

## Part 1 – 4000.1 Updates

Please note the following changes made to several sections of the UW Lending Guide, effective for applications on or after 4/29/2024.

Section 4.5 Reviewing HECM Application Documents	
Existing Guideline	Updated Guideline
<p>Below is a list of some forms that are included in the application package supplied to you from Reverse Vision or Quantum Reverse:</p> <ul style="list-style-type: none"> <li>• <b>1009/Application:</b> 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. Alternate contact on the second page of the 1009 should be completed at application.</li> </ul>	<p>Below is a list of some forms that are included in the application package supplied to you from <b>the LOS:</b></p> <ul style="list-style-type: none"> <li>• <b>1009/Application:</b> 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 <b>(LO name, NMLS, phone number, and signature must be fully completed)</b>. Alternate contact on the second page of the 1009 should be completed at application.</li> </ul>
Section 4.6 Counseling Policies	
Existing Guideline	Updated Guideline
<p>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.</p> <ul style="list-style-type: none"> <li>• The borrowers must date the counseling cert prior to date the case number is pulled.</li> <li>• Every borrower must receive counseling and a counseling certificate. <ul style="list-style-type: none"> <li>○ There are additional requirements for POAs, guardians, non-borrowing spouses.</li> </ul> </li> </ul>	<p>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.</p> <ul style="list-style-type: none"> <li>• <b>Every borrower, NBO, NBS (eligible <i>or</i> ineligible), and POA (courtesy or required) must receive counseling and must date the counseling cert prior to date the case number is pulled.</b> <ul style="list-style-type: none"> <li>○ <b>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.</b></li> </ul> </li> </ul>
Section 7.1 Application Requirements	
Existing Guideline	Updated Guideline
<p>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:</p> <ol style="list-style-type: none"> <li>1. Borrower Name(s)</li> <li>2. Subject Property Address</li> <li>3. Social Security Number</li> <li>4. Gross Monthly Income</li> <li>5. Estimated Value of Subject Property</li> <li>6. Date of Birth</li> <li>7. Expected Principal Limit</li> </ol>	<p>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:</p> <ol style="list-style-type: none"> <li>1. Borrower Name(s)</li> <li>2. Subject Property Address</li> <li>3. Social Security Number</li> <li>4. Gross Monthly Income</li> <li>5. <b>Estimated Value of Subject Property / Estimated Purchase Price</b></li> <li>6. Date of Birth</li> <li>7. <b>Calculated Principal Limit (Reverse Mortgages have fixed Principal Limit Factors and Principal Limits)</b></li> </ol>

<p>8. Expected Interest Rate 9. Product Type and Margin (if applicable)</p> <p>[Added Section]</p>	<p>8. Expected Interest Rate (includes Rate for Fixed or Margin for ARM) 9. Product Type (HECM vs Proprietary) and Transaction Type (Purchase vs Refinance)</p> <p><b>Marital Status</b></p> <p>Standard at initial application, the Mortgagee must:</p> <ul style="list-style-type: none"> <li>verify the name and age of any NBS on the Borrower’s application; and</li> <li>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.)</li> </ul> <p>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.</p> <p>Required Documentation the Mortgagee must obtain the following:</p> <ul style="list-style-type: none"> <li>a marriage certificate, legal opinion certifying the validity of the marriage, or other evidence sufficient to establish the legal validity of the marriage;</li> <li>the NBS’s SSN; and</li> <li>either the Ineligible NBS or Eligible NBS certification</li> </ul>
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**Section 7.3 Parties Requiring Counseling**

Existing Guideline	Updated Guideline
<p>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:</p> <p><b>All Owners Shown on Property Deed</b> MoOM requires that any person who is on the deed and/or title at the time of application must be counseled unless they do not and will not be occupying the property. <u>Error! Reference source not found.</u></p> <p><b>Non-Borrowing Owners</b> If a NBO will remain on title, they are required to be counseled. If they are deeding off at closing, they can choose to be counseled or provide an opt out letter.</p> <p><b>Non-Borrowing Spouse</b> 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.</p> <p><b>Ex-spouse vested on title at time of application</b></p>	<p>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:</p> <p><b>All Owners Shown on Property Deed also referred to as Borrower(s), Non-Borrowing Spouse(s) and Non-Borrowing Owner(s)</b> MoOM requires that any person who is on the deed and/or title at the time of application must be counseled. [Text Deletion of Qualifiers]</p> <p><b>Ex-spouse vested on title at time of application</b> 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.</p> <p><b>Testamentary Deeds aka Beneficiary Deeds or “Death Deeds”</b></p> <p><b>Life Estate</b></p>

An ex-spouse reflected on title at the time of application may waive counseling only if the divorce between the borrower and the ex-spouse was finalized prior to application and issuance of case number and the divorce decree (which must be provided) clearly shows that the ex-spouse relinquishes all rights of ownership and interest in the property.

#### 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.

Ladybird Deeds are only allowed in the following five states:

- Florida
- Michigan
- Texas
- Vermont
- West Virginia

#### Remainderman of Life Estate or Beneficiary Deeds

For title held in a Life Estate, MoOM 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.

➤ **Note:** In all cases where the mortgagor opts out of counseling, the mortgagee must include an estimate of the increase in the mortgagor's principal limit in the FHA case binder to document this condition for the waiver has been met.

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), MoOM 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.