counseling certificate. However, the POA must attend the session and execute the certificate.*

The borrower is mentally incompetent, and property is vested in a trust

- If the property is vested in a trust, the trust must also be carefully examined for any requirements in the determination of the borrower's mental incapacity. For example, the trust may require two doctors' letters where the power of attorney document does not, or the trust may require specific verbiage to be included in the letters. All requirements outlined in both the trust and the power of attorney must be met.
- If the borrower is the trustee and has been determined incapable of handing his/her financial affairs and all required documentation has been provided to prove this per the trust directive, the successor trustee will take on the role of trustee. This information must be provided to the title company so that an affidavit of change of trustee can be completed, and final vesting will reflect the successor trustee.
- The attorney in fact will sign all documents on behalf of the borrower.
- The successor trustee will sign the following documents at closing: the note, the security instrument, riders to the security instrument, the right to cancel and the truth in lending disclosure.
- The offices of the attorney in fact and the successor trustee may be occupied by the same or different person.

7.73 Blind Borrower Signature Requirements

These requirements are only for fully competent borrowers who are physically capable of signing documentation and wish to sign it themselves, but who cannot read the documents due to sight impairment.

See Power of Attorney for instructions when the borrower has a Power of Attorney (POA).

Blind borrowers who wish to sign the documents themselves must:

- The borrower will sign and date the closing documents in the presence of a notary.
- Two additional signature lines will be added to the 1st & 2nd mortgages and the loan agreement. The two witnesses will execute all 5 loan documents along with the borrower. The notary will notarize these signatures with the five original jurat documents (notary acknowledgement pages.)

Power of Attorney

If the borrower has a POA signing on his or her behalf, the borrower must:

- Execute the Fannie Mae 1009 and HUD 92900-A.
- Receive counseling and sign the counseling certificate.
- Borrower to provide a signed letter of explanation indicating why they are having the POA sign on their behalf. This letter should also confirm that they wish to enter a reverse mortgage, that the terms of the loan have been described to them, and that they wish to continue.
    - If borrower is completely without sight, a doctor's letter will be required to confirm the borrower's physical impairment (see above regarding borrowers who are mentally competent but physically incapacitated)
- Meet the U.S. Department of Housing and Urban Development (HUD) face-to-face requirement.

The file also requires the following documentation:

- A notarized copy of the fully executed DURABLE Power of attorney.
- An acknowledgement from the title company indicating the POA is acceptable to insure.

7.74 Signing with a Mark ("X") Requirements: Application & Closing *(Revised December 2025)*

When borrowers or trustees cannot sign their full names on many documents, they may sign with a mark, or "X". Utilizing a mark is intended only for borrowers who are mentally and physically capable of signing documentation, but who have difficulty signing their full names on numerous documents at once.

Signing w/ a Mark	Application	Closing
Basic Requirements	Sign and date the loan application package.	Underwriter has reviewed and approved signing with a mark.
Letter of Explanation (LOE) Required	Yes Borrowers that eSign the initial application package, must submit a letter of explanation (LOE) identifying the intention to sign with a mark either **at** application or prior to Closing.	Prior to Closing
Letter from Physician Required	No	Yes Letter to specify physical limitation and confirm mental competence.
Title Company Required	No	Yes
Notary Required	No* *Please note, utilizing a notary may be the easiest solution	Yes
Witnesses Required	No	Yes – must be two (2) uninterested parties in addition to the notary (can be two additional notaries)

Signature Line	n/a	Witnesses may either be included in the signature line on the Closing Documents. If the affidavit is selected, Mutual will require 3 original copies to be included.
Additional Requirements	n/a	Sign and date an affidavit, with the witnesses in the presence of a notary, acknowledging that he or she understands the terms of the loan.

- ***Note**: Borrowers who also act in additional capacity – such as a trustee or power of attorney or guardian may not be able to utilize a mark when signing dependent on the review and approval of title, an attorney, or a court order/approval.*

7.75 Non-English-Speaking Borrower(s) *(Revised December 2025)*

Application with Non-English-Speaking borrower(s) using a POA:

Prior to application, the loan officer must confirm with the borrower that they have a valid durable Power of Attorney (POA) to be used for application. The application cannot be taken with an interpreter only; it must be taken with a valid Power of Attorney.

Both the borrower and POA must be counseled. The POA must be able to accurately interpret the counseling session for the borrower, or the borrower can choose a counselor that can provide counseling in the borrower's preferred language.

At minimum, borrowers must always be counseled, sign the counseling certificate, the initial 1009, and the initial 92900-A. In addition, the POA must also certify in writing that they can appropriately interpret the counseling session and all documents at application and closing for a competent borrower.

Application with Non-English-Speaking borrower(s) using a Professional Third Party Translator:

Professional translator and interpreter services are permitted for HECM counseling sessions when requested by the borrower, co-borrower, or non-borrowing spouse, regardless of English proficiency. Translator and interpreter services are additionally permitted throughout the transaction.

- The translator/interpreter may not provide guidance, coaching, or interpretation of counseling content beyond translation.
- If the translator/interpreter is not an employee or contractor of the HUD-approved counseling agency, the agency must ensure the individual is impartial and competent to accurately convey the counseling content.
- The HUD Counseling Certificate must reflect that all required counseling elements were completed and understood by the borrower(s).
- The translator/interpreter may provide assistance during all stages of the transaction, including the application and closing process.

Mutual may accept HECM Counseling Certificates obtained with translator or interpreter participation, provided the above documentation requirements are met. Mutual may request written confirmation from the counseling agency that the borrower demonstrated understanding of the HECM features, costs, and obligations through the translated session.

- ***Note**: In cases where a borrower does not have a valid Power of Attorney for convenience or declines the use of a Professional Third-Party Translator, an exception request to Senior Management is required.*

7.76 Guardianship or Conservatorship *(Revised Oct. 2026)*

A Guardian (called a "Conservator" in some states) is appointed by a court to protect the borrower's interest because the borrower has become incompetent and does not have a valid Power of Attorney (POA) in place.

The following documents are required if the borrower has a guardian or conservator:

- A copy of the court order appointing a guardian or conservator over the person and the estate (sometimes called "Letters of Guardianship" or "Letters of Conservatorship.")
- A court order to state that the court approves the loan transaction for a HECM reverse mortgage.
    - The words "reverse mortgage" and/or "adjustable rate, negative amortized loan" must be included in the court order
    - The court order must be signed by the judge.
    - The court order should not include an interest rate or loan amount.
- If an interest rate is listed, it must be stated as an "initial rate" noting that it is an adjustable rate for a negative amortized loan. And, if the rate changes, a new/updated order will be required.
- If a loan amount is listed, it must not be less than the proposed recorded deed amount, which equals 150% of the maximum claim amount. And, if the loan amount changes, a new/updated order will be required.
    - If the property is in a trust, the court order will also need to authorize the trustee to act on behalf of the trust.
- The title company must confirm in writing that they will be able to close the transaction using the Conservator or Guardianship paperwork.
- The conservator or guardian must be counseled.

On the application and closing documents, the signature of the guardian or conservator must follow the guidelines laid out in the Guardianship Documents. A t typical example: "Jane Smith by John Doe, as Guardian" or "John Smith by Jane Jones, as Conservator"

Face-to-Face Requirement

Borrowers must meet the face-to-face requirement at application, counseling or closing. Face-to-face requirements may be met by one of the following:

- The borrower is present when the application is being signed, and the loan officer marks that the meeting was face-to-face on the 1009.
- The counseling session was performed face-to-face and is reflected on the counseling certificate.
- The borrower attends closing, and the Face-to-Face Certification is completed by the closing agent and notarized by the closing notary.

➢ ***Note:*** *where an incompetent borrower is being represented by a Power of Attorney, Guardian, or Conservatorship, an alive-and-well certification must be completed at closing.*

Temporary Guardianship or Conservatorship

Temporary guardianships or conservatorships must be reviewed on a case-by-case basis. A guardianship or conservatorship must be valid and in force with an expiration date past the funding date of the loan. Temporary guardianships will only be accepted if valid at the time and counseling and loan application. However, full letters of conservatorship must be provided prior to clear to close.

7.77 Trusts *(Revised March 2025)*

General Trust Guidelines

HUD will insure HECMs on properties held in the name of an inter vivo or "living" trust. A living trust is created while grantors are alive rather than one created at/after death. A trust agreement outlines the responsibilities of the trustee, who has a fiduciary responsibility to hold and manage the trust assets for the "beneficiary". The trust holds legal title, while the beneficiary holds equitable title, which means he or she has the right to use the property or purchase it if the trust fails in some way to manage it properly.

Under the HECM program, all borrowers must be primary beneficiaries of the trust, but not all primary beneficiaries must be borrowers if the non-borrowing primary beneficiaries could qualify for the HECM (be of age 62 or older and reside in the subject property). The borrower(s) may or may not be Trustee(s) of the trust; however, if they are, they must sign the required documents as both Borrower and Trustee.

Revocable Trusts

A revocable trust is one that:

- An individual created during his or her lifetime
- Becomes effective during its creator's lifetime
- Can be changed or cancelled by its creator at any time, for any reason, during that individual's lifetime.

➢ ***Note**: The revocability of some trusts may change on the death of one borrower.*

Irrevocable Trusts

An irrevocable trust cannot be changed or cancelled once it is set up without the consent of the beneficiary. An irrevocable trust is an arrangement in which the grantor permanently departs with the ownership and control of the property.

Land Trusts (Illinois Land Trust)

A land trust provides a unique form of ownership of real property. In an Illinois land trust, the legal and equitable title lies with the trustee, and the beneficiary retains what is referred to as a personal property interest. The beneficiary has the exclusive power to direct or control the trustee in dealing with the title and the exclusive control of the management, operation, renting and selling of the trust property together with the exclusive rights to the proceeds from the property.

The only power the trustee has in relation to the land is the power to convey title. The trustee can only use this power when properly authorized by the beneficiary. Land trusts require Mutual attorney approval, written approval from title & the trustee is required to complete the trust acknowledgement.

If the trustee is listed as a company, the representative of that company who will be acting as trustee will be required to provide evidence that s/he is authorized to sign on behalf of the company.

Trust Approval requirements

<u>Beneficiaries</u>

The Borrowers must be the primary beneficiaries of the trust. They cannot be the residual, contingent, or alternate beneficiaries. For more information, consult your legal counsel. Special legal opinions may be required for Illinois Land Trusts.

<u>Trust Documents</u>

The trustee is under a fiduciary responsibility to hold and manage the trust assets for the beneficiary. The trustee's responsibilities are set out in a trust agreement. A complete copy of the "Declaration of Trust" or "Trust Agreement" must be submitted to the underwriter and the title company with all amendments and schedules.

<u>Trust Approval</u>

For all reverse mortgage products, the eligibility of a property held by trust is subject to review and approval of the trust by a qualified attorney AND the title company. An attorney's opinion letter must be submitted to or obtained by Mutual prior to the loan being approved for final closing documents and/or purchase.

Mutual requires one of the following vendors for trust review and approval:

Jack Miller, Attorney at Law Jack Miller Law, PLLC Email: jack@htxrealestatelaw.com Direct: (281) 231-8969	Maria J. Greco, Esq. Email: INFO@GHSREVIEWS.COM Phone: (845) 380-9960
Jay Resendez, Attorney at Law Email: jay@resendezlegal.com Phone: (916) 945-9619	Paul N. Lovegrove, Esq. Email: plovegrove@lovegrovelaw.com Direct: (631) 669-4370

Trust Documents Signed at Closing:

- The trustee(s) must sign the following at closing: note, security instrument, riders to the security instrument, right to cancel & truth in lending. The trustee does not execute the loan agreement.
- The borrowers must sign the note, security instrument, and all other loan documents. If the borrower(s) and the trustees(s) are one and the same, they must execute the mortgage deeds as both (trustee and borrower).
- The Trust Acknowledgment must be executed at closing for all loans closing in a trust.

7.78 Condominiums and Co-ops *(Revised July 2025)*

A condominium, or "condo," is a type of joint real estate where each housing unit is individually owned, and all residents collectively own the common areas of the building. Owners may have exclusive use of certain limited common areas. Common areas can include grounds, lobbies, elevators, hallways, surrounding property, and recreational facilities.

A co-op is a co-operatively owned apartment building. Instead of owning real property, the Borrowers own a long-term lease and the right to sole and exclusive use of a dwelling for an indefinite period. Co-ops are not currently acceptable under the FHA HECM program.

General Condo Guidelines

Condominium units are eligible for financing by Mutual if the project was approved by FHA PRIOR to the case number being issued or if the unit was issued a case number under Single Unit Approval (SUA) guidelines. The project must appear on FHA's list of projects with an "Approved" HUD Review and Approved Process status. This list is available on FHA Approved Condominium List.

If the project is not eligible, you can contact the condo desk to see if our condo approval specialist can assist you with obtaining condo approval from FHA. The process can be lengthy and FHA approval must be finalized before a case number can be issued. Submit a **New Request** using the New Condo Approval Request Form and for **General Questions/Inquiries** send to ReverseCondos@mutualmortgage.com.

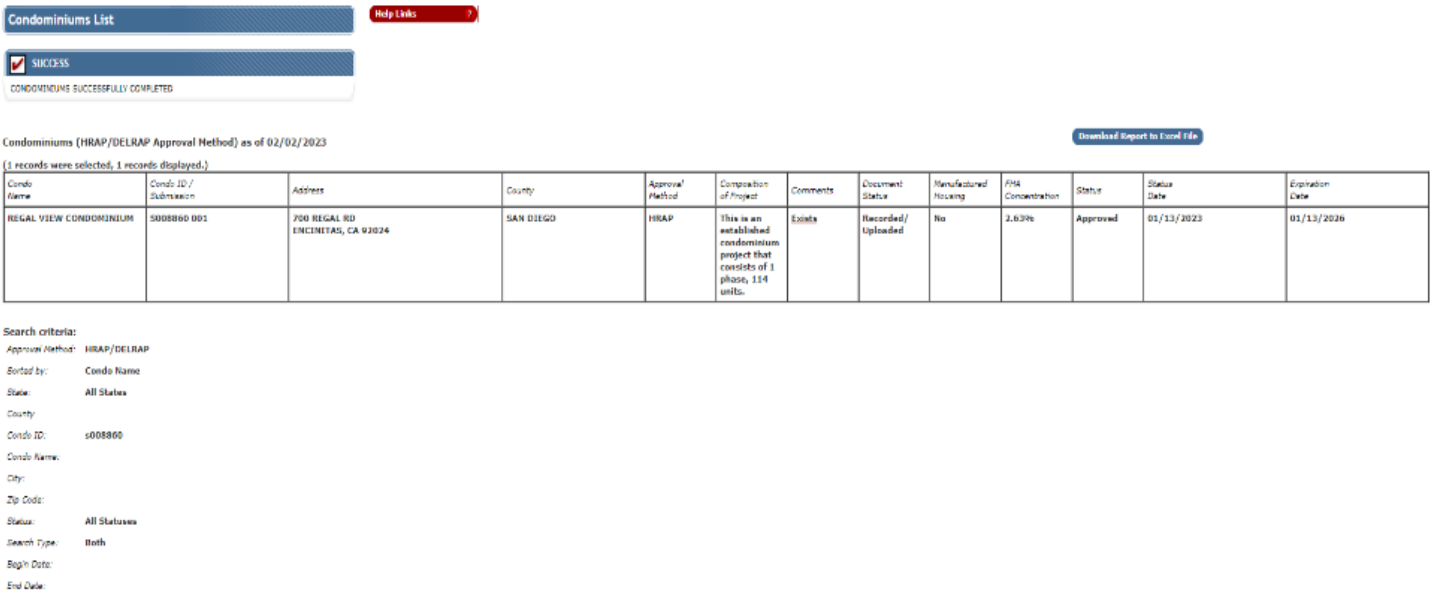
Full Project Approval *(Revised November 2023)*

<u>The project must comply with the following FHA requirements:</u>

- The project must be comprised of at least 2 units.
- Investor Ownership: No more than 10 percent of the units may be owned by one investor / entity (single or multiple owner entities). This limitation includes all rented and leased units that a developer/builder owns, including those units acquired during a project acquisition. For condominium projects with ten or fewer units, no single investor / entity may own more than one unit within the project. All units, common elements, and facilities within the phase of the subject property must be 100 percent complete.
    - The investor / single entity individual owner-occupied unit is not considered investor owned and is not subject to the investor requirements stated above.
- Delinquent Homeowners Association Dues: No more than 15 percent of the total units can be in arrears (more than 60 days past due) of their condominium association fee payments.
- Owner-Occupancy Rate: At least 35 percent of the units in a project must be owner-occupied or sold to owners who intend to occupy the units.
- HOAs with pending litigation will require the following to be documented to ensure the project is still acceptable to FHA:
    - Reason(s) for the pending litigation
    - Anticipated settlement/judgement date if any
    - If applicable, confirmation the HOA has sufficient insurance coverage to pay out a settlement/judgement without affecting the financial stability of the project
    - Confirmation whether legal action impact the future solvency of the HOA (if so, how?)
    - Confirmation whether the ability for homeowners to transfer title be affected (If so, how?)
    - Confirmation whether action could impact homeowner's rights

- The Homeowner's Association Questionnaire must be completed by the homeowner's association or management agent. The borrower may not be charged a fee for obtaining information from the association or agent. The questionnaire must be signed and dated by a member of the association or management company and should not be older than 120 days at closing. You can find the most recent condo questionnaire in the RFS Knowledge Coop
- Appraisal to be completed on Form 1073 as required for a condominium appraisal report. Project information should be consistent with information on the FHA condo approval and the questionnaire.
- Homeowners Association must provide a copy of the blanket insurance policy declarations page to show that they have the correct coverage.
    - The declarations page must be a master policy that covers all of the buildings in the condo association.
    - Condo coverage must include full replacement coverage for the buildings (Blanket coverage), General Liability coverage of $1,000,000, and Fidelity Bond coverage for projects with more than 20 units (Fidelity Bond coverage is equal to 3 times total HOA dues times total number of units in project).
        - If the Master policy states that coverage includes "walls in", but specifically excludes betterments and improvements, then HO6 dwelling coverage must be included for 15% of the value.
    - The condo coverage is usually handled by the homeowners' association. A certificate of insurance is issued in the Borrower's name with the unit number shown on the certificate, as well as the mortgagee clause and loan number.
    - The policy must have at least 30 days remaining at funding.
- HO-6 (Walls-in) coverage is required if the master policy does not cover "walls in" and unit interior improvements or betterments.
    - When required, HO-6 dwelling coverage must be 20% of the lesser of the appraised value or max claim amount.
- Copy of flood coverage, if applicable
- If there is a unit # in the legal address, the unit number must appear on all documentation: hazard, flood cert, FHAC documents, USPS verification, counseling cert, title, and all pages of the appraisal. The address on the uniform residential appraisal report (URAR) may include a unit number that is not part of the true legal address.
    - If the unit number is not part of the legal address, it should only be referenced in the URAR (typically the first six pages of the appraisal) and nowhere else in the appraisal or in the rest of the file (e.g., photo pages, location map, sketch, etc.)
    - If the unit number is part of the legal address, the address should include the unit number on all pages of the appraisal as well as on all other documents in the file.
- FHA Concentration Rate: Projects may have no more than 50 percent of the total units encumbered with FHA insurance. FHA will display the concentration information for each approved condominium development on the approved condominium listing, which can be found on both FHA Connection and on the public website at www.hud.gov. The concentration level will be based on case numbers assigned to units in a project; FHA will not issue new case numbers once the maximum concentration level (plus a small tolerance to accommodate some fall-out) has been reached in any particular development.

- Screen print of the condo approval from the FHA Connection website – this will confirm the date the project was approved and the date the approval will expire.



Condominiums List

Help Links

SUCCESS

CONDOMINIUMS SUCCESSFULLY COMPLETED

Condominiums (HRAP/DELRAP Approval Method) as of 02/02/2023

Download Report to Excel File

(1 records were selected, 1 records displayed.)

Condo Name	Condo ID / Submission	Address	County	Approval Method	Composition of Project	Comments	Document Status	Manufactured Housing	FHA Concentration	Status	Status Date	Expiration Date
REGAL VIEW CONDOMINIUM	S008860 001	700 REGAL RD ENCINITAS, CA 92024	SAN DIEGO	HRAP	This is an established condominium project that consists of 1 phase, 114 units.	Exists	Recorded/ Uploaded	No	2.63%	Approved	01/13/2023	01/13/2026

Search criteria:

Approval Method: HRAP/DELRAP
Sorted by: Condo Name
State: All States
County:
Condo ID: s008860
Condo Name:
City:
Zip Code:
Status: All Statuses
Search Type: Both
Begin Date:
End Date:

If the project is eligible but the phase in which the unit is being built or was built but has not yet been approved or annexed, Mutual will require confirmation from FHA via the condo approval list that the phase to which the subject property belongs has received final approval prior to ordering the appraisal.

➢ ***Note****: Effective with case number assignments on or after October 15, 2019, FHA will allow for Single Unit Approvals on Condominiums; however, it is STRONGLY encouraged that we continue to get a Full Project Review over a Single Unit Approval.*

<u>Some benefits to obtaining a Full Project Approval Over Single Unit Approval:</u>

- One-time approval process for all units in the project, not just one unit
- Expanded qualifying criteria for owner-occupancy %, FHA Concentration and Commercial use
- No additional documents required for full project approval
- No additional credit overlays that can derail the Single Unit Approval process
- Recertification timeline now increased from 2 years to 3 years, plus a 6-month grace period
- New streamlined recertification process (no longer requires full package submission)
- Reduced lender liability
- Potential lost opportunity to engage HOA for Single Unit Approval and have to reengage to start over for full project approval if it does not qualify for SUA (not a streamlined transition)
- Full Project Review typically takes 30 days or less If you choose to move forward with a Single Unit Approval, please refer to the Condo Single Unit Approval Procedures

Single Unit Approval *(Revised November 2023)*

If the borrower chooses not to proceed with project approval, then Single Unit Approval (SUA) can be obtained. The following documents are required to be obtained and submitted to our condo approval desk for completion of the Single Unit Approval and case number assignment under SUA guidelines listed in the 4000.1.

<u>Borrower Eligibility</u>

To be eligible for Single-Unit Approval, Mutual must verify that the HECM Borrower:

- Meets the applicable Residual Income Standard without the use of compensating factors, and
- Has a Satisfactory Property Charge Payment History without the use of extenuating circumstances

<u>Document Requirements to Request a Case Number for SUA:</u>

- Fully executed loan application

- Confirmation that the condo project is not already on the list of FHA approved condo projects
- Single Unit Approval questionnaire fully completed and signed by the HOA. HUD Form 9991
- Master Certificate of Insurance for Binding Coverage to meet the following criteria:
    - Building coverage (including 100% replacement/guaranteed coverage)
    - Liability coverage in the amount of at least $1 million per occurrence
    - Fidelity coverage (required when project has >20 units, must be equal to 3 months aggregate assessments on all units + total reserve funds)
- Flood insurance, if applicable, equal to the replacement cost of the covered improvements of the NFIP maximum per unit multiplied by the total number of units, whichever is less
- Current Balance Sheet, dated within 90 days at the time of submission
- Current Income & Expense Statement
- Actual Income & Expense Statement for the previous year
- Current Annual approved budget – must show an expense line item showing 10% of assessments income allocated to a reserve account
- Current reserve analysis/study
- Copies of all the following documents with proof documents were recorded in accordance with state and local law to ensure the project can operate legally within the local jurisdiction.
    - Articles of Incorporation
    - Recorded CC&R's or recorded Declarations and Amendments
    - Master Deed to evidence HOA formation
    - Recorded condo site plans and plat maps with legal description
    - By-laws (must be signed, but does not have to be recorded)
- All documents to be sent to NewCondoRequest@mutualmortgage.com.
- When documents are received, they will be reviewed by an internal condo document specialist to ensure all items above have been provided. Once confirmed, the full package will be reviewed by a 3rd party vendor to ensure compliance with all FHA requirements. If items are missing the loan officer will be notified and will determine if the loan officer or condo dept will contact the HOA for the missing documents.
- Upon 3rd party approval, condo document specialist will notify the loan officer and send the condo document package and approval letter to the intake department to request the case number. The intake department will upload all documents, along with the 3rd party approval letter to the loan file.
- If it's determined that the project does not qualify for Single Unit Approval, but may qualify for full project approval, the above documents can be utilized for HUD review, but the HOA will need to complete HUD form 9992 prior to submission to HUD.

<u>The project must comply with the following FHA qualifying criteria:</u> *(Revised October 2023)*

- Certificate of Occupancy (CO) must have been issued at least 1yr prior to the request for case number or the unit must have been occupied
- Project must be at least 5 units
- No Manufactured Homes
- No Co-ops, Condotels, Timeshares or multi-dwelling units
- If any part of the Condo project is located within the Coastal Barrier Resources System the project is ineligible for SUA.
- FHA Concentration is no more than 10% if 10 or more units, 2 max if less than 10 units (50% allowed for full project review)
- Owner-occupancy must be 35% or more
- Single owner concentration limited to 10% or less if 20 or more units, 1 unit max if less than 20 units
- All FHA minimum insurance requirements must be met
- Commercial/non-residential space must be financially independent of the rest of the project and cannot exceed 35% of the total space (up to 49% allowed on exception for full project review)
- Control must have been turned over to the unit owners
- No litigation related to safety/soundness/habitability of the project/unit and proof of sufficient insurance coverage for any/all litigation
- Project must be in a strong financial condition, confirmed by the following:

    - Assessment arrearages cannot exceed 15% of the units
    - Financials must reflect a positive cash flow
    - Reserve study must reflect adequate reserves, 10% of aggregate HOA Assessments and there must be a separate reserve account from the standard operating account
    - No financial distress event allowed within the past 3 years, to include Bankruptcy, Foreclosure, Deed-in-Lieu of Foreclosure or Receivership.
- Credit overlay requirements (only apply to SUA)
    - For reverse loans the following requirements apply to SUA requests
        - The borrower must meet residual income requirements without compensating factors, including dissipation of loan proceeds
        - The borrower must have a satisfactory payment history or all property charges without the use of extenuating circumstances
- If a case number is issued for Single Unit Approval (SUA) and it is later determined not to meet the requirements of SUA, but may meet the requirements for full project approval, the case number must be cancelled, and the HOA must complete HUD form 9992 for full project review. A new case number can be ordered upon approval by HUD.

WEBSITES REFERENCES

FHA Single Family News: FHA Info #19-41
FHA Handbook 4000.1: Section (II)(C) Condominium Project Approval or HUD Mortgagee Letter 2021-09

7.79 Site Condominiums *(Revised March 2025)*

A Site Condo is a single-family detached (or townhouse-style as defined below) dwelling that is part of a condominium project. The appraisal should still be on the correct condo appraisal form (1073) and have the correct condo ADP code – 967 (fixed) or 968 (arm).

A Site Condo does **NOT** need FHA condo project approval if it meets **ALL** of the below requirements:

- A condominium project that consists entirely of single-family detached dwellings that have no shared garages, or any other attached buildings; **or**
- A condominium project that:
    - Consists of single family detached or horizontally attached (townhouse-style) dwellings where the unit consists of the dwelling and land; and
    - Does not contain any manufactured housing units; and
    - Is encumbered by a declaration of condominium covenants or a condominium form of ownership.
- If there are concerns whether the property is a site condo, then you may submit a new request to the Condo Desk to "Confirm if Condo or Site-Condo (Review CC&R's)" so that they can research this project and confirm for you.

Condominiums that do not meet this definition will require full project approval.

Site Condominiums **MUST** have insurance and maintenance costs that are the sole responsibility of the Unit owner, excluding landscaping.

Manufactured Housing Condominium projects (MHCPs) may not be treated as Site Condominiums – these projects require approval under the HRAP option.

Modular homes are processed as single-family homes for insurance purposes and are eligible to be treated as Site Condominiums if they meet the stated definition.

7.80 Planned Unit Developments (PUDs) *(Revised October 2025)*

A PUD is a community that requires homeowners to pay a mandatory fee to a homeowner's association for the maintenance and use of common areas. The appraiser is required to confirm the property is a PUD by checking the

PUD box on pg. 1 of the URAR. The appraiser must also include the annual/monthly association dues on pg. 1 of the URAR.

Requirements for PUDs:

- Title company must confirm that there are no delinquent/unpaid association dues or assessments through the month of closing Title and appraiser must confirm that subject is in fact a PUD and not a condominium
- The name of the PUD must be consistent between the legal description and the appraisal. If it is not consistent, additional information will be required to confirm the true PUD name.
- Borrower(s) will need to fully execute a PUD rider at closing
- Private roads in a planned unit development are acceptable without further verification of easements or road agreements if appraiser confirms in the appraisal report that the Association owns and maintains all roads.
- Insurance requirements will vary depending on type of PUD.
    - If borrower is fully responsible for coverage Hazard Insurance *(Revised Oct. 2026)*, or
    - If borrower is only responsible for "walls in" coverage Condominiums and Co-ops *(Revised July 2025)*.
    - If the master policy states the coverage includes "walls in", but specifically excludes betterments and improvements, then HO6 dwelling coverage must be included for 15% of the value.
- For Properties that are located within a Homeowners' Association (HOA) or Condominium Association, the Mortgagee must conduct a review of the recorded Declaration and/or recorded Covenants, Conditions, and Restrictions (CC&R) which are in place for the association. When conducting the review, the Mortgagee must determine whether the recorded Declaration and/or CC&Rs require prior approval by the association of any non-purchase money mortgage that will encumber the Property.
    - In those situations where such a requirement exists, the Mortgagee must obtain the approval of the association in writing prior to origination of the HECM. Documentation concerning this approval must be maintained by the Mortgagee and made available to HUD upon request.

7.81 Accessory Dwelling Units (ADUs) *(Revised November 2023)*

An accessory dwelling unit (ADU) is defined as a single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit (II.A.3.a.ii(F)). An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate.

Accessory Dwelling Units (ADUs) are a separate additional living unit, including a separate kitchen, sleeping area, and bathroom facilities and can be attached or detached from the primary residential unit, on a single-family lot. A Single Family residential one-unit Property with a single ADU remains a one-unit Property.

➢ ***Note**: A renter of an ADU is not a Boarder.*

General Criteria

"Accessory dwelling unit" means a subordinate dwelling unit that may or may not be incorporated within or detached from a single-family structure. Accessory units may not be subdivided or otherwise segregated in ownership from the primary residence structure. Some accessory units may predate the adoption of local zoning ordinance and may therefore be classified as legal nonconforming units.

ADUs are subordinate in size, location, and appearance to the primary unit and may or may not have separate means of ingress or egress.

Attached units, contained within a single-family home, known variously as "mother-in-law apartments" or "garage apartments" are the most common type of accessory dwelling unit. Accessory units usually involve the renovation of a garage, basement, or small addition to a single-family home.

The determination of whether an ADU is a second dwelling unit is to be made by the appraiser and indicated in the site analysis section of the report where zoning, highest and best use, and legal use are addressed. The fact that an ADU is rented or generates income should not categorically result in a determination that the property contains two dwelling units.

Utility Service Requirements

An accessory apartment must be connected to the utilities (except telephone, television, and cable) of the dwelling unit and may or may not have separate services. An accessory dwelling unit may or may not have separate electrical service. The presence of two electric meters may indicate either a dwelling structure and an ADU, or two dwelling structures. The appraiser determines whether a second dwelling unit is an ADU based on HUD criteria.

Appraisal Requirements for ADUs

Appraiser must address the following requirements when an ADU is present on the subject property. Appraiser must:

- Confirm ADU is legally permissible and complies with all local zoning requirements
- Confirm whether ADU is rented out and if so, confirm that local zoning allows for the ADU to be rented
- Confirm ADU is marketable and common for the market area
- Use acceptable comparable sales with similar ADUs and adjust comparable without ADUs
- As part of the highest and best use analysis, the appraiser must make the determination to classify the property as a single-family dwelling with an ADU, or a multi-family dwelling.
    - The conclusion of the highest and best use analysis will then determine the classification of the property, and the analysis and reporting required. An ADU is usually subordinate in size, location and appearance to the primary dwelling unit and may or may not have separately metered utilities or separate means of ingress or egress. The Appraiser must not include the living area of the ADU in the calculation of the Gross Living Area (GLA) of the primary dwelling. The appraiser must notify the mortgagee of the deficiency in MPR or MPS if more than one ADU is located on the subject Property.

➢ ***Note**: - A 2-4-unit dwelling with an accessory unit is **ineligible** for FHA financing. - Multiple accessory units are **ineligible** for FHA financing.*

7.82 Short Term Rentals *(Added January 2024)*

Short Term Rental of additional unit or ADU that is part of the subject property:

- Short term rental of the subject property refers to instances where a portion of the subject property has a rental unit with a term consisting of less than 30 days.
- Primary residency of the borrower in subject property must be established.
- Any short-term rental which requires vacancy of the subject property by borrower will not be considered.
- Short term rental unit must either be a separate structure independent of the subject property meeting the ADU requirements referenced above or a legal unit in a 2–4-unit property and will only be considered in appraised value as a separate line item and adjusted accordingly.
- Must be a legal conversion per appraisal – Legal per local code and/or zoning
- The mortgagee cannot use rental income to qualify.

Requirements to consider a short-term rental:

- Review of on-line short-term rental listing meeting lender requirements including but not limited to:
    - Property cannot be operated as a Bed and Breakfast and/or any other commercial enterprise.
    - No part of the subject property's main structure can be utilized as part of the short-term rental (e.g., kitchen, meal preparation, laundry) but use of other amenities will be considered (e.g., pool).
    - Homeowner's Insurance policy evidencing a liability coverage (2-4 rental policy)

7.83 Manufactured Homes (MFH) *(Revised March 2025)*

Manufactured Home Definition

A manufactured home (MFH) is a structure that is almost entirely constructed in a factory under a Federal Building code administered by HUD. The home is placed on a steel chassis and transported in one or more sections to the building site. The wheels can be removed but the chassis remains in place as a structural part of the home. An MFH will contain a HUD affixed seal.

To be eligible for FHA HECM financing with MoOM, the MFH must meet the following requirements/conditions:

- Must have been constructed after June 15th, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards
- If the manufactured home is in a condominium project, the project must be HRAP approved
- Must not be in a flood zone
    - The MFH must have a finished grade elevation beneath or, if it has a basement, the lowest finished exterior grade adjacent to the perimeter enclosure shall be at or above the 100-year floodplain
- There are no square footage requirements but comparable must bracket the GLA and support value.
- The MFH must be on the original site – it cannot have been installed or occupied (moved) previously at any other location
- The MFH must have been built on and continue to remain on a permanent foundation
- The MFH must have the axles and tongue removed
- Permanent utilities must be installed
- The MFH must be classified and taxed as real estate
    - Verification of personal property taxes for a MFH that were affixed after the most recent property taxes due date can be validated with online printouts.
- There must be a permanent skirting around the perimeter of the property
- Any additions to the home must meet county requirements and HUD requirements
- The foundation must be inspected by a licensed engineer prior to confirm that it meets FHA guidelines in the Permanent Foundation Guide for Manufactured Housing, HUD-007487 and HUD Handbook 4000.1.
- The property must have an affixed HUD tag or data plate, and the appraiser must show the tag's serial number in the appraisal. The HUD data plate should be in the interior of the home in one of three places: on or near the main electrical panel, in a kitchen cabinet or in a bedroom closet.
    - For assistance in label verification, visit the IBTS website
    - There will be a seal or data plate for each section of the double wide and the numbers will be in succession

Appraisal Differences

Appraisals for manufactured homes must be on the 1004C format for manufactured homes.

Major differences from other appraisals include:

- At least 2 comps must be manufactured (even if outside the neighborhood)
- The appraisal will have sections to input HUD data & address additional modifications &improvements

Appraisal Requirements

- Distance of Comparable:
    - Urban: Comparable sales in urban areas must be no more than one mile from the subject property.
    - Suburban: The distance may be up to five miles in smaller community suburban areas at the underwriter's discretion.
    - Rural: Comparable sales in rural areas must be within 20 miles of the subject property.
- Line, Net and Gross Adjustments:
    - Manufactured homes with adjustments that exceed these guidelines are ineligible:
        - Line: 10%
        - Net: 15%
        - Gross: 25%
- HUD Tags:
    - All sections of the manufactured home must have an affixed HUD label located on the outside of the house. Appraisers must list the manufactured unit's label on the appraisal report in one of the comment sections. If HUD labels are not ATTACHED to the exterior of the home or have been

painted over or altered in any fashion, and pictures are not provided, we require an IBTS label verification form. Order verification of tags at the IBTS website.

- Structural Modifications and/or Additions:
  - Appraiser must indicate whether subject contains any structural modifications and/or additions and confirm whether the integrity of the home's seal has been compromised
- Perimeter Enclosure:
  - Appraiser to confirm that the space beneath the MFH is properly enclosed with a continuous wall (whether load bearing or non-load bearing) that separates crawlspace from backfill & keeps out rodents and water. The appraiser must also confirm that the enclosure is adequately secured to the perimeter of the home and allows for proper ventilation.

Structural Engineer Requirements

- Licensed Engineers Certification Report:
  - Confirm compliance with Permanent Foundations Guide for Manufactured Housing as detailed in the HUD Handbook 4000.1.
  - Confirm any structural changes or additions to the property were made in accordance with HUD Manufactured Home Construction and Safety Standards and if any, confirm seal of home has not been compromised.
  - Report must come from a licensed professional engineer showing engineers' stamp/seal
  - Report must be dated within 6 months of closing
- Manufactured Homes with Stick Built Additions:
  - If the subject property was once a manufactured home, it must comply with all requirements for manufactured housing, regardless of any stick-built additions.
  - Additions or structural modifications may bring the original unit out of compliance with the HUD Manufactured Home Construction Safety Standards (MHCSS) and make the home ineligible for FHA financing.
  - The engineer's inspection report must certify that the structural changes or additions to the property were made in accordance with the MHCSS and that the home is eligible for FHA financing

Title Requirements

- File must contain evidence original title was purged
  - If state requirements do not allow for a title purge, the file is not eligible.
- Confirmation is required that the subject is taxed as real property
- Title must confirm issuance of following applicable endorsements on final title policy:
  - CLTA 116.5, ALTA 7, FL 7, or TX T-31

New Construction MFH

We require the following additional documentation when the subject property MFH was constructed less than one year ago:

- HUD NPCA 99A and 99B Soil Treatment reports if treatment was done prior to construction.
- Certificate of Occupancy, or the equivalent.
- Manufacturer's warranty
- Cost approach.
- Sales contract and documented related expenses, including:
  - Removal of previous home
  - Grading of land, and so forth
  - Setup and delivery
  - Landscaping and driveways
  - Land value, documented in the Cost Approach, or land sale
  - Installation of well or septic, and so forth
  - Outbuildings documented in Cost Approach

➢ ***Note**: Additional documentation may be required at the underwriter's discretion.*

Additional Manufactured Home on Property

If the additional manufactured home is occupied, it must be handled in ONE of the following ways:

- The MFH must meet ALL requirements for manufactured housing AND the subject property must be treated as either an ADU or a two-unit property with similar comparable. Appraiser must also confirm that local zoning allows for ADU's or 2 units as applicable.
- It must be removed from the subject property before closing. Confirmation of this must be provided via a 1004D / reinspection.
- The land must be surveyed and the portion of land on which the MFH is located must be legally split from the land containing the primary residence. This must be completed prior to closing and the appraisal must not include the portion of land containing the MFH.

If the manufactured home is being used for storage, all the following is required:

- The kitchen must be rendered inoperable and kitchen elements removed.
- The appraiser must provide interior photos of the home showing storage use only, with kitchen removal.
- Utilities must be disconnected.
- The appraiser must certify that there are no health and safety issues.

MFH Condominiums – Additional Requirements

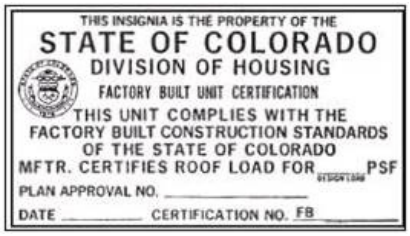
Under the authority granted by enactment of HERA, individual manufactured housing units in condominium projects are now eligible for FHA insurance. In addition to the above requirements, manufactured homes located in a condo project must meet the following requirements:

- MFH Condos must meet all FHA/HUD MFH guidelines as well as all FHA/HUD condo guidelines.
- ADP code will be the applicable condo ADP codes.
- Appraisals must be completed on Fannie Mae Form 1004C, March 2005.
    - The subject condominium project must be inspected, and the Project Information Section of the Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073) must be completed and included as an addendum to the appraisal report.
    - Comparable sales must be condominium MFH homes.
    - Two (2) of the comps furnished must be in the subject's project or a valid explanation must be provided as to why this is not possible.
- No DELRAP approvals are allowed for MFH condos – they must be HRAP approved.

7.84 Modular Homes

Modular Homes are treated as stick-built homes. Guidelines for manufactured homes do NOT apply to modular homes, which are treated as single-family residences. Modular homes are houses that consist of multiple modules or sections that are manufactured in a remote facility then delivered to their intended site of use. All modular homes are constructed according to the International Building Code (IBC), IRC, BOCA, or the code that has been adopted by the local jurisdiction. Modular are approved under state requirements, manufactured homes are approved under Federal requirements. The underwriter will require documentation to confirm that the subject property is a modular home with no further requirements.

Modular home labels confirm compliance with the regional, state, and local building codes for factory-built construction. **(see below)**


THIS INSIGNIA IS THE PROPERTY OF THE
STATE OF COLORADO
DIVISION OF HOUSING
FACTORY BUILT UNIT CERTIFICATION
THIS UNIT COMPLIES WITH THE
FACTORY BUILT CONSTRUCTION STANDARDS
OF THE STATE OF COLORADO
MFTR. CERTIFIES ROOF LOAD FOR _____ PSF
PLAN APPROVAL NO. _____
DATE _____ CERTIFICATION NO. FB _____

7.85 Multi-Family Properties *(Revised December 2024)*

Multi-Family Properties Definition: The number of units on a property is usually defined by the number of kitchens. 1 to 4 units are acceptable for HECM loans. 1½ unit properties are a single-family unit with another unit that is subordinate in size and design, such as a carriage house or basement apartment. These are appraised using the single-family appraisal form with the ½ unit showing as an ADU. Accessory Dwelling Units (ADUs) (Revised November 2023)

- ***Note**: 2 ½, 3 ½, and 4 ½ units are not allowed for HECM loans.*

General Guidelines

If the appraiser indicates that the property is multifamily, the following requirements apply:

- Case number assignment must show the correct number of units
- The property may not exceed four (4) units
- The borrower must sign and date "Hotel/Transient Use Certification" / HUD92561 certifying that they are not using the property as a hotel.
- The borrower must remain in the home for the life of the loan
- The property cannot have an accessory dwelling unit(ADU)
- The appraisal must be completed on form 1025
    - Comparable must also be 2-4-unit properties (depending on number of units in subject)
    - Different comparable (if available) should be used in the New Comparable Rental Data section to show potential earnings from renting units
    - Rental income from each unit must show in the Subject Rent Schedule section

7.86 Unique Properties *(Revised November 2023)*

Unique properties may include any of the following, but not limited to:

- Dome Homes
- Log Homes
- Exceptionally small homes
- Exceptionally large homes
- Lower than normal ceiling heights
- Earth Homes/ Berm Homes
- A-typical layout/ A-typical construction
- 1 Bedroom 1 Bath Homes without finished basement
- Quonset Homes
- A-Frame Homes
- Studios
- Hangar Homes
- Barndominiums
- Tiny Homes

Eligibility of a unique property is determined by whether the property is structurally sound and readily marketable. The underwriter will take into consideration ingress/egress to the property, the number of bedrooms & the appraiser's comments regarding the subject's marketability. A minimum of 2 similar, acceptable, closed, comparable is required. No exceptions.

7.87 Ineligible Properties *(Revised February 2025)*

Mutual will not accept the following property types for HECM financing, including but not limited to:

- Active Farms, Bed and breakfasts, and Daycares
- Boarding Houses
- Boat homes/Houseboats
- Co-Ops/Condotels

- Manufactured home in a condominium project that is not HRAP approved
- Mixed use properties where commercial exceeds 51% of GLB
- Mobile Homes
- Multi-Family with accessory unit
- Properties located within the designated Coastal Barriers in accordance with the CBRA
- Properties located in Lava Zones 1 and 2
- Properties located on Restricted Native American land
- Properties with limits on free use and limitations
- SFR with multiple accessory units

8. Appraisal Review *(Revised December 2024)*

In accordance with-4000.1, Mutual will accept one or more Appraisal Management Companies (AMC) to provide appraisal reports. All AMCs (and appraisers assigned by the same) must be on Mutual's Approved List. Our Approved AMC List is subject to change at any time. Please refer to our current Approved Appraiser List.

8.1 Appraisal Basics

All appraisals of properties that are to be secured by FHA-insured mortgages must be reported on one of the following forms based on property type:

- Uniform Resident Appraisal Report - for all 1-unit single family dwellings, including a PUD (Fannie Mae Form 1004)
- Manufactured Home Appraisal Report - for all manufactured homes (Fannie Mae Form 1004C)
- Individual Condominium Unit Appraisal Report - for all individual condominium units and site condos (Fannie Mae Form 1073)
- Small Residential Income Property Appraisal Report - for all 2-4-unit dwellings (Fannie Mae Form 1025)

Key Appraisal Requirements:

- Occupancy must reflect OWNER – if property is non-owner occupied, Mutual will reject the loan
- Present Land Use should not reflect a current change underway toward non-residential use
- The non-residential portion of the total floor area may not exceed 49 percent. Any non-residential use of the property must be subordinate to its residential use, character, and appearance. Non-residential use may not impair the residential character or marketability of the property. The non-residential use of the property must be legally permitted and conform to current zoning requirements.
- The Appraiser must calculate the non-residential portion of any residential property. Storage areas or similar spaces that are integral parts of the non-residential portion must be included in the calculation of the non-residential area. The appraiser must comment on any non-residential use within the property and state the percentage of the total floor area that is utilized as non- residential. The appraiser must report whether the non-residential usage is legal and in compliance with current zoning requirements.
- Properties that are primarily commercial in nature (e.g., bed and breakfast, boarding house, large commercial enterprises exceeding 49% of floor space) are ineligible.
- Appraisal effective date cannot be before the case number assignment date
- Appraiser must specifically state that subject meets minimum FHA/HUD property requirements per HUD's 4000.1
- Appraiser must confirm whether utilities were on and functioning at the time of inspection
- At minimum, the case number must be reflected on page 1 of the URAR (the case number is not required on all pages of the report)

8.2 Zoning

Zoning classifications must be residential in nature and must allow for the number of units contained in the subject property.

There are three options for zoning:

- If there is zoning, zoning compliance must be legal or legal non-conforming.
    - If zoning is legal non-conforming, we will need either appraiser confirmation that the property can be legally rebuilt "as is" if destroyed or Mutual will require a letter from the zoning board stating that the home can be rebuilt if destroyed.
- If zoning is illegal, the file will be rejected.
- If there is no zoning, the file will be accepted if the home is in a residential area (rather than a commercial area)

8.3 Highest and Best Use

Highest and Best use must be "Present Use" of property.

8.4 Site Hazard & Nuisances *(Revised April 2024)*

FHA guidelines require that a site be rejected if the property being appraised is subject to hazards, environmental contaminants, noxious odors, offensive sights, or excessive noises. Site hazard and nuisances affecting the subject property must be noted by the appraiser and comments are required regarding whether they potentially endanger the health and safety of the occupants and/or the structural integrity or marketability of the property.

The property must be free of all known hazards and adverse conditions that may:

- Affect the health and safety of the occupants.
- Affect the structural soundness of the improvements.
- Impair the customary use and enjoyment of the property
- The hazards include, but are not limited to:
    - Toxic chemicals
    - Radioactive materials
    - Hazardous activities
    - Soil contamination, clay soil
    - Operating and abandoned oil and gas wells
    - Abandoned wells
    - Slush pits / sinkholes
    - Lava zones
    - Heavy traffic
    - Commercial property abutting site
    - Airport noise and hazards
    - Runway clear zones/clear zones
    - Proximity to high pressure gas, liquid petroleum pipelines, or other volatile and explosive products
    - High-voltage transmission lines
    - Excessive smoke, fumes, odors, and stationary storage tanks containing flammable or explosive material
    - Other hazards that must be assessed include potential damage from soil or other differential ground movements, subsidence, ground water, inadequate surface drainage, flood, erosion, excessive noise, defective lead-based paint, other pollution, and other hazards on or off the site.
    - Methamphetamine Contamination: If the Mortgagee or the Appraiser identifies a Property as contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the Property is ineligible due to this environmental hazard until the Property is certified safe for habitation.
    - Swimming Pools must be in compliance with all local ordinances.

8.5 Improvements

Single family, PUD's, Condos & two to four-unit homes are acceptable for the HECM loan. If the home has more than 1 ½ units, the appraiser must use the Small Residential Income Form (1025). If the foundation shows evidence of infestation, dampness, or settlement, the appraiser should condition for repairs and/or inspections. Barred bedroom windows require at least one window per bedroom to have an emergency release mechanism. Appraiser must list repairs in Condition of Property and repeat the repair information in the Comments on page 3. Home must be 100% complete at time of inspection and a Certificate of Occupancy is required if the home is newly constructed.

8.6 Heating *(Revised December 2024)*

Check for oil heaters, space heaters, wood stoves, and unusual sources of heat. Underwriter to review any unusual/atypical sources of heat.

The appraiser is required to observe the heating systems and observe their performance to confirm the system can maintain at least 50 degrees in all living areas and all areas containing plumbing systems. If an unusual/atypical

source of heat is present, underwriting may require additional documentation to confirm the heating system meets HUD requirements.

- **Space Heaters**: Houses served by space heaters must be inspected to determine if the heaters are permanently installed properly per local and fire code. The appraiser must state that this type of heat is typical and adequate to heat the entire house.
    - All non-conventional heating systems, such as space heaters, must be permanently installed and comply with local jurisdictional guidelines.
- **Wood Stoves &Other Unusual Heat Sources**: Wood stoves must be inspected to ensure that they are installed properly and in good working condition. Unusual heat sources, such as wood stove or solar heating, require backup system such as electric heating.
    - Dwellings with wood burning stoves or solar heating as a primary heat source must have permanently installed conventional heating systems that can maintain at least 50 degrees in all living areas, as well as areas containing plumbing systems. These heating systems must be installed in accordance with the manufacturer's recommendations.
- All homes must have heat, except in counties in tropical areas (Southern Florida and Hawaii). See HUD updated listing for specific counties.

8.7 Crawl Space & Attic *(Revised July 2025)*

Crawl Space

The Appraiser must visually observe areas of the crawl space to the extent these areas are safely accessible. The Appraiser is not required to disturb insulation or move items that obstruct access or visibility.

If the observation reveals evidence of a deficient condition (such as excessive dampness, insufficient ventilation, or smell of mold, etc.), the Appraiser must render the appraisal subject to inspection or subject to repairs, in compliance with the Repair Requirements.

The Appraiser must report when the crawl space is not safely accessible. The Appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible crawl space area is necessary to determine compliance with MPR and MPS.

Attic

The Appraiser must visually observe the interiors of attic spaces to the extent these areas are safely accessible. The Appraiser is not required to disturb insulation or move items that obstruct access or visibility.

If the observation reveals evidence of a deficient condition (such as a water-stained ceiling, insufficient ventilation, or smell of mold, etc.), the Appraiser must report this condition and render the appraisal subject to inspection or subject to repairs in compliance with the Repair Requirements.

The Appraiser must report when the attic space is not safely accessible. The Appraiser must complete the appraisal subject to inspection by a qualified third party only if further observation of inaccessible attic area(s) is necessary to determine compliance with MPR and MPS.

8.8 Kitchen Removal

Additional kitchens must be removed when**:**

- They are illegal, unpermitted, or not common for the area.
- The appraiser requires removal to meet HUD or county requirements.
- The additional kitchen makes the property ineligible, as with a two-to-four-unit home with an accessory unit that has a kitchen.

➢ ***Note****: This does not include all instances where the removal of a kitchen may be required.*

Rendering kitchens inoperable

All the following tasks are required to render a kitchen inoperable:

- Removal of stove and cap gas line if applicable
- Appraiser to comment that the kitchen is not functional, and no health and safety issues exist.
- Either the appraiser or the county to confirm the use is legal and removing the stove renders the kitchen inoperable.

8.9 Sales Comparison Approach *(Revised July 2025)*

The Appraiser must include as many comparable properties as are necessary to support the appraiser's analysis and conclusion.

At a minimum, the appraiser must include the most recent and relevant sales, preferably within the last six months. The Appraiser must include at least three sales that settled no longer than 12 months prior to the effective date of the appraisal (These no longer need to be in positions 1-3.).

Review of comparable will be completed by Mutual underwriting to ensure that the comparable provided are acceptable for the perspective market (urban, suburban, or rural), the adjustments are within guidelines, and the comparable adequately support value.

8.10 Cost Approach *(Revised July 2025)*

If the Estimated Site Value exceeds 35% if the home value, appraiser must comment on whether that is typical for the area.

Mutual does not require full completion of the Cost Approach section, but the "Opinion of Site Value" must be provided.

8.11 Listed for Sale

If subject property is currently or recently listed for sale, underwriting will require proof of removal from MLS and a written explanation from the borrower as to why the subject property was listed for sale and why they decided to not sell the property and remain in the property as their primary residence.

8.12 Re-use of FHA Appraisals

Appraisals that were used to close a previous FHA loan cannot be re-used, even if they are less than four months old. Each new FHA loan requires a new appraisal.

8.13 Second Appraisals *(Revised February 2025)*

Mutual will only accept second appraisals under the following circumstances:

- HUD's collateral assessment requires a second appraisal.
- The Direct Endorsement underwriter determines that the initial appraisal contains material deficiencies.
- The appraiser who performed the first appraisal is on our list of excluded appraisers.
- The first lender failed to provide a copy of the appraisal in a timely manner and caused potential harm to the borrower from a delay in closing.

➢ ***Note:*** *Mutual must report appraisals replaced due to material deficiencies to the applicable State Appraiser Regulatory Agency.*

8.14 Appraisal Required Photos *(Revised July 2025)*

Mutual requires appraiser to provide the following clearly visible photos of the subject property:

- Front and rear views of the subject including any detached structures
- All Bathrooms
- All Bedrooms
- Kitchen
- Living Room/Family Room
- Unfinished or Finished Basements
- Street Scene Photo
- Interior of garages (exceptions to this requirement are determined by the DE underwriter)

➢ ***Note:*** *Attic and Crawl space photos are not required. Additional conditions or inspections determined by the Underwriter are discretionary based on appraiser commentary or visual concerns (e.g., damage or infestation).*

8.15 Required Appraisal Pages *(Revised June 2025)*

Each appraisal must include the following pages:

- Subject Property Sketch w/ dimensions
- Location Map
- Copy of Appraisers License (must be current at the time of the appraisal effective date)
- Copy of Appraisers E&O insurance (must be current at the time of the appraisal effective date)
- Comparable Photos: MLS photos are acceptable to exhibit comparable condition at the time of sale.

However, appraisers must also include their own photographs (in addition to MLS photos) to document compliance.

8.16 Appraisal Reviews

Appraisal reviews may be required at the discretion of the DE Underwriter.

8.17 Reconsideration of Value (ROV) Policy *(Revised March 2025)*

Reconsiderations of Value may only be initiated by the DE Underwriter. Refer to Lender Alert _ Update to the Reconsideration of Value (ROV) Process _ Effective 3.19.25.

8.18 Properties Owned Less than 12 Months

If the borrower has owned the subject property for less than 12 months, the loan will be based by the appraised value.

8.19 New Construction: Certificate of Occupancy (CO) *(Revised January 2024)*

A copy of the final CO is required prior to release of closing docs. Where the final CO is not available, refer to section 9.7, Construction & Inspection Requirements for New Construction.

8.20 New Construction: NPMA 99A & 99B

For properties that are new construction or that were built in the 12 months prior to the application date, HUD requires the builder to complete their form NPMA -99-A, Subterranean Termite Protection Builder's Guarantee. This form must be in the HUD binder at the time of insuring. The only exceptions are for properties in those areas listed on HUD's Termite Treatment Exception Areas document. New construction in Pennsylvania is the only exception to this – it does not show on the termite treatment exception area communication from HUD but NPMA forms 99A & 99B are not required. The builder must select either box 1 or 2 on NPMA-99A. If builder selects box 1 then the HUD form NPMA-99B, New Construction Subterranean Termite Service Record is also required to be completed by the licensed pest control company.

If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed but the builder must note on the NPMA 99A form that the construction is masonry, steel or concrete and sign and date the form.

8.21 Construction Loans in Place for 12 Months or Less

Construction loans that are in place for less than twelve months may be paid off at the closing with HECM proceeds provided the borrower can document all draws from the construction loan went directly to the builder. If any draws were dispersed to the borrower, then the borrower must provide copies of all receipts to show that all portion of the draw went directly towards the construction of the home.

8.22 Unpermitted Additions

Unpermitted additions are acceptable, at underwriter discretion, if the appraiser confirms:

- The addition or conversion was completed in a workmanlike manner and that there is not any impairment to the soundness, structural integrity, or livability of the property. The quality of construction must be equal to or superior to the original construction.
- There can be no issues regarding health and safety presented by a completed addition or conversion. If there are issues with health and safety the appraisal report must be made "subject to" completion, removal, or repair. A 1004D Completion Report will be required prior to clear to close being issued.
- The room addition must conform to the rest of the property.
- The addition or garage conversion cannot cause the subject property to be in violation of zoning.
- The appraisal must indicate that the zoning is legal and may not include and comments that the zoning of the property has been jeopardized.
- The square footage of the addition may be included in the appraised value if permits have been pulled or, if unpermitted, all the prior items have been satisfied, and permits are attainable. Please note that addition must have direct access to the subject's permanently installed heating source.
- A garage or porch conversion may be appraised as originally intended or as currently used, depending on zoning laws and on the comparable sales.
    - *Example*: If garage conversions are legal and typical for the area as evidenced by comparable sales, the conversion may be appraised as it is currently used. If garage conversions are not typical for the area, the conversion must be appraised as a garage.
    - Garage Conversions:
        - Zoning: Local ordinances and/or municipality may obligate a property to have covered garage storage. This is more common in PUDs and gated communities. It is the responsibility of the appraiser to check for this type of requirement; however, it is the underwriter's responsibility to thoroughly review the appraisal to ensure the property is zoning compliant.
- The hazard insurance policy must clearly show that the entire square footage of the subject property, including the unpermitted addition, is included in the policy.
    - The hazard insurance policy does not need to indicate that there is an unpermitted addition or garage conversion, but the square footage that we are lending on must be covered by the policy.
- If an addition or conversion is incomplete, it cannot be given value unless it is completed.

8.23 Easements, Restrictions, and Encroachments *(Revised April 2024)*

Mutual considers all easements, restrictions, or encroachments and their impact on the market value of the subject property.

- An easement grants rights to access or use the real property of another person without owning it. Typical easements in general will not cause the property to be ineligible for FHA financing.
- Mutual may allow the following easements under HUD's General Waiver guidelines. These will not cause the property to be uninsurable by FHA:
    - Typical easements for public utilities, party walls, driveways, and other purposes.
    - Easements for public utilities along one or more of the property lines and extending not more than 10 feet from and for drainage or irrigation ditches along the rear 10 feet of the property – provided

the exercise of the rights there does not interfere with any of the buildings or improvements located on the subject property.
    - Easements for underground conduits which are in place and do not extend under any buildings on the subject property.
    - Mutual easements for joint driveways constructed partly on the subject property and partly on adjoining property – provided the agreements creating such easements are of record.
    - Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property.

Restrictions are general limitations as to the use or placement of real estate. Mutual may allow the following restrictions under the General Waiver guidelines without causing the property to be uninsurable by FHA:

- Typical building and use restrictions which:
    - Are coupled with a reversionary clause – provided there has been no violation prior to the date of the deed to the Commissioner
    - Are not coupled with a reversionary clause and have not been violated to a material extent

If the restriction set forth is being violated, Mutual will review for one of the following allowable exceptions:

- Violations of cost or set back restrictions which do not provide a penalty of reversion or forfeiture of title, or a lien for liquidated damages which may be superior to the lien of the insured mortgage.
- Violations of such restrictions which do provide for such penalties – provided such penalty rights have been duly released or subordinated to the lien of the insured mortgage or provided a policy of title insurance is furnished expressly insuring the Commissioner against loss by reason of such penalties.
- Violations of a restrictions based on race, color, or creed: even where such restrictions provide for a penalty of reversion or forfeiture of title or a lien for liquidated damages.

An ***encroachment*** exists when a structure from one property extends over the property line of another property. For example, a garage roof overhangs a neighbor's property line, a retaining wall crosses the neighbor's property line, or a driveway/pool is paved a few inches past the boundary line. The existence of an encroachment is usually confirmed with a boundary line survey or an appraiser. Results of such a survey are usually recorded as a matter of public record and become attached to the title of the offending property. Appraiser is required to identify all encroachments on appraisal report. An encroachment may be acceptable if the adjoining landowner, or the local governing authority, provides a perpetual encroachment easement filed in the County Clerk and Recorder's office.

Overhead Electric Power

The Mortgagee must confirm that any Overhead Electric Power Transmission Lines do not pass directly over any dwelling, Structure, or related property improvement, including pools. The power line must be relocated for a Property to be eligible for an FHA-insured HECM. The residential service drop line may not pass directly over any pool, spa, or water feature. If the dwelling or related property improvements are located within the Easement area, the Mortgagee must obtain a certification from the appropriate utility company or local regulatory agency stating that the relationship between the improvements and Local Distribution Lines conforms to local standards and is safe.

8.24 Basement Bedrooms/Basement Apartments *(Revised October 2023)*

Basement space is not normally considered as habitable space and is never counted as part of the general living area (GLA). HUD requires the following for the appraiser to count the basement area as habitable space:

- Must have at least two ingress/egress points. (can be two sets of stairs, a stairway to the main level as well as a walkout door, or a stairway and at least one egress window)
    - Basement bedrooms must have an egress window.
- Per HUD, the requirements for a basement egress window are:
    - The windowsill may not be higher than 44 inches from the floor.
    - The windowsill must have a net clear opening (width x height) of at least 24 inches by 36inches.
    - The window should be at ground level; however, compensating factors may allow less.

In all cases, use reasonable care and judgment. If these standards are not substantially met, the basement area cannot be counted as habitable space.

8.25 Rural Land, Large Properties and Excess vs Surplus Land

Excess Land

Excess land refers to land that is not needed to serve or support the existing improvement meaning the highest and best use of excess land may not be the highest and best use of the improved parcel. Excess land may have the potential to be sold separately.

The appraiser should indicate whether the subject parcel includes excess land.

Surplus Land

Surplus land refers to land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute to the value of the improved parcel. The appraiser should indicate whether the subject parcel includes surplus land and should confirm why it would be considered surplus and not excess.

Surplus vs. Excess Land

Surplus land can be included in the valuation of the subject property. Excess land should not be given value. Per the 4000.1, if the subject of an appraisal contains two or more legally conforming platted lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a non-conformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land. The value of the second lot must be excluded from the final value conclusion of the appraisal, and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition.

Mutual does not lend on property that is not considered typical for the neighborhood. All acreage can be given value if comps have similar acreage and the property's zoned use is residential.

Large properties without excess land

Large properties not having excess land can be given full value for the land if the following apply:

- The property is zoned residential
- The property is used for residential purposes only – it cannot be a farm or have a commercial use
- The acreage is common for the area.
- The acreage is entirely contiguous and included on the legal description.
- All acreage is taxed as one parcel

Rural

It is common for rural residences to have no zoning or to be zoned agricultural. These properties are generally acceptable if the property is predominantly residential in nature. The use must be permissible under the current zoning, represent the highest and best use, and be typical for the subject's marketing area.

The appraiser must confirm there were no signs of agriculture or farming use at the time of inspection. It is common for rural sites to have fewer public amenities such as utilities, roads, site improvements, public water, and sewer. The appraiser is required to comment on public water and sewer hookup availability if applicable.

8.26 Private Wells, Community Wells, Shared Wells & Septic/Sewer *(Revised Oct. 2026)*

General Guidelines for Well & Septic

- Unusual sewage disposal systems (cesspools, etc.) are acceptable if they are allowed by county guidelines and are typical for the area.
- All wells must be drilled wells at least 20 feet deep with a casing - dug wells are unacceptable unless a complete survey conducted by an engineer is delivered to the lender and appraiser

- Wells fed by springs, lakes, rivers, or cisterns are not allowed by FHA; however, Mutual will accept only cisterns as an acceptable water source provided the appraiser confirms this is a typical source of water for the neighborhood, obtain a water test, confirm if there are any MPR or MPS violations, and if the use of cisterns has any effect on marketability. The appraiser must require a test or inspection if any of the following apply:
    - The water supply relies upon a water purification system due to the presence of contaminates
    - Corrosion of pipes (plumbing)
    - Areas of intensive agricultural uses within one-quarter mile
    - Coal mining or gas drilling operations within one-quarter mile
    - A dump, junkyard, landfill, factory, gas station, or dry-cleaning operation within one-quarter mile
    - An unusually objectionable taste, smell, or appearance of well water
- Wells must meet state and local standards and may not be less than 50 feet from any source of pollution. HUD requires well tests under certain circumstances (such as corroded plumbing, unusual taste, or odors), or nearby hazards (such as dry- cleaners or intensive agriculture).
- The appraiser does not automatically have to list the distances between the well, septic tank, property line, etc. However, the appraiser should comment if the well appears to be too close to a potential source of contamination and that distances meet HUD guidelines.
- If the appraiser is unable to identify location of well and/or septic and comment on their compliance with HUD guidelines a survey will be required to disclose locations and compliance.
- More than four houses cannot use the same shared well.
- Borrowers must submit a copy of a state or county permit or license for community wells.
- If subject property has both well and septic, the following requirements must be met:
    - Well is at least 50 feet from a septic tank.
    - Well is at least 100 feet from the septic tanks drain field. FHA recognizes state and local distance requirements, provided they do not permit less than 75 feet of separation.
    - Well is at least 10 feet from any property line. FHA recognizes state and local distance requirements, provided the well is not within 10 feet of any roadway, or the property line of anything other than a single-family residential property. In other words, the well cannot be within 10 feet of a commercial, industrial, or multi-family building.

For properties that do not meet FHA's standard well distance requirements, reduced distances may be acceptable provided all of the following conditions are met:

- The property meets the applicable well distance requirements established by the local jurisdiction.
- The local health authority, environmental agency, or governing municipality has inspected, permitted, or grandfathered the private water system in its current configuration.
- Acceptable water testing results are obtained and documented in the loan file.
- Request for Waiver of Housing Directive is uploaded to the loan file.

The waiver applies only to existing construction and does not extend to new construction, which remains subject to FHA's Minimum Property Standards (MPS).

Well Water Tests

Typically, the underwriter will only require a test if it is specifically recommended by the appraiser. All test samples should be taken by a state-certified private laboratory or their designee in accordance with the state drinking water regulations. If the water is not potable, the borrowers may not escrow for the installation of a new well (it must be done prior to closing).

If the appraiser calls for a water test or the underwriter deems one necessary, at a minimum, the water must be tested for e-coli, coliform, nitrates, nitrites, lead, and total nitrate/nitrite. Some states mandate additional testing before the water testing lab will issue a report. The water testing report is to be within six months of the appraisal report, reflect the property address where water sampling was obtained, and clearly show that the water is safe, potable drinking water.

If the property is connected to public water but has a well which is only used for irrigation purposes, no water testing is necessary.

Water tests to show the water is acceptable to local or EPA standards is always required to be identified in the loan file when the subject is served by a private well.

Public Utility Hook-ups

The Mortgagee must confirm that a connection is made to a public or Community Water System whenever feasible and available at a reasonable cost. If connection costs to the public or community system are not reasonable, the existing onsite systems are acceptable, provided they are functioning properly and meet the requirements of the local health department.

- ***Note**: There is no longer a requirement to hook up to public system if the cost is within 3%. The determination is made by the DE Underwriter. If the cost appears reasonable (within 3%), the file should be documented with a LOE from the borrower indicating it is not feasible for the borrower to hook up to public water/sewer.*

Private Wells

The appraiser is not required to include onsite sketches of the well, septic, drain field, or property lines. The appraiser is, however, required to address in the report if distances appear to be such that there could be potential for contamination. The appraiser is to also note any adverse site conditions which might warrant further inspections.

Shared Wells

Shared wells may serve existing properties which cannot feasibly be connected to an acceptable public or community water system. A shared well must have a valve on each dwelling service line as it leaves the well and may not service more than four (4) living units or properties.

There must be a recorded shared well agreement which must be binding upon signatory parties and their successors in title and the agreement must be approvable by the local authority.

All shared well agreements are subject to legal counsel's review and approval, and it may be required that an amendment to the shared well agreement be executed by all parties the shared well services. MoOM's legal counsel will draft the amendment as necessary.

For additional Shared Well HUD requirements and verbiage required to be part of the shared well agreement, see HUD handbook 4000.1.

Spring Fed Wells

HUD does issue HUD Waivers for spring fed wells. No local or government agencies monitor the filtration systems on these properties that are at higher risk of contamination due to the water from springs, lakes, or rivers, therefore, these types of properties are required to additional testing by a disinterested third party.

Community Water Systems

Community water systems are owned, operated, and maintained by a private corporation or a non-profit property owners' association. Homeowners pay the association for their water. The operating entity maintains the records, water tests, and operating permit issued by the state.

The appraiser must note the name of the water company providing the water. If the appraiser confirms that the community water is public and not private then nothing further is needed.

If the appraiser confirms that the community water is private then the appraiser will need to explain why as the 4000.1 confirms that community water is considered public.

Hauled Water

Hauled Water is acceptable provided the following is met:

- The water source and delivery method must comply with local health department guidelines, and water quality must meet EPA or local standards.
  - Name and licensing information is required for the hauled water company.
- The property must have a permanently installed, on-site water storage tank with sufficient capacity.
- The hauled water system must provide a continuous and adequate supply of potable water that meets local health authority requirements.

Septic

The appraiser should specify if the property is serviced by a septic system. The appraiser is required to note on the appraisal if he detects any problems with the system (i.e., odor, standing water, etc.). If problems are detected, typically a current pumping and inspection of the system by the local authority having jurisdiction will be necessary, or if it is customary in the area or mandated by local or state regulations.

If public sewer is available to the site, the homeowner must connect unless the cost to do so exceeds 3% of the property value. Costs include connection charges, trenching to bring in the line, and permits. If the appraiser is unwilling or unable to comment, a professional bid is required.

8.27 Private Roads and Shared Driveways

Each property must be provided with vehicular and pedestrian access by a public or private road. If the property is serviced by a private road or driveway, then the road/driveway must meet the following criteria:

- Must be protected by permanent recorded easement or ingress/egress shown on deed
- If the legal description does not include an easement for ingress and egress to the subject property, a Shared Driveway Agreement or permanent easement is required to be drawn up by the borrower's attorney.
- Road Maintenance agreements are no longer required

8.28 Stationary Storage Tanks *(Revised Oct. 2026)*

If the subject property line is located within 300 feet of an aboveground, stationary storage tank with a capacity of more than 1,000 gallons of flammable or explosive material, then the Property is ineligible for FHA insurance, and the Appraiser must notify the Mortgagee of the deficiency of MPR or MPS.

8.29 Appraisal Extensions and Recertifications

Appraisals expire 180 days from the effective date of the appraisal report, and the appraisal report must be valid through the disbursement date.

Recertification:

A recertification extends an expiring appraisal for 1 year.

Reference Chart:

Case Number Issued	**BEFORE** June 1, 2022	**ON OR AFTER** June 1, 2022
Appraisal Validity	120 Days	180 Days
DE Extension of 30 Days	Yes	Not Allowed
Recert of Value / Extension "X" Days*	120 + 120 = 240 Days**	1 year**

Refer to Lender Alert _ FHA Appraisal Validity Periods _ 7.14.22 for further guidance on Appraisal Validity.

- ***Note**: Recertification is not permitted for properties located in a declining market and may not be used to increase value or add comparable sales after the effective date of the appraisal. In most cases, $175 will be redisclosed provided the recertification is obtained in time and accepted.*

8.30 Appraisal Logging

Appraisal logging cannot be completed until the .xml version of the appraisal has been uploaded to HUD's Electronic Appraisal Delivery Portal (EAD). This must be done by an authorized user (typically the underwriter or the AMC.) Once the submission is successful, EAD will automatically transfer the property information to appraisal logging in FHA Connection. The transfer is not always instant and can up to 30 minutes to complete. Once the property information has been transferred, the HECM info at the bottom of the screen will need to be completed. FHA Connection has specific information on how to complete this section which is located here. Lenders are responsible for ensuring that the appraiser who conducted the appraisal is correctly identified in FHA Connection (FHAC). Lenders who fail to ensure that FHAC reflects the correct name will be subject to administrative sanctions.

8.31 ECOA Appraisal Delivery

Mutual requires that the FINAL version of the appraisal report and any valuation tool used to support value with exception of public records be sent to the borrower prior to closing regardless of waiver status.

- ***Note**: The final version of the appraisal report refers to an appraisal where all corrections/updates/conditions are complete and satisfied.*

Required Disclosures:

- Right to Receive Copy of an Appraisal Disclosure with only one option marked
- Acknowledgment for Electronic Communication showing borrower's own email address (not a relative's) – if the email address provided obviously does not belong to the borrower, the borrower will need to provide their personal email address or receive delivery via USPS.

For TPO/Retail

Once Mutual has determined that a version of an appraisal is final and is "setting" value, we will send out the appraisal via Class Valuation's Docuvault system.

For Hybrid Correspondent

The lender is required to provide the fully executed Business Partner Certification of Appraisal Delivery.

8.32 Repairs *(Revised October 2025)*

Property deficiencies are identified by an appraiser, inspector, or termite company. The underwriter decides which of these problems must be repaired. Repairs determined to present immediate health and safety risks to the occupant(s), or the structural integrity of the home will be required to be completed prior to closing. Repairs determined to be more cosmetic in nature will be allowed to be completed after closing and as a repair set-aside will be collected.

Appraiser cost-to-cure is typically acceptable for simple/cosmetic repairs. Extensive repairs & repairs under underwriting discretion may require a professional bid in a specific field that will require a licensed contractor.

The repair set-aside amount will be calculated at 1.5 times the amount shown on the bid.

- ***Note**: Contractor bids must show license number, company name and be signed.*

Repair Set-Asides

The minimum repair set-aside amount is $500.00. Repairs included in a set-aside that is under $500.00 must be completed prior to closing.

- If the repair bid is less than or equal to 15% of the maximum claim amount (prior to gross-up pad stated above), a repair set-aside may be established for repairs.
- If the bid is more than 15% of the maximum claim amount, then repairs must be completed prior to closing to bring the total repair set-aside down to 15%.

Repairs must be completed within 6 months of closing. Once they are complete, the funds are disbursed from the line of credit, and the lender verifies that all liens are removed. If the repairs are completed without using all the available funds, the lender transfers the remainder of the set aside to a line of credit and informs the borrower of the transferred amount.

- If the cost of repairs exceeds the amount set aside, the borrower must still have the required repairs completed. He or she may draw against a line of credit to cover the excess cost.
    - This procedure may require a recalculation of the borrower's payment plan.
- If the borrower completes the repairs by himself/herself, the borrower will not be reimbursed for any labor performed, only the cost of the materials. If the borrower completes the repairs himself/herself, the reinspection will have to be completed by a qualified inspector.
- If the required repairs are not completed within six (6) months as specified in the Repair Rider, the lender discontinues payments on the loan, freezes the loan at a line of credit status available only to fund repairs and mandatory items, such as property charges and the Mortgage Insurance Premium (MIP).

Repair Administration Fee

Mutual may charge a fee, not to exceed the greater of one and one-half (1 ½) percent of the funds used for repairs, or $50.00, to administer this agreement. The borrower pays this fee to Mutual/lender independently of the fees paid for compliance inspections. This charge is included in the borrower's fees.

Required Repairs Prior to Closing

When repairs must be completed prior to closing:

- The property must be inspected before closing.
- A Fannie Mae form 1004D or Completion Report must be completed, certifying that required repairs are complete.
- The borrower can have the repairs completed with the intention of paying the contractor with mortgage proceeds. However, any amounts must be paid at closing, and all liens removed at closing.

Examples of repairs required prior to closing include but are not limited to:

- Inadequate exits from bedrooms to the exterior of the house.
- Actively leaking roofs or worn-out roofs that could cause a safety issue.
- Evidence of structural problems, such as foundation damage caused by excessive settlement.
- Broken or inoperable windows.
- Missing Handrails/Railings (interior or exterior) – causing a safety hazard.
- Missing fire rated door between garage and home.
- Earth to wood contact.
- Infestations of any kind.
- Well and septic not meeting distance requirements.
- Exposed/damaged wiring.
- Any problem noted in the appraisal as a "health or safety" issue.

8.33 Termite Inspections/Repairs *(Revised March 2024)*

FHA requires maximum assurances that a home is free of any infestation. A Wood Destroying Insect Inspection Report (NPMA-33) is always required when the following apply (even if the property is located on HUD's exception list):

- Required by the local municipalities.
- Appraiser states that it is required or notes the presence of active infestation.
- Purchase contract states it is required.

Structures in a geographic area with no active termite infestation may not require a pest inspection. However, the appraiser must always note:

- Any infestation.
- Any damage resulting from previous infestation.

- Whether damage from infestation has been repaired or needs repair.

Appraisers must observe all areas of the property that have potential for termite inspection, including the bottoms of exterior doors and frames, and wood siding in contact with the ground and crawl spaces.

Termite Inspection Reports

When a termite inspection is required, copy of full report must be provided to Mutual. All Section 1 and Section 2 items will be required to be repaired or corrected prior to close.

Clearance/Final Report is required once repairs and/or treatment is complete.

Form NPMA-33, Wood Destroying Insect Inspection Report

- The Mortgagee must confirm that the HECM file contains the National Pest Management Association (NPMA) form NPMA-33, Wood Destroying Insect Inspection Report, or the state mandated infestation report, as applicable.
- "For existing Properties, the Mortgagee must confirm that the Property is free of wood destroying insects and organisms [such as termites]. If the appraisal is made subject to inspection by a qualified pest control specialist, the Mortgagee must obtain such inspection and evidence of any required treatment to confirm the Property is free of wood destroying insects and organisms."

9. HECM for Purchase

For purchase transactions only, the Maximum Claim Amount will be the lesser of the final appraised value (as determined by the DE Underwriter), sales price or FHA HECM National Mortgage Limit.

- ***Note:*** *For new construction purchases or for purchases of existing properties built within the last 12 months, a copy of the Certificate of Occupancy (CO) is required.* *New Construction: Certificate of Occupancy (CO) (Revised January 2024)*

9.1 Buyer Eligibility

- All HECM borrowers must be listed as buyers on the sales contract.
- If there is a non-borrowing spouse on the loan, s/he may be listed as a buyer on the purchase contract, but this is not a requirement.
- Any party listed as a buyer on the purchase contract who will also be vested on title may remain a buyer on the purchase contract even if they will not be a borrower.
- If a person listed as a buyer on the purchase contract will not be a vested owner of the property, an addendum to the purchase contract will be required to remove this person from the contract.

9.2 Property Eligibility *(Revised March 2024)*

The following property types are eligible for FHA insurance under the HECM Purchase Program:

- Single family
- FHA approved condominiums
- 2-4-unit properties where the borrower(s) will occupy one of the units as an owner-occupant
- Manufactured homes

Eligible property types must meet the following criteria:

- A valid certificate of occupancy has been issued prior to the close of the loan to certify that construction has been completed
- The property is held as fee simple
- The purchase transaction will be an arm's length transaction
- The property must not have transferred in the 90 days prior to the date of the real estate purchase contract (subject to exceptions as outlined in Property Flipping (Seasoning)).

9.3 Land Contracts *(Added March 2024)*

The Borrower may use a HECM for Purchase transaction to satisfy an outstanding payment obligation associated with a land contract, contract for deed, or other similar purchase arrangement that will ensure the Property will meet FHA's title requirements.

The Borrower may finance the purchase of a one- to four-unit residence that will be used as their Principal Residence. The Property may be Existing Construction or New Construction. The following property types are eligible for HECM financing:

- Site Built Housing (one- to four-units)
- Condominium units in Approved Projects or Legal Phases
- Manufactured Housing

Properties previously acquired through a contract for deed, land contract, or other similar arrangements must be treated as a purchase transaction when HECM funds will be used to satisfy outstanding payment obligations.

FHA treats the sale of an occupied Property that has been completed less than one year from the issuance of the CO or equivalent as an Existing Construction Property

9.4 Termite Requirements

For New Construction and/or Construction Completed in the last year

Unless shown on HUD's published list, Termite Treatment Exception Areas, the following is required regarding termite inspections:

- Builder is required to complete form NPMA 99A: Subterranean Termite Protection Builder's Guarantee
- If the Builder indicates on the NMPA 99A that a pest control company applied treated (see box 1), form NPMA 99B: New Construction Subterranean Termite Service Record will also be required.
- If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed but the builder must note on the NPMA 99A form that the construction is masonry, steel or concrete and sign and date the form. New Construction: NPMA 99A & NPMA 99B and Termite Inspections/Repairs

9.5 Required Documentation for HECM for Purchase (H4P) *(Revised June 2026)*

- Fully executed purchase contract with all addenda:
  - all signature lines must be signed and dated within compliance.
- Valid electronic signatures are acceptable on the contract and the addenda if the following requirements are met:
  - The signatures must be completed via a 3rd. party eSign vendor such as DocuSign or DocMagic eSign where there is an identifier/ key that is present on all signed pages
  - If the signatures are not dated on the contract and addenda, evidence of the timestamp will be required. For signatures created using DocuSign or DocMagic eSign, the timestamp will show on the Certificate of Completion, which will need to be provided for all envelope IDs created in the execution of the purchase contract and addenda.
- Amendatory/Escape Clause & Real Estate Certification: these disclosures can be an addendum to the sales contract, included in the sales contract (exact verbiage required) or available in the application package from Reverse Vision or Quantum Reverse. The Amendatory/ Escape clause must reflect the final purchase price, or at minimum, the set purchase price at the time the disclosure was executed. If the purchase price has **decreased** since the set purchase price at the time the disclosure was executed, no new disclosure is needed. If the purchase price **increases** since the set purchase price at the time the disclosure was executed, a new disclosure with the updated sales price is required prior to the note date. Both forms must be signed and dated by all parties prior to the note date. The parties can sign separate forms if all parties sign on, or before the note date.
  - The purpose of the Amendatory/Escape Clause is to expressly give the buyer an out if the property does not appraise for the sales price. It also requires the seller to give the buyer notice of any changes to the property. This form is signed again at closing to certify that there were no changes to the terms of the sale that were not fully disclosed to all parties, including the lender and FHA, and that there are no separate agreements outside of the closing.
- Lead Based Paint seller's disclosure: part of the application package available in Reverse Vision or Quantum Reverse.
- Seller's Property Condition Disclosure: provided by the realtor and signed by the selling party, if required per the real estate purchase contract
- Schedule of Real Estate Disclosure: must reflect all properties owned, including the departure residence
- Motivation letter: a letter signed and dated by the borrower(s) stating why their current home no longer meets their needs and describing their future for it. This letter is required when the borrower owns multiple properties, and / or the borrower will retain the departure residence. If a motivation letter was completed as part of the pre-approval process, it does not need to be updated at time of application.
- Valid source and paper trail of funds to close Asset Verification (Funds to Close) (Revised April 2026)
- Earnest money deposit (EMD): Copies of cancelled checks and/or wire receipts for all deposits (including construction deposits) that will be applied toward the purchase price balance (must match cumulative deposits per the purchase contract & amount per estimated HUD and be correctly entered in Reverse Vision or Quantum Reverse)

- Verification of EMD: required only if cumulative deposits exceed 1% of the sales price, however, if borrowers do not have enough funds to close verified without the use of the EMD, the EMD will be required to be sourced with 30 days of bank statements and paper trailed regardless of percentage.
- NMPA 99A&B forms as applicable (see Termite Requirements for New Construction)
- Credit Report: borrower(s) CANNOT currently be late on any FHA insured mortgage tied to the retained residence or any other property. Late payments must be brought current before closing.
- If the sales price exceeds the appraised value, the borrower(s) must write a letter acknowledging that the appraised value is less than the sales price and express their intent to proceed with the HECM for Purchase at the sales price. DE Underwriter to determine eligibility
- Copy of Estimated HUD from subject transaction to ensure no seller credits/incentives
- Copy of Grant Deed to confirm new vesting

9.6 Inspections *(Revised March 2024)*

A home or pest inspection is not typically required unless requested at underwriter discretion or when required by any of the following:

- State regulations
- Signed Purchase Contract
- Appraiser

If the any of the above applies, or if the contract or HUD indicate that the borrower opted for a home or pest inspection, the inspection report must be provided to us for review and repairs may be required. *(Refer to Termite Inspections/Repairs (Revised March 2024) for additional information)*

9.7 Construction & Inspection Requirements for New Construction *(Revised March 2024)*

Mortgagees must ensure New Construction HECM Properties are inspected to ensure compliance with FHA's MPS and MPR. The construction status at the time of appraisal will determine the inspections that must be completed.

Site Built Housing

Proposed Construction

- For Properties in the Proposed Construction status at time of appraisal, the Mortgagee must obtain one of the following prior to closing and provide the applicable documentation in the case binder:
  - copies of the building permit (or equivalent) and CO (or equivalent); or
  - three inspections (footing, framing, and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI (for Modular Housing, footing and final only); or
  - in the absence of such ICC certified RCI or CI, the Mortgagee may obtain three inspections (footing, framing, and final) performed by a disinterested third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the state in which the Property is located.

Under Construction

- For Properties in the Under Construction status at time of appraisal, the Mortgagee must obtain one of the following prior to closing and provide the applicable documentation in the case binder:
  - copies of the building permit (or equivalent) and CO (or equivalent); or
  - a final inspection issued by the local authority with jurisdiction over the Property or by an ICC certified RCI or CI; or
  - in the absence of such ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the state in which the Property is located.

Existing Less than One Year

- For Properties in the Existing Less than One Year status at time of appraisal, the Mortgagee must obtain one of the following prior to closing and provide the applicable documentation in the case binder:

- a copy of the CO (or equivalent); or
- a final inspection issued by the local authority with jurisdiction over the Property or by an ICC certified RCI or CI; or
- in the absence of such ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third-party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the State in which the property is located.

Manufactured Housing

Proposed Construction

- For Properties in the Proposed Construction status at time of appraisal, the Mortgagee must obtain one of the following prior to closing and provide the applicable documentation in the case binder:
  - copies of the building permit (or equivalent) and CO (or equivalent); or
  - two inspections (initial and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or
  - in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain two inspections (initial and final) performed by a disinterested third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the state in which the Property is located.

Under Construction

- For Properties in the Under Construction status at time of appraisal, the Mortgagee must obtain one of the following prior to closing and provide the applicable documentation in the case binder:
  - copies of the building permit (or equivalent) and CO (or equivalent); or
  - a final inspection performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or
  - in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the state in which the Property is located.

Existing Less than One Year

- For Properties in the Existing Less than One Year status at time of appraisal, the Mortgagee must obtain one of the following prior to closing and provide the applicable documentation in the case binder:
  - a copy of the CO (or equivalent); or
  - a final inspection performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or
  - in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third-party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, and has met the licensing and bonding requirements of the State in which the property is located.

Units in Condominium Project or Legal Phase (Existing Less Than One Year)

- The Mortgagee must obtain a CO or its equivalent.

Required Documentation for New Construction Properties

The Mortgagee must obtain and include the following documents in the case binder:

- form HUD-92541, Builder's Certification of Plans, Specifications, and Site;
- form HUD-92544, Warranty of Completion of Construction;
- a copy of the CO (or equivalent), if applicable; or
  - inspections performed by an ICC certified RCI or CI or a third-party, who is a registered architect, a structural engineer, or a qualified trades person or contractor must be reported on form HUD-92051, Compliance Inspection Report, or on an appropriate state-sanctioned inspection form;
- required inspections, as applicable;

- a Wood Infestation Report, unless the Property is located in a county listed as not required on HUD's "Termite Treatment Exception Areas" list:
    - form HUD-NPMA-99A, Subterranean Termite Protection Builder's Guarantee, is required for all New Construction. If the building is constructed with steel, masonry, or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The Mortgagee must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.
    - form HUD-NPMA-99B, New Construction Subterranean Termite Service Record, is required when the New Construction Property is treated with one of the following: Termite Bait System, Field Applied Wood Treatment, soil chemical termiticide, or Physical Barrier System is installed, as reflected on the HUD-NPMA-99A. The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
- local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority; and
- when a third party, who is a registered architect, a structural engineer, or a qualified trades person or contractor, is relied upon for required inspections due to the absence of an ICC certified RCI or CI, include certification from such inspector that they are licensed and bonded under applicable state and local laws to perform the type of inspection completed.

Documents to be Provided to Appraiser at Assignment

The Mortgagee must provide the Appraiser with a fully executed form HUD-92541 (Builder's Certification of Plans, Specifications, and Site), signed and dated no more than 30 Days prior to the date the appraisal was ordered. For Properties 90 percent completed or less, the Mortgagee must provide a copy of the floor plan, plot plan, and any other exhibits necessary to allow the Appraiser to determine the size and level of finish of the house they are appraising. For Properties greater than 90 percent but less than 100 percent completed, the Mortgagee must provide the Appraiser with a list of components to be installed or completed after the date of inspection.

Property Considerations

New Construction must meet HUD's Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).

9.8 Monetary Investment *(Revised March 2025)*

Borrower(s) may provide a larger investment amount (aka optional additional down payment) amount in order to retain a portion of the HECM proceeds for future draws.

- ***Note:*** *The Notice of Right to Cancel is applicable on any HECM for Purchase transaction where the borrower(s) will be looking to have a Line of Credit available for the optional additional down payment funds.*

9.9 Closing Costs – Buyer/Seller Responsibilities *(Revised July 2025)*

The borrower must pay for all closing costs typically associated with purchasing a property and obtaining financing, and the seller must pay for all costs typically associated with selling a property. The seller may pay for home warranty and, if confirmed by title that it is common and customary for the area, the seller may also pay for the owner's title policy. Interested party contributions (IPC) up to 6% of the purchase price can be applied to closing costs and prepaids. Interested parties refers to sellers, real estate agents, builders, developers, or other parties with an interest in the transaction. Seller can continue to pay "common and customary" fees independent of the 6% IPC, if it is confirmed with title. Sellers may satisfy PACE liens at closing independent of the 6% IPC as well.

Examples of prohibited concessions include but are not limited to:

- Design credit or decorating allowances
- Upgrade allowances
- Repair allowances
- Excess rent credit
- Moving costs

- Personal property
- Sales commission on the borrower's present residence (aka departing residence)
- Contributions exceeding 6% of the purchase price
- Paying off consumer debt
- Contributions exceeding the closing costs
- Discount points
- Premium pricing

9.10 Inducements to Purchases Only *(Revised June 2025)*

FHA prohibits the use of loan discount points, interest rate buy-downs, gifts, or personal property given by the seller, or any other party involved in the transaction.

9.11 Personal Property

Any personal items beyond the "typical and customary" items may require a third (3rd) party estimate, and reduction from lenders accepted sales price. Exceptions to this rule include fridge, oven, range, dishwasher, washer/dryer, or any item that would cause damage to remove. Alternatively, if the buyers do not wish to obtain a 3rd. party estimate, personal property may also be removed from the purchase contract via a fully executed addendum.

9.12 Occupancy Requirement

The HECM Borrower has 60 days from the close of escrow to occupy the dwelling. Seller rent-backs of a maximum of 30 days are allowed.

9.13 H4P Repairs

All repair items noted in the appraisal and/or termite inspection must be completed prior to closing. Seller will typically pay for repairs. Repair set-asides are not allowed on the HECM for Purchase program.

9.14 Property Flipping (Seasoning)

To be eligible for FHA financing, any re-sale of a property may not occur 90 or fewer days from the last sale date of the property. FHA defines the seller's date of acquisition as the date of settlement on the seller's purchase of that property. The resale date is the date of execution of the sales contract by the buyer that will result in a mortgage to be insured by FHA.

Exceptions to 90-day Restriction

The following sales are exempt from the time restrictions:

- Sales by HUD of its Real Estate Owned
- Sales by other United States Government agencies of single-family properties pursuant to programs operated by these agencies.
- Sales of properties by nonprofits approved to purchase HUD-owned single-family properties at a discount with resale restrictions.
- Sales of properties that are acquired by the sellers by inheritance.
- Sales of properties purchased by employers or relocation agencies in connection with relocations of employees.
- Sales of properties by state and federally charted financial institutions and Government Sponsored Enterprises.
- Sales of properties by local and state government agencies.
- Upon FHA's announcement of eligibility in a notice, sales of properties located in areas designated by the President as federal disaster areas, will be exempt from the restrictions of the property-flipping rule. The notice will specify how long the exception will be in effect and the specific disaster area affected.

If the resale date is between 91 and 180-days following acquisition by the seller, the lender is required to obtain a second appraisal from another appraiser if the resale price is 100 percent or more over the price paid by the seller when the property was acquired. If the Lender suspects the senior has become a victim to a Property Flipping scam, the Processing and Underwriting Division of the local HOC should be contacted.

Complaints may be reported to HUD at:

HUD Office of Inspector General
451 7th Street SW
Washington, DC 20410
Hotline: 1-800-347-3735

9.15 Texas HECM 4 Purchase

In order to be eligible for HECM for Purchase in the state of Texas, the title policy must include a T-43 endorsement. There may be no exclusions or exceptions to coverage that relate to the Texas H4P regulations. HECM for Purchase loans in the State of Texas must meet all HUD and Mutual guidelines.

9.16 Asset Verification (Funds to Close) *(Revised April 2026)*

Prior to closing, Mutual requires verification of the source of all funds needed to close. Borrower funds will be applied to satisfy the difference between the HECM principal limit and the sale price and mandatory obligations for the property plus any HECM loan related fees that are not financed into the loan.

The earnest money deposit will be deducted from the required funds to close once evidence has been if escrow is in receipt of the EMD and that all checks have cleared.

Mutual requires a current bank statement that clearly reflects the prior month's balance. If the prior month's balance is not shown, obtain two (2) consecutive months of statements or a 60-day transaction history. Deposits that are 1% or greater than the MCA must be sourced and properly paper trailed. The most recent statement / transaction history cannot be dated more than 120 days from the disbursement date.

If they are computer-generated, they must:

- Clearly identify the borrower(s) as the owner(s) of the account.
- Display the account number.
- Display the name of the depository.
- Be stamped, signed, and dated by an official of the depository or show the URL

➢ ***Note:*** *For jointly held accounts with someone other than a co-borrower, Mutual requires a signed letter from that individual stating the borrower has 100% access to the funds in their joint account (must list bank and acct number.)*

9.17 Acceptable Source of Funds *(Revised May 2024)*

Prospective borrowers must use their own funds (funds obtained from sale of assets, sale of current home, and sale of personal property) or gift funds for the required funds to close.

➢ ***Note:*** *Each source of funds requires specific documentation.*

Acceptable sources in funds to close may include, but are not limited to:

- Checking/Savings accounts
- Business checking/savings accounts, only if:
  - Borrower is 100% owner of business and evidence of this is documented
  - CPA letter is provided stating use of funds will not negatively affect the business in any way.
- Certificates of deposits – must be liquidated

- Stock, Bonds, Mutual Funds – most must be liquidated
- Sale of borrower owned Real Estate:
    - Must verify and document the actual sale and the net proceeds by obtaining a fully executed closing disclosure or similar legal document
    - Must also verify and document that the transaction was arms-length, and that the Borrower is entitled to the Net Sale Proceeds
- Gift funds
- Sale of Personal Property – requires adequate paper trail
    - Proof borrower owns personal property (copy of title, receipt from purchase etc.)
    - Third party valuation
    - Copy of fully executed bill of sale
    - Copy of check from buyer to seller
    - Proof funds deposited to borrower's account
- Savings Bonds – must be liquidated
- IRA's - most must be liquidated, not borrowed against
- 401(k) and Keough Accounts - most must be liquidated, not borrowed against
- Thrift Savings Plans - most must be liquidated
- Life Insurance Policies – must be fully surrendered, not borrowed against
- Disaster Relief Grants:
    - Must verify and document the Borrower's receipt of the grant and terms of use
- Cash on Hand:
    - Must verify that the Borrower's Cash on Hand is deposited in a financial institution or held by the escrow/title company; and
    - Must verify and document the Borrower's Cash on Hand by obtaining an explanation from the Borrower describing how the funds were accumulated and the amount of time it took to accumulate the funds; and
    - Must also determine the reasonableness of the accumulation based on the time period during which the funds were saved and the Borrower's:
        - income stream;
        - spending habits;
        - documented expenses; and
        - history of using financial institutions.

When borrower(s) are required to bring funds to the closing table, regardless of the amount that is needed, satisfactory documentation must be obtained to ensure the borrower(s) have sufficient and acceptable funds. Under no circumstance are borrowed funds from any source acceptable.

9.18 Ineligible Source of Funds *(Revised May 2024)*

The following funding sources **MAY NOT** be used:

- Bridge Loan Gap Financing
- Loan(s) against other real estate owned (REO)
- Subordinate liens
- Personal/Unsecured Loans
- Cash withdrawals from credit cards
- Seller financing
- Any other lending commitment
- Loans against borrower(s) assets (401k accounts, life insurance policies, brokerage accounts)
- Sweat Equity
- Trade Equity
- Rent Credit
- Down payment assistance programs (DAP)
- Cash or its equivalent, in whole or in part, from the following parties, before, during, or after loan closing:
    - The seller or any other person or entity that financially benefits from the transactions

- Any third (3rd) party or entity that is reimbursed, directly or indirectly, by any of the parties described in the previous bullet
- Foreign funds

➢ ***Note**: Per 24 CFR 206.32(a) HECM mortgagor(s) may have NO outstanding or unpaid obligations incurred by the mortgagor(s) in connection with the mortgage transaction.*

9.19 Gap Financing

HECM Borrowers may not obtain a bridge loan (also known as "gap financing") or engage in other interim financing methods to meet the monetary investment requirement or payment of closing costs needed to complete the transaction.

This restriction includes, but is not limited to:

- Subordinate liens
- Personal loans
- Loan discount points
- Interest rates buy downs
- Closing cost assistance
- Builder incentives
- Gifts or personal property given by the seller or interested parties related to the transaction (i.e., real estate agents, builder, etc.)
- Cash withdrawals from credit cards
- Seller financing
- Any other lending commitment that cannot be paid off (satisfied) at closing with seasoned funds
- Maximum Claim Amount Calculation

9.20 Gift Funds *(Revised October 2025)*

If the funds are gifted, the transfer of the funds from the donor to the Borrower must be documented. Gift funds are not eligible to be used as dissipated assets for the purpose of income qualification under HECM financial assessment guidelines. Only the borrower's own verifiable liquid assets may be used to demonstrate a pattern of asset dissipation to meet residual income or compensating factor requirements.

Acceptable donors include:

- A relative of the borrower
  - a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
  - a non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.
    - a child is defined as a son, stepson, daughter, or stepdaughter.
    - a parent or grandparent includes a stepparent/grandparent or foster parent/grandparent.
    - spouse or domestic partner.
    - legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption.
    - foster child;
    - brother, stepbrother;
    - sister, stepsister;
    - uncle;
    - aunt; or
      - son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in law, or sister-in-law of the Borrower.
- The employer of the borrower; documentation to support this relationship is required.
- A close friend with a clearly defined and documented interest in the borrower.

- Documentation to support this relationship is required.

Donor deposits funds into borrower's account prior to closing

- Donor provides:
  - Most recent bank statement prior to date of check showing donor had sufficient funds for the gift.
  - Copy of cancelled check/wire receipt/withdrawal slip showing amount & source of funds being gifted. In cases where the donor provides the funds in the form of a cashier's check, provide a withdrawal slip showing the donor's account number along with a copy of the cashier's check
- Borrower provides:
  - Copy of bank statement and/or transaction history showing deposit of funds from donor as well as available balance
- Additional requirements:
  - Fully executed gift letter

➢ ***Note****: If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the Mortgagee must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from an Interested Party.*

Donor provides funds directly to escrow

- Donor provides:
  - Most recent bank statement prior to date of check showing donor had sufficient funds for the gift.
  - Copy of cancelled check/wire receipt/withdrawal slip showing amount & source of funds being gifted. In cases where the donor provides the funds in the form of a cashier's check, provide a withdrawal slip showing the donor's account number along with a copy of the cashier's check
- Additional requirements:
  - Evidence escrow has received the funds from the donor's verified account
  - Fully executed gift letter

➢ ***Note****: If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the Mortgagee must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from an Interested Party.*

Gift Letter Requirements

The loan file must also contain a gift letter specifying the following items (this can be generated from Reverse Vision or Quantum Reverse):

- The dollar amounts
- The name of the donor
- The name of the donor's bank and account number
- The donor's signature
- The donor's address
- The donor's telephone number
- The donor's relationship to the Borrower
- The names of the Borrowers and their signatures
- That no repayment is required

➢ ***Note****: In the case of a HECM Purchase transaction, the funds cannot have been made available to the Borrower or donor from any person or entity with an interest in the sale of the property.*

10. Reverse to Reverse (R2R) *(Added December 2025)*

IMPORTANT: Loans currently in a LESA cannot be refinanced to only remove the LESA requirement.

If the original LESA was for credit or residual income, the loan will be reviewed for a LESA decision based on the merits of the file at the time of the new application.

If the original LESA was for property charges, we generally do not allow the removal of the LESA.

10.1 Reverse to Reverse (R2R) *(Revised Oct. 2026)*

The HECM Refinance is for borrowers who have an existing HECM loan and wish to refinance it. Borrowers who have another kind of existing reverse mortgage loan (HomeSafe, Equity Edge, GenPlus, Home Keeper or other proprietary jumbo product) will obtain a HECM loan under the traditional guidelines. Under a true HECM-to-HECM Refinance, the borrower pays a reduced initial mortgage insurance premium (MIP), but the credit varies based on the IMIP paid in the previous transaction and/or the increase in value. *(Refer to HECM to HECM Refinances (H2H) (Revised December 2025) for more details)*.

- ***Note**: When refinancing an existing non-FHA reverse mortgage (jumbo/proprietary) into a HECM, the transaction will be classified as "traditional" in Mutual's Loan Operating System. However, completion of the required Benefit Calculator is still mandatory.*

Care must be taken to ensure that borrowers receive enough money from the refinance to justify any additional origination fees. The industry has taken a firm stance against "churning" HECM mortgages, and Mutual is committed to ensuring that any refinance provides a clear and demonstrable benefit to the borrower.

10.2 Seasoning Requirement *(Added December 2025)*

Seasoning refers to the minimum amount of time that must elapse from the funding date of the previous reverse before a borrower may apply for or close on a Reverse to Reverse (R2R) refinance. It serves to evaluate the borrower's eligibility and ensure compliance with required waiting periods.

An application may not be generated less than six (6) months from the previous reverse mortgage closing date. If a loan is to close before the seasoning period has fully elapsed, an exception must be obtained.

- ***Note**: If closing occurs with less than twelve (12) months of seasoning, an exception from Senior Leadership is required.*

In addition to the seasoning requirement and counseling, for there to be a bona fide benefit to the borrower the HECM Refinance needs to pass both the Closing Cost Test and a Loan Proceeds Test. The only exception to these tests is if the borrower has established a Bonafide benefit that has been approved by Senior Leadership.

The 12-month seasoning requirement will still apply in this case.

10.3 Bonafide Benefit Test *(Added December 2025)*

If the borrower does not pass the Seasoning, Closing Cost or Loan Proceeds tests, they may still have a demonstrable benefit identified as a Bonafide benefit. Types of Bonafide benefits include but are not limited to:

- Rate Reductions of:
  - 1.00% and Greater - No origination fee may be charged but no additional credit is required.
- Financing Type (Fixed vs Adjustable)
- Must be paired with an additional benefit tied to Rate or Closing Cost Test
- Adding a Borrower or converting an existing NBS to a Borrower
- Removing a Borrower (Divorce or Separation)
- LESA correction or updating (including adding a LESA)

- Home Improvement or Home Retrofitting

10.4 Exception Requests *(Added December 2025)*

All Refinances that do not meet the required criteria must receive written approval from Senior Management, and the approval must be documented in the loan file.

11. HECM to HECM Refinances (H2H) *(Revised December 2025)*

A HECM Refinance applies to borrower(s) who have an existing HECM and wish to refinance into a new HECM. Under a true HECM to HECM Refinance, borrowers are eligible for a reduced mortgage insurance premium (MIP), but the credit varies based on the IMIP paid in the previous transaction and/or the increase in value. It is essential to ensure that the refinance provides a meaningful, documentable benefit to the borrower. The HECM industry and FHA have taken a firm stance against unnecessary or abusive refinance churning activity. Mutual is committed to ensuring that any HECM provides a clear and demonstrable benefit to the borrower.

11.1 Seasoning Requirement *(Revised December 2025)*

Seasoning refers to the minimum amount of time that must elapse from the funding date of the previous HECM before a borrower may apply for or close on a HECM-to-HECM (H2H) refinance. It serves to evaluate the borrower's eligibility and ensure compliance with required waiting periods.

FHA requires that the case number for a HECM refinance be assigned on or after twelve (12) months have passed from the closing date of the existing HECM to the case number assignment date of the new HECM.

11.2 HECM to HECM MIP *(Revised December 2025)*

For all HECM-to-HECM loans with case numbers issued on or after September 19, 2017, MIP will be calculated using the **lesser of options** 1 & 2 where:

A = max claim amount for the new HECM

B = max claim amount for the existing HECM

C = current MIP on the existing HECM (can be found on current mortgage statement)

Option 1*: .03(A-B)-C

If the above formula results in a figure that is less than zero, no credit shall be given, and the MIP will be $0

Option 2: .02(A)

11.3 Documentation Requirements *(Revised December 2025)*

Each HECM-to-HECM Refinance requires:

- Anti-Churning Disclosure – must be fully executed by the borrower and loan officer and include original case number.
- HECM Refi Acknowledgment – must be fully executed by the borrower and loan officer with the borrower taking care to complete section II, Reasons for refinancing
- Current copy of HECM Refinance Worksheet from current servicer/lender (must be dated the same month of closing)
- Current payoff demand showing case number (payoff must be valid through closing)

The current principal limit and loan proceeds test requirements will be waived when all four requirements are met:

- Borrower must be counseled (not allowed when counseling waiver is requested)
- 12 months seasoning on current HECM (measured from closing date of the current HECM to case number date of new HECM)
- Blended rate reduction of 1% or more (initial interest rate + annual MIP rate of new loan minus the current rate + annual MIP rate of the existing HECM)
- New HECM loan is a no-cost loan (counseling fee not included)

- ***Note**: The current interest rate and annual MIP rate can be found on the borrower's current HECM mortgage statement.*

A Current Mortgage Statement will be required at the time of application. As long as we have a current statement at the time of application, we will no longer require an updated, current statement at closing.

- ***Note**: Bona fide benefit option, counseling wavier can NOT be used. MUST BE COUNSELED.*

11.4 Closing Cost Test *(Revised December 2025)*

The increase in available loan proceeds must meet or exceed five (5) times the total closing cost amount. Also referred to as the "benefit factor". The goal is to ensure that any refinance meets or exceeds 5:1 (or "five to one"). Mutual has provided additional guidance on what is required when a refinance is less than 5:1 but the benefit to borrower is still tangible.

At no point may only Mutual or its partners benefit from a transaction without ensuring that the borrower has a benefit.

- ***Note**: To calculate the benefit factor, associates are to use the R2R Calculator.*

11.5 Loan Proceeds Test *(Revised December 2025)*

This test compares the *Available Benefit Amount* and the *Principal Limit* of the HECM Refinance available at closing. *Available Benefit Amount* is defined as the amount of the Principal Limit that is available to the borrower after deducting the sum of the original HECM loan balance being paid off through closing of the HECM Refinance and total closing costs. The *Available Benefit Amount* from the HECM Refinance must equal or exceed five percent (5%) of the *HECM Refinance Principal Limit*.

- ***Note**: To calculate the proceeds test, associates are to use the R2R calculator.*

11.6 Acceptable Source of Funds *(Revised May 2024)*

Prospective borrowers must use their own funds (funds obtained from sale of assets, or sale of personal property) or gift funds for the required funds to close.

- ***Note:** Each source of funds requires specific documentation.*

Acceptable sources in funds to close may include, but are not limited to:

- Checking/Savings accounts
- Business checking/savings accounts, only if:
  - Borrower is 100% owner of business and evidence of this is documented
  - CPA letter is provided stating use of funds will not negatively affect the business in any way.
- Certificates of deposits – must be liquidated
- Stock, Bonds, Mutual Funds – most must be liquidated
- Sale of borrower owned Real Estate:
  - Must verify and document the actual sale and the net proceeds by obtaining a fully executed closing disclosure or similar legal document
  - Must also verify and document that the transaction was arms-length, and that the Borrower is entitled to the Net Sale Proceeds
- Gift funds
- Sale of Personal Property – requires adequate paper trail
  - Proof borrower owns personal property (copy of title, receipt from purchase etc.)
  - Third party valuation
  - Copy of fully executed bill of sale
  - Copy of check from buyer to seller

    - Proof funds deposited to borrower's account
- Savings Bonds – must be liquidated
- IRA's - most must be liquidated, not borrowed against
- 401(k) and Keough Accounts - most must be liquidated, not borrowed against
- Thrift Savings Plans - most must be liquidated
- Life Insurance Policies – must be fully surrendered, not borrowed against
- Disaster Relief Grants:
    - Must verify and document the Borrower's receipt of the grant and terms of use
- Cash on Hand:
    - Must verify that the Borrower's Cash on Hand is deposited in a financial institution or held by the escrow/title company; and
    - Must verify and document the Borrower's Cash on Hand by obtaining an explanation from the Borrower describing how the funds were accumulated and the amount of time it took to accumulate the funds; and
    - Must also determine the reasonableness of the accumulation based on the time period during which the funds were saved and the Borrower's:
        - income stream;
        - spending habits;
        - documented expenses; and
        - history of using financial institutions.

When borrower(s) are required to bring funds to the closing table, regardless of the amount that is needed, satisfactory documentation must be obtained to ensure the borrower(s) have sufficient and acceptable funds. Under no circumstance are borrowed funds from any source acceptable.

11.7 Ineligible Source of Funds *(Revised May 2024)*

The following funding sources **MAY NOT** be used:

- Bridge Loan Gap Financing
- Loan(s) against other real estate owned (REO)
- Subordinate liens
- Personal/Unsecured Loans
- Cash withdrawals from credit cards
- Seller financing
- Any other lending commitment
- Loans against borrower(s) assets (401k accounts, life insurance policies, brokerage accounts)
- Sweat Equity
- Trade Equity
- Rent Credit
- Down payment assistance programs (DAP)
- Cash or its equivalent, in whole or in part, from the following parties, before, during, or after loan closing:
    - The seller or any other person or entity that financially benefits from the transactions
    - Any third (3rd) party or entity that is reimbursed, directly or indirectly, by any of the parties described in the previous bullet
- Foreign funds

11.8 Defaults

If the Borrowers are in default (for example, if they have not completed repairs in a timely fashion, or if they have failed to pay their property taxes or insurance), this must be cleared prior to closing. If the default is not cleared, the loan cannot be closed and must be denied. Once the default has been cleared, a new HECM Refinance Worksheet must be provided that confirms no defaults on the existing HECM being refinanced.

Past default status does not prevent a HECM-to-HECM Refinance if such defaults have been cured but the default status may affect Financial Assessment results. Borrowers who are currently in default may not cure the default by obtaining a traditional HECM loan and paying the full MIP.

11.9 Counseling

Under certain strict conditions, certain parties may be able to waive counseling Parties Requiring Counseling (Revised April 2024). Bona fide benefit option, counseling waiver CAN NOT be used. The borrower(s) must be counseled.

A counseling waiver can be used more than once (H2H ONLY), but must meet all of the following requirements:

- Applicant(s) have received the required HECM Anti-Churning Disclosure form disclosing all figures, at the time of application
- Increase in applicant(s) principal limit exceeds the total cost of the HECM refinance by an amount equal to 5x the cost of the transaction (block #1 on the Anti-Churning Disclosure Form)
- 5 years has not elapsed between the closing on the existing HECM and the application for refinance
    - A copy of the counseling certificate from the prior HECM must be provided
    - The five-year requirement to waive counseling must be calculated from the date of the original HECM closing date and not the closing date of the most recent HECM Refinance
- The subject property state permits counseling to be waived
    - The followings states do not allow counseling to be waived under any circumstances: California, Connecticut, Massachusetts, Minnesota, North Carolina, Tennessee, Texas, Rhode Island & Vermont
- Each borrower provides a fully executed Acknowledgment of HECM Counseling Waiver form

12. Disaster Areas *(Revised December 2025)*

A major disaster is defined as one that causes substantial damage to numerous homes. Disasters include but are not limited to hurricanes, earthquakes, floods, landslides, tornadoes, wildfires, volcanic eruptions, civil unrest, pandemics, and terrorist attacks. When a major disaster occurs the Federal Emergency Management Agency (FEMA) issues a Disaster Declaration identifying specific areas that are impacted. The Federal Emergency Management Agency (FEMA) publishes an announcement when the President declares an area as a federal disaster area. Mutual will attempt to keep partners updated with communication applicable to each specific disaster, however, FEMA should be the primary source for information regarding current disaster locations and effected areas.

12.1 Re-inspections *(Revised December 2024)*

Re-inspections should only be ordered once an internal lender alert is published. The lender alert will confirm the incident period and indicate the date the re-inspection can be ordered. A Disaster Re-inspection is required for all counties declared eligible for Individual Assistance:

- **Required Form:** Catastrophic Disaster Area Inspection Report(CDAIR)
- **Who can provide:** The original appraiser should complete the inspection; however, if the original appraiser is not available another FHA Roster Appraiser is acceptable, provided he or she is in good standing and has geographic competence in the affected market? In this case, the lender must provide the new appraiser with a copy of the original appraisal report.

12.2 Declared Disaster Area Re-Inspection Requirements *(Revised March 2025)*

For Loans **NOT CLOSED**

- CDAIR is required to determine if there has been a change in the value of the property and to confirm if any repairs are necessary.
- Appraiser to certify on CDAIR:
    - An inspection with interior and exterior photos are required.
    - A statement regarding dwelling habitability.
    - A list of repairs and their estimated cost.
    - A statement as to whether sustained damage is:
        - Below $5,000; OR
        - Above $5,000: A qualified third-party inspector must inspect damages over $5,000.

➢ ***Note**: If the market value has declined since the effective date of the original appraisal, a new appraisal is required to support the loan amount prior to closing.*

For Loans that **HAVE CLOSED** but not yet been funded

- Appraiser must use the CDAIR form.
- Any FHA roster appraiser can provide the CDAIR for loans that are closed but not yet endorsed.
- Appraiser to certify on CDAIR:
    - An inspection with interior and exterior photos are required.
    - A statement as to dwelling habitability.
    - A list of repairs and their estimated cost.
    - A statement that sustained damage is:
        - Below $5,000; OR
        - Above $5,000. Damages over $5,000 must be inspected by a qualified third-party inspector.

12.3 Required Repairs

If the disaster inspection indicates that repairs are required, a licensed contractor must complete them, per local jurisdictional requirements, and submit the appropriate and applicable documentation. All damages, regardless of amount, must be repaired and the property restored to its pre-loss condition.

13. State Specific Requirements *(Revised December 2025)*

The following is a list of some states and their basic state requirements. Additional requirements for the below states and other states may be required once file has been completely underwritten. State Specific Counseling Requirements (Revised June 2026)

13.1 California

- State Specific Counseling Requirements (Revised June 2026) regarding CA Cooling Off Period.
- Carbon Monoxide Detector and Smoke Detectors are required
- Water heaters are required to be double strapped per CA Code
- Reverse Mortgage Worksheet Guide & Important Notice to Reverse Mortgage Loan Applicant disclosures are required to be given to borrower(s) prior to receiving counseling
- CA Privacy Notice (Important Privacy Choices for Consumers): disclosure that is mailed to each borrower at time of loan submission to Intake (prepaid return envelope included) is required due to the nature of our relationship with Mutual of Omaha Financial Advisors. The disclosure gives the consumer the option to consent or deny any sharing of their personal/financial information between the channels.

13.2 Florida *(Revised May 2024)*

- Survey Affidavit will be required to be fully executed at close
- Insurance company issued RCE
    - Insurance companies are issuing checklist of coverage in lieu of RCE. To use the checklist of coverage, the insurance provider needs to provide a letter or email specific to the borrower/property that confirms the amount present in the checklist of coverage is what they determined to be sufficient if the property is 100% destroyed.
- Cost estimator is acceptable to provide evidence of sufficient coverage where current policy does not meet Mutual's requirements for minimum dwelling coverage.
- Effective 7/1/2024, the state documentary stamp tax is to be calculated by the principal limit (currently based by the MCA)

13.3 Illinois *(Revised June 2025)*

Prior to counseling, the borrower must be provided with two disclosures:

- Important Notice Regarding Reverse Mortgage Counseling
- The Attorney General Disclosure

These are available in Reverse Vision or Quantum Reverse in the proposal package. At the time of loan approval, Underwriter is to provide the following disclosures that must be provided to the borrower:

- The Reverse Mortgage Commitment
- The Cooling Off Period Disclosure These are available in the UW package in Reverse Vision or Quantum Reverse. The Processor will be responsible for sending these out to the borrower when the loan is approved. The cooling off period starts the day the borrower signs the Cooling Off Period disclosure. The loan cannot close for three business days (excluding Saturdays). This cannot be waived.

13.4 Hawaii

- Cisterns are allowed
    - Must have comps with cisterns
    - Appraiser must comment on whether it is typical and whether it affects marketability
- Homes located in Hawaii do not require heat if the lack of it is "typical" for the market area and does not adversely affect the marketability of the property
- Properties that are part of the Hawaii Homeland program are not allowed. This program has restrictions that are incompatible with the HECM product
- Lava Zones 1 and 2 are not eligible for FHA financing

- Security instruments, riders, and other mortgage-related documents may need to be recorded in both the regular and land court systems, which might result in increased recording fees. Title to confirm in writing for each file whether this is a requirement of the loan

13.5 Massachusetts

- Opt-In Notice must be included in initial disclosure package
- Counselor must be approved by MA Executive Office of Elder Affairs
- There is a 7-day cooling off period from the date that the borrower(s) execute the commitment letter
- The cooling off disclosure must be sent out with the loan commitment at the time of loan approval
- At the time of loan approval, the Underwriter is to provide the following disclosures that must be provided to the borrower:
    - The Cooling Off Period Disclosure

➢ ***Note**: These are available in the UW package in Reverse Vision or Quantum Reverse. The Processor will be responsible for sending these out to the borrower when the loan is approved.*

13.6 Maryland & District of Columbia *(Revised Oct. 2026)*

Maryland and the District of Columbia require the following be sent to the borrower:

- Financing agreement: to be provided to the borrower at the time of application or at least within 10 days of acceptance of application.
- Loan commitment:
    - Purchase Transactions: Must be provided to the borrower at least 3 days (72 hours) prior to signing loan documents. The waiting period begins upon delivery of the commitment letter and must be satisfied before settlement.
    - Refinance Transactions: Commitment letter is only required to be include in the closing doc package.

13.7 Minnesota

- Counseling must be before application
- The state of Minnesota requires that we provide the borrower(s) with a commitment letter and there is a 7- day cooling off period from the date that the borrower(s) execute the MN Cooling Off Disclosure sent with the commitment letter until the closing can occur.
- There is a 7-day cooling off period from the date that the borrower(s) execute the commitment letter
- The cooling off disclosure must be sent out with the loan commitment at the time of loan approval
- At the time of loan approval, the Underwriter is to provide the following disclosures that must be provided to the borrower:
    - The Cooling Off Period Disclosure

➢ ***Note**: These are available in the UW package in Reverse Vision or Quantum Reverse. The Processor will be responsible for sending these out to the borrower when the loan is approved.*

13.8 New Mexico

- Survey Affidavit will be required to be fully executed at close.

13.9 Ohio

- Survey Affidavit will be required to be fully executed at close.

13.10 South Carolina

Proof that The Advisability of Counseling Notice has been given to the borrower(s) upon initial contact from the borrower(s) is required.

The Attorney and Insurance Preference Form must be signed and dated prior to closing.

13.11 Texas *(Revised July 2026)*

- INBS is currently acceptable
- ENBS is not acceptable
- Non-occupying owners may not remain vested on title at closing
- If the borrower(s) counseling is completed outside 180 days at the time of closing, re-counseling is required, and the borrower(s) are required to wait a minimum of 5 days after the re-counseling was completed in order to close.
- Confirm the T-19 endorsement is being issued with no survey related exception at the close of escrow for all SFR's, PUD's and Manufactured Homes. Please note: Title may require a T-47 affidavit to provide a T-19 endorsement with no survey related exception.
- Important Notice to Borrower(s) Related to Your Reverse Mortgage must be signed by all borrowers and the loan officer at the time of application. Mandatory 12 calendar day waiting period between date the disclosure is signed by all and the date of closing.
- Review of the Title and closing package are required by an Attorney that is licensed in the state of Texas
- Can close a property in a Trust provided the title companies specific requirements are met.
- T-30 endorsement must be issued.

13.12 Utah

- The state of Utah requires that we provide the borrower(s) with a commitment letter
- There is a 5-day cooling off period from the date that the borrower(s) execute the commitment letter
- At the time of loan approval, the Underwriter is to provide the following disclosure that must be provided to the borrower:
    - The Reverse Mortgage Commitment

➢ ***Note****: These are available in the UW package in Reverse Vision or Quantum Reverse. The Processor will be responsible for sending these out to the borrower when the loan is approved.*

13.13 Vermont

- Vermont requires that a commitment letter reflecting the current product information be sent to the borrower. If it is emailed to the borrower, closing cannot occur for 24 hours. If it is mailed to the borrower, closing cannot occur for 3 days. 12.13.

13.14 Alaska *(Added November 2025)*

All onsite wastewater (septic) systems in Alaska must be registered with or approved by the Alaska Department of Environmental Conservation (DEC) under 18 AAC 72.

A valid DOC, ATC/ATO, or ATF approval must be provided.

Unregistered or undocumented systems require ATF engineering review, which may add delays, especially in remote areas.

Onsite system registration or approval documents can be found through the Alaska Environmental Data Management System (EDMS) online.

13.15 List of Community Property States

- Alaska
- Arizona
- California
- Idaho
- Louisiana
- Nevada
- New Mexico
- Texas
- Washington
- Wisconsin

14. Closing Procedures *(Revised December 2025)*

14.1 Endorsements

Endorsements are required on all loans. The lender title policy must include the following unaltered endorsements or their equivalent. It is the title company's responsibility to review the closing instructions and charge for the appropriate endorsements.

Endorsement	ALTA	CLTA	TEXAS	FLORIDA
Comprehensive (restrictions, encroachments & minerals)	ALTA 9	CLTA 100	T 19	FL 9
Environmental protection	ALTA 8.1	CLTA 100.9	T 36	FL 8.1
Location (street address)		CLTA 116		
Survey (required if title will not remove all survey exceptions)	ALTA 116.1	CLTA 116.1	N/A	FL-specific
Variable Rate / Negative Amortization (if Reverse Mtg endorsement is not available)	ALTA 6.2	CLTA 111.8	T 33.1	FL 6.2
Reverse Mortgage	ALTA 14.3-06	CLTA 111.14.3-06	T 43	FL 14.3-06
PUD	ALTA 5	CLTA 115.2	T 17	FL 5.1
Manufactured home	ALTA 7, 7.1 or 7.2	CLTA 116.5	T 31	FL 7
Condominium	ALTA 4	CLTA 115.1	T 28	FL 4.1

14.2 Closing HECM *(Revised December 2024)*

The closing will draw up loan documents upon receipt of the clear to close from the underwriter and a completed doc request form. Mutual must prepare the HUD-1 Settlement Statement at least one business day before closing can occur.

- Upon request, the borrower must be allowed to inspect the statement one business day before closing.

Exceptions Request

The processor and/or processing manager will include an email to the Closinghelpdesk@mutualmortgage.com group when asking for an exception to proceed without standard documents for docs or funding.

14.3 Payoffs

Liens that need to be paid off will be listed on the title commitment. The closing agent is responsible for reporting property taxes that are due and payable. Also, the closing agent or processor is responsible for obtaining a payoff for each item listed on the title commitment. Current, accurate payoffs are required and should be valid for a minimum of 10 days after closing. If the payoff expires more than 10 days after closing, the per diem may be used to calculate the final payoff amount. Whether the per diem can be used or a new payoff is required will be per the discretion of the docs' department.

14.4 Vesting Changes

By the time a loan is cleared for closing, you should be aware of any changes to the vesting. If so, our closing department will need a copy of the quit claim deed, certified copy of a death certificate or other supporting documentation prior to drawing docs. The underwriter must review the final vesting exhibit prior to issuing the clear to close. The closing instructions sent with the loan documents will advise the settlement agent who should be vested on title.

14.5 Rescission

After a closing on a refinance transaction has taken place, there is a three-day right of rescission period in which the borrowers may cancel their loan without penalty. Assuming the borrowers do not rescind, there are no missing loan documents, and all funding conditions are met, the loan will fund the 4th business day after the closing. (This excludes Saturdays and Sundays.)

If the borrower chooses to rescind after the loan documents have been signed, Mutual must be notified immediately.

The closing agent must be instructed not to disburse the funds. Mutual must receive the complete package from the closing agent within 24 hours of the borrower rescinding along with written confirmation of the borrower's cancellation. Under no circumstances will Mutual waive the rescission period.

14.6 Funding

When the loan funds, Mutual will wire the funds using the Settlement Agent's wire instructions. It is extremely important that the wire instructions are accurate and approved at the time docs are drawn.

15. Commonly Used Links *(Revised December 2025)*

AARP

LDP: Excluded Parties List System (EPLS)

GSA (SAM): System for Award Management

FHA Connection

HUD: Department of Urban and Housing Development

HUD: HECM Mortgagee Letters

HUD: Mortgagee Letters

HUD Clips (HUD Library for reference manuals & forms)

HUD: Approved Condo Projects

National Contractor's License Look-Up

National Reverse Mortgage Lender Association

Quantum Reverse

Reverse Vision

USPS: United States Postal Service