

What Settlement Agents Need to Know About HECMs

Title companies play a vital role in loan processing and closing of HECMs. It is always recommended that you work with a Title agent that is experienced in closing HECMs because of their unique attributes. Below we review a few common questions title agents have about closing a HECM and provide links to the HUD documentation that discusses these issues in more detail.

Notes, Mortgages and Deeds of Trust

- **Two Notes and Mortgages** - The first Mortgage/Deed of Trust represents the lender's lien on the property. The second represents HUD; this ensures that the homeowner will continue to receive loan payments if the lender becomes incapable of making these payments or if the loans balance exceeds the property's value.
 - **HUD Guidelines** – [HUD's HECM Lending Guide](#) (4235.1) discusses the Second Note and Mortgage on page 51 in Section 6-6 paragraph B

“Second mortgage and note. The lender must complete a second mortgage and second note (fixed or adjustable rate) to secure any payments made by HUD to the borrower. A copy of the second mortgage and second note need not be provided for review by the borrower during the application process, however, their relationship to the first mortgage and first note should be fully explained. The second mortgage and second note secure any mortgage payments which might be made by HUD to the borrower in the event that the lender fails to make the payments under the loan agreement.”
 - *Note: HUD no longer requires a 2nd note on fixed rate loans, since they are full-draw only ([Mortgagee Letter 2014-11](#))*
- **Note Loan Amount** - Since reverse mortgages do not have a fixed maturity date, HUD has dictated that lenders use 150% of the maximum claim amount (either the property value or \$1,089,300 [2023], whichever is lower). Since the loan balance includes interest, servicing fees & MIP the additional 50% allows for the balance to be more than max claim. The title insurance policy must be equal to the maximum claim amount, not 150%.
 - **HUD Guidelines** – [HUD's HECM Lending Guide](#) (4235.1) discusses the mortgage amount on page 58 in Section 6-11 paragraph I.2

Many State laws require that a maximum mortgage amount be stated in the mortgage or deed of trust, and consequently the amount recorded will be equal to 150% of the maximum claim amount, rather than the property value or the maximum mortgage amount under Section 203(b) of the National Housing Act. Notwithstanding this larger amount for the purpose of recordation, the title insurance policy obtained should be equal to the maximum claim amount, NOT 150% of that amount.

Taxes and HOI

- HOA dues must be paid current. Provide proof and next due date.
- Taxes and HOI due within 60 days of funding must be collected at Closing. HOI balances will also need to be collected at Closing on files with a LESA in addition to taxes due within 60 days of funding.
- Taxes must be paid current, tax deferral programs are not permitted and must be paid to date, taxes collected on HUD must match.

Required Endorsements

- Restrictions, Encroachments, Minerals (Alta 9, CLTA 100, or T-19). Exceptions by management on a case-by-case basis. The Residential Mortgage Endorsement and deletion of all survey exceptions are required when an Alta 9 exception is made.
- Reverse Mortgage (Alta 14.3-06, CLTA 111.14.3, or T-43).
- Location (Street Address) (Alta 22 or CLTA 116). Not required in Florida, New York, Pennsylvania, or Texas.
- Environmental Protection Endorsement (Alta 8.1, CLTA 110.9 or T-36).
- Survey endorsement – required if the title company will not remove all survey exceptions.
- PUD (Planned Unit Development) (Alta 5, CLTA 115.2, or T-17)
- Condominium (Alta 4 or CLTA 115.1)
- Manufactured Home (Alta 7, 7.1 or 7.2 or CLTA 116.5)
- Leasehold – Leasehold Lender’s endorsement or equivalent

Allowable Fees/Payoffs

HUD dictates what fees are allowable on the HECM program. They are outlined in [HUD’s HECM Lending Guide](#) (4235.1) on page 60 in Section 6-13.

• Origination Fee	• Title Insurance	• Special Assessment Search
• Appraisal	• Title Examination	• Miscellaneous Fees
• Credit Report Fee	• Document Preparation Fee*	• Counseling Fee
• Flood Certification Fee	• Recording Fees	• Attorney review fee
• Courier Fee- (Max Charge \$75)	• County Tax/Mtg Registration Tax	• Courier fee (paid to lender or title only)
• Escrow, Settlement or Closing Fee	• Survey/Plat Drawing Name Search	• Trust review fee
• Abstract or Title Search	• UPOL – TX only.	

* *Doc Prep Fees are allowed in all states except NJ, MO, and SC.* **Doc stamps** are calculated at 1.5x the Maximum Claim Amount

- A High-Cost Test will be performed in UT (fixed only) and VT.
- Title Insurance premium breakdown – Agent - 1107, UW - 1108 (payee names must be provided)
- All fees must list a payee- cannot have TBD.
- Payoffs must be good thru or past the loan’s funding date.
- HECM payoffs must close and fund within the same month or a new demand is required.
- HELOC demands to be signed by borrowers and reference account closure.
- No interim interest collected on a reverse mortgage.
- Intangible taxes are required in FL and GA.

- County mortgage taxes required in AL, FL, GA, KS, MD, MN, OK, TN & VA.

HUD 1/Closing Document Requirements

Reverse mortgages are not subject to TRID guidelines and do not use a Closing Disclosure (CD). Reverse mortgages continue to use a Good Faith Estimate (GFE) and HUD 1 Settlement Statement.

- HUD approval is required by partner and title before doc release.
- HUD 1 must be stamped "FINAL."
- Closing docs are date sensitive and must be executed on the day of closing or they are null and void.
- No changes can be made to the closing documents at the table.
- The Settlement Agent should provide a Trustee in states where it is required.
- Signature lines must be executed as they are typed. POA/Guardian/AKA/Trust Signatures Lines should read and must be signed exactly as such:
 - POA to sign: *Bob Jones by John Smith as Attorney In Fact*
 - Conservator to sign: *John Smith, as Conservator for the Estate of Bob Jones*
 - AKA vesting: John Smith A/K/A John D. Smith, a single man, must sign: *John Smith A/K/A John D. Smith*
 - Trust Vesting: John Smith, Successor Trustee of the John Smith Revocable Living Trust – must sign: *John Smith, Successor Trustee or Jane Doe*, Trustee of the Jane Doe Revocable Living Trust– must sign: *Jane Doe, Trustee*
- Electronic Funds Agreement –if marked "YES" please attached voided preprinted check with account holder's name and address. If using a savings account, a statement on bank letterhead referencing account holders name, address, account type and number and ABA number is required. Please note: if there is an individual listed on the account that is not a borrower a statement is required from the borrower(s) at closing acknowledging that they have access to the reverse mortgage funds deposited into the bank account.
- Although black ink is preferred for scanning an indexing, blue ink can be accepted.

After Closing

- After the closing provide a scanned copy of the signed package must be sent to reversefunding@mutualmortgage.com.
- Overnight the original closing package within 24hrs to:
 - Mutual of Omaha Mortgage Inc,
131 Camino del Rio North Ste 1100,
San Diego, CA 92108.
- We must receive the doc package in our office prior to releasing funds. Please e-mail reversefunding@mutualmortgage.com for status of funding conditions and review.