



Underwriting Guidelines

Department: Underwriting
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HUD Test Case Submissions

Onity Mortgage will not accept a HUD test case as a loan.

Borrower Eligibility

All Borrowers:

- Must be 62 years of age or older.
- At least one eligible Borrower must be on title prior to application.
- Must live in their home as their primary residence for majority of the calendar year.
- Must have lawful residency status in the U.S. or U.S. Citizen. Refer to HUD handbook 4000.1.

Evidence of Date of Birth

- Evidence of Date of Birth is required for all Borrower(s)

Acceptable forms of Date of Birth identification include:

- Government-issued driver's license or ID card
- Military ID (copied both front and back)
- Birth certificate (accompanied by a marriage certificate if name has changed)
- U.S. Passport
- Letter from the Social Security Administration (acknowledged by SSA if applicable)
- Certificate of United States Naturalization (form N-550 or N-570) or U.S. Alien Registration Card

Note: If a Borrower's current name differs from the name on the evidence provided, a clear name link will need to be established (i.e. if the Borrower has married, a marriage certificate will satisfy this requirement).

Examples of Name Link Documentation

- Marriage License
- Divorce Decree
- Court Order for Legal Name Change

Expired identifications will be accepted for Underwriting purposes; however, a valid identification will be required along with a secondary form of identification at closing. Unacceptable forms of identification include altered documentation (handwritten, crossed-out, white out, etc.).

Evidence of Social Security Number

- Evidence of Social Security Number is required for all Borrowers, Non-Borrowing Spouse (NBS), Attorneys-in-Fact (POA), and Guardians/Conservators.

Acceptable Forms of Social Security Number Documentation:

- Social Security Card issued by the government.
- Printout 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
- W2 form
- Form 1098 or 1099
- Military ID
- Railroad Retirement Board card
- Any other government issued social security number documentation.
- Validated SSA-89

Unacceptable forms of Social Security Number Documentation:

- Plastic or metal cards
- Paystubs
- Tax returns
- State issued driver's license.
- Altered documentation (handwritten, crossed-out, white out, etc.)

Note: If a Borrower's current name differs from the name on the evidence provided, a clear name link will need to be established (i.e., if the Borrower has married, a marriage certificate will satisfy this requirement).

Examples of Name Link Documentation

- Marriage License
- Divorce Decree
- Court Order for Legal Name Change

Non-Borrowing Spouse and Non-Borrowing Mortgagor

Non-Borrowing Spouse (NBS)

The NBS must meet the requirements set forth below:

- Must provide evidence of date of birth and must be 18 years or older.
- Must provide evidence of social security verification.
- Must provide one of the following: 1. Marriage Certificate. 2. Legal Opinion certifying the validity of the marriage. 3 Other evidence sufficient to establish the legal validity of the marriage. (Eligible NBS or Ineligible NBS).
- Must pass CAIVRS verification.
- Must receive counseling from a HUD approved HECM counselor.
- A credit report for the Non-Borrowing Spouse is required if used as a compensating factor or to reduce family size for financial assessment.
- FHA Case Number Screen must have the following NBS information completed:
 - Marital Status
 - Full Name of the NBS
 - NBS Date of Birth
 - NBS Social Security Number
- Occupancy verification is required for both the Borrower and the NBS (occupying or non-occupying)
- The principal limit is based on the age of the youngest Borrower or eligible NBS (occupying)
- POA for convenience is not allowed. POA's can be used only for incompetent Non-Borrowing Spouses.
- If the Borrower is legally separated, the Non-Borrowing Spouse requirements still apply.
- The Non-Borrowing Spouse requirements are applicable to all states that legally recognize common law spouses and civil unions.
- Non-Borrowing Spouse can remain on the vesting of the property.
- Only Ineligible Non-Borrowing Spouse transactions are permitted in the State of Texas.

Non-Borrowing Spouse must execute the applicable application disclosure(s):

- HECM Counseling Certificate
- HUD Addendum 92900-A
- Truth-in-Lending (TIL) for Fixed and/or ARMS loans
- Non-Borrowing Spouse (NBS) Acknowledgement and Certification of Occupancy
- Ownership Interest Certification
- Authorization to Pull Credit on Non-Borrowing Spouse (Eligible NBS)
- Non-Borrower Certification and Authorization (applicable if Eligible NBS income is used to reduce family size)

Non-Borrowing Spouses must execute the applicable certifications at closing:

- HECM Eligible Non-Borrowing Spouse Certification (Eligible NBS)

- Occupancy Statement (Eligible NBS)
- HECM Ineligible Non-Borrowing Spouse Certification (Ineligible NBS)
- HECM Non-Borrowing Spouse Certification (applicable for NBS remaining on title)
- Ownership Interest Certification
- Security Instrument(s) and any applicable Rider
- Truth-in-Lending (TIL) for Fixed and/or ARMS loans
- Notice of Right to Cancel
- Errors of Omissions/Compliance Agreement
- Draft deed(s), if applicable

Non-Borrowing Mortgagor (NBM)

Non-Borrowing Mortgagors must receive counseling and execute the following applicable application disclosures:

- Counseling Certificate
- Non-Borrower Certification and Authorization (applicable if NBM income is used to reduce family size)
- Truth-in-Lending (TIL) for Fixed and/or ARM loans
- Ownership Interest Certification

Non-Borrowing Mortgagors must execute the following applicable disclosures at closing:

- Ownership Interest Certification
- Security Instrument(s) and any applicable Rider(s)
- Truth-in-Lending (TIL) for Fixed and/or ARMS loans
- Notice of Right to Cancel
- Errors of Omissions/Compliance Agreement
- HECM Non-Borrowing Owner Certification
- Draft deed(s), if applicable

Property Eligibility

Eligible Property Types

- Single Family Dwellings
- Two- to four-unit properties (owned and occupied)
- Condominiums (FHA approved)
- Single Unit Condominiums (FHA approved)
- Townhouses
- Manufactured homes (Refer to additional requirements)

Non-Eligible Property Types

- Commercial or industrial properties
- Co-ops
- Manufactured homes with mixed use
- Manufactured homes located in a flood zone.
- Manufactured homes located in a mobile home park.
- Properties with limited or no marketability
- HUD REO condominiums
- Properties zoned illegal.
- Newly constructed principal residence where a Certificate of Occupancy has not been issued by the appropriate local authority.
- Boarding houses
- Bed and breakfast establishments
- Properties that have been flipped within 90 days from the last sale date.
- Properties that do not meet HUD's minimum property standards or minimum property requirements (HUD Handbook 4000.1)

- Multi-unit properties with accessory units
- Hotels/motels/condotels
- Tourist houses
- Private clubs
- Fraternity/sorority houses
- Other transient housing
- Properties designated in wetland restrictions and other land use restrictions.
- Property used for agriculture, farming, tax deferments (agricultural/farm), or commercial enterprise.
- Vacant land/lots
- Properties greater than four units
- Properties located in a Coastal Barrier Resource System (CBRS), federally declared wetlands, and Other Protected Areas (OPA)
- Properties located in Hawaii lava flow zones 1 and 2 (Onity Mortgage does not lend directly in Hawaii)
- Properties that are not suitable for year-round occupancy
- Properties that is listed for sale.
- Second or Rental Homes
- Timeshares, Seasonal or Recreational Rentals
- Grandfathered properties that cannot be completely rebuilt 100% to existing use standards. (All grandfathered properties will require validation from existing zoning board that they can be rebuilt to existing use standards and are not required to meet new zoning requirements)
- Properties with undivided interest in lots are not eligible.
- Property that is subject to hazards, environmental contaminants, noxious odors, offensive sights, or excessive noises which endangers/impacts the physical improvements or affects the livability of the property, the marketability of the property, or the health and safety of its occupants, and/or the structural integrity of the property. (HUD Handbook 4000.1)
 These hazards may include, but are not limited to the following:
 - Excessive airport noise
 - Subsidence, operating and abandoned oil & gas wells, abandoned wells, slush pits, runway clear zones/clear zones, or proximity to high pressure gas.
 - Proximity to storage tanks containing flammable or explosive material.
 - Property located within an easement of a high voltage transmission line, radio/TV transmission tower, cell phone tower, microwave relay dish or tower, or satellite dish (radio, TV cable, etc.)
- Tribal/Indian lands
- Properties with ineligible water sources (lake, cistern, spring fed well, or dug wells)
- Vacation homes
- Properties where the property line is within 300 feet of an above ground or subsurface stationary storage tank (including gas stations) containing more than 1000 gallons of flammable or explosive material.
- Non-Residential use of property exceeding 49% of the gross building area (HUD Handbook 4000.1)

Other Requirements

- Type of Ownership: Property may be held in fee simple, leasehold, or a life estate. Leaseholds must meet FHA guidelines.
- Trusts: Property may be held in a revocable or irrevocable trust meeting state, federal, and FHA requirements
- Appraised value of the subject property must be at least \$50,000.

Occupancy

HECM guidelines require the subject property must be the primary residence of the Borrower(s). Principal residence is defined as a property that will be occupied by the Borrower as their principal residence.

Underwriters are required to review the subject address on the 1009, driver's license (or alternative form of identification), credit report (other address section), preliminary title report (chain of title), and hazard policy. If all addresses are consistent, there are no occupancy concerns and no additional documentation required.

At the Underwriter's discretion the following reports may be pulled if any of the above show discrepancies which lead to primary residency concerns:

- Accurint
- First American property search
- Red Flag Checklist review

Other items to review for potential residency address discrepancies:

- MapQuest search
- Reverse look-up search (address/phone/name)
- Case query

RED FLAGS:

- Source of funds-additional verbal verification of source of funds and that the account holder's is the HECM prospective Borrower.
- Review for any alterations to any documentation:
 - White out on the documents
 - Folds and creases to the documents
 - Cross outs or any other hand alterations
 - Differences in the fonts on the documents
 - Document is altered or gives the appearance of having been destroyed and reassembled.
- Account statements show charges, deposits, & card debt payments that are not reported on the Borrower's credit report.
- A credit report indicates a pattern of activity that is inconsistent with the history.
- Borrower has no credit history or limited source of income but has a recent or large source of funds. Recent or large source of funds must have a credible explanation and funds sourced to the original depositor.
- Other information is not consistent with information in the loan file such as signature discrepancies.
- Account includes names of persons that are not a party to the transaction.
- Illegible signatures or signatures that are not consistent throughout the file.
- POA is being used for the loan transaction.
- Refer to red flag reference sheet.

Re-Application Requirements

A new application (re-application) is required when:

- Borrower changes program
 - When a Borrower requests to change programs.
- RESPA disclosure timing requirements are not met, then a new compliant application package is required.

The initial application can continue for the following:

- Death** of a Borrower: A Borrower or Co-Borrower passes during the processing of the loan prior to closing.
- A death certificate must be provided and added to the file.
- Co-Borrower added after initial application:** A Co-Borrower is being added to the loan after initial application.
 - The new Co-Borrower must sign all existing application documents and disclosures required for initial application.
 - A letter of explanation (LOE) from the Borrower must be added to the file explaining why there is an addition of the Co-Borrower.
 - Co-Borrower must receive counseling and provide a signed/dated counseling certificate.

State Specific Requirements

California (CA)

- CA Important Notice to Reverse Mortgage Applicant and Reverse Mortgage Worksheet Guide must be disclosed to the Borrower(s) prior to taking the loan application and/or counseling.
- CA Important Notice to Reverse Mortgage Applicant and Reverse Mortgage Worksheet Guide must be signed and dated on or after the date of counseling.
- If the counseling was completed prior to the loan application being taken, then loan file will need to be documented with a letter of explanation.
- Onity Mortgage will require a (7) day cooling off period from the date of counseling, prior to allowing any fees to be assessed. The loan will be held at loan submission and not submitted to Underwriting until the 7th day has passed (8th day).
- Any fees incurred during the (7) day cooling off period is non-compliant and may not be charged to the Borrower(s).

District of Columbia (DC)

- Onity Mortgage will require (3) day waiting period from the Borrower's signature date on the Commitment Letter prior to closing unless the Waiver of 72 Hour Advance Presentation Requirement disclosure is executed waiving this requirement.
- If Waiver of 72 Hour Advance Presentation Requirement disclosure is executed, then the Commitment Letter will be executed at the loan closing.
- Waiver of 72 Hour Advance Presentation Requirement disclosure must be provided at application and executed by Borrower at least (3) business days prior to closing. "Business Day" is defined as any calendar day except Saturday, Sunday or a State or Federal Holiday.

Illinois (IL)

- Onity Mortgage will require (3) business day cooling off period from the Borrower's signature date on the Commitment Letter prior to closing. "Business Day" is defined as any calendar day except Saturday, Sunday or a State or Federal Holiday. Borrower waivers are not allowed.
- A separate Cooling-Off Period Notice must be provided along with the Commitment Letter prior to closing.
- A Certification must be executed by the Lender and/or Broker when applicable, certifying the Borrower(s) have received the required disclosures amongst other certifications under the IL Reverse Mortgage Act prior to closing.

Kentucky (KY)

- Onity Mortgage will require the total net income generated by the Lender/Broker doesn't exceed \$2000 or 4% of the total loan amount, whichever is greater. If the total net income exceeds the allowable amount, then a reduction in compensation may be required.

Maryland (MD)

- Financing Agreement must be executed within (10) business days of the application date.
- Onity Mortgage will require (3) day waiting period from the Borrower's signature date on the Commitment Letter prior to closing unless the Waiver of 72 Hour Advance Presentation Requirement disclosure is executed waiving this requirement.
- If Waiver of 72 Hour Advance Presentation Requirement disclosure is executed, then the Commitment Letter will be executed at the loan closing.
- Waiver of 72 Hour Advance Presentation Requirement disclosure must be provided at application and executed by Borrower at least (3) business days prior to closing. "Business Day" is defined as any calendar day except Saturday, Sunday or a State or Federal Holiday.

Massachusetts (MA)

- Counseling must be completed from an approved agency by the Massachusetts Executive Office of Elder Affairs (“MA EOE”). If counseling is completed by an agency not approved by the Massachusetts Executive Office of Elder Affairs, then Borrower(s) will be required to be re-counseled by an approved agency prior to closing and any fees incurred prior to re-counseling date cannot be charged to the Borrower(s).
- MA Opt-In Disclosure (Elder Homeowner: Is a Reverse Mortgage Right for You?) must be signed/dated on or after the counseling date
- Commitment Letter cannot be signed/dated until after the date of the Opt-In Disclosures (Elder Homeowner: Is a Reverse Mortgage Right for You?).
- Onity Mortgage will require a (7) day cooling off period from the Borrower(s) signature date on the Commitment Letter prior to closing.

New Jersey (NJ)

- Onity Mortgage will require (3) business day cooling off period from the Borrower’s signature date on the Commitment Letter prior to closing. "Business day" is defined as "any day on which the office or offices of the Lender or Broker are open to the public to provide financial services."

New York (NY)

- NY Program Approval will be required by Broker Approval Team prior to a loan application being taken and/or generated in PORTAL. Broker Approval Team will be responsible for collecting the Management Contact Information in the Organization Management Screen under the Client’s Account. Clients who utilize a non-Onity Mortgage loan origination system will need Compliance review and approval on their NY loan document packages except for Bay Docs, Quantum Reverse, and Reverse Vision. Onity Mortgage Compliance has already reviewed and approved the NY loan document packages for Bay Docs, Quantum Reverse, and Reverse Vision.
- There is a (3) Business Day Cooling Off Period after the submission of the loan application and prior to closing after the acceptance of a commitment letter to the borrower(s). The cooling off period is determined by comparing the FHA Case Assignment and/or Effective Date of the Appraisal are beyond 3 business days of the application date. If the cooling off period hasn’t been met, then the loan will be considered “Non-Compliant.”
- Onity Mortgage will require (3) business day cooling off period from the Borrower’s signature date on the Commitment Letter prior to closing. "Business day" is defined as "any day on which the office or offices of the Lender or Broker are open to the public to provide financial services."
- Appraisal Fee Cap Regardless of a second appraisal being required, the Borrower can only be charged for one appraisal.
- Compensation 3% Cap for Wholesale Only, the Client compensation (correspondent fee and origination fee) cannot exceed 3% of the appraised value of the property. PORTAL has been updated to account for the 3% compensation cap on the Good Faith Estimate. HELOS has been updated with a validation not allowing the compensation to exceed 3% at closing.
- Representation of Attorney at Closing Both the Lender and Borrower must be represented by an attorney, under separate representation, at the time of closing on the reverse mortgage. The Borrower must select their own attorney for representation.
- NY 79: Both the authorized lender and the mortgagor shall be represented by an attorney or attorneys at the time of closing on the reverse mortgage, and each such party shall have at least one attorney present to conduct the closing.
- Attorney representation must be provided in-person. Attorney representation is not allowed by telephone and/or video conference.
- Onity Mortgage and/or its wholesale partners, cannot pay for, or credit attorney fees, charged to the Borrower for attorney representation at the time of closing. The borrower may choose to pay for these attorney fees through his or her loan proceeds
- Telephone applications are prohibited. Loan applications must be taken face to face or via video conferencing, mail or online.

- Counseling waiver is prohibited. A HECM counseling certificate is required at loan submission, and the date of counseling must be no more than 6 months prior to the date of the signing of the commitment.
- Onity Mortgage will not accept, close, or purchase any loans with a LESA.

Utah (UT)

- Onity Mortgage will require the Borrower be counseled prior to the FHA Case Assignment except for Reverse Refinance transactions meeting counseling waiver requirements.
- Onity Mortgage will require a (5) day cooling off period from the Borrower(s) signature date on the Commitment Letter prior to closing. Closing cannot commence until the 5th day.

Vermont (VT)

- If a face-to-face counseling session is not possible, counseling over the phone may be acceptable if performed by an agency authorized by the Department of Banking, Insurance, Securities and Health Care Administration. All agencies on our counseling list are approved by both the Department and HUD.
- Onity Mortgage will require (3) business day cooling off period from the Borrower's signature date on the Commitment Letter prior to closing. "Business day" is defined as any calendar day except Saturday, Sunday or a State or Federal Holiday.

Counseling and Counseling Certificate

Compliance Requirements:

The following activities are prohibited until the signed and dated counseling certificate is received from all Borrower's, Non-Borrower Spouse, and Non-Borrowing Owners, Revisionary or Remainder Interest owners with legal competency.

- Case Number Assignment (must be assigned prior to ordering the appraisal inspection)
- Flood Certificate
- Appraisal (must be ordered after the case number assignment date)
- Property Inspections

Compliance Penalties:

To cure the following penalties, the following must be completed and documented in the file.

- Compliant signed and dated counseling certificate must be provided.
- Case Number Assignment must be ordered after the signed and dated counseling certificate.
- Appraisal must be ordered after the case number assignment date and receipt of compliantly signed and dated counseling certificate.
- Fees cannot be charged. If fees have been collected, the processing company must refund the fee back to the Borrower.
- A letter of explanation provided explaining the reason for counseling non-compliance confirming the Borrower will not be charged for any fees incurred prior to receiving the compliant counseling certificate.

Note: If the appraisal's effective date is after the counseling effective date, evidenced by when the Borrower signed and dated the certificate, but before the FHA case assignment date, the appraisal is not considered an FHA appraisal and a new appraisal must be ordered. The non-FHA appraisal cost cannot be charged to the Borrower.

Parties to be Counseled

Required:

- All Borrowers
- Non-Borrowing Spouse
- Non-Borrowing Mortgagor

- Attorneys-in-fact, if applicable (see Power of Attorney section for additional requirements)
- Guardians or Conservators, if applicable (see Guardian or Conservator section for additional requirements)
- Holders of any reversionary or remainder interest from a Life Estate.

Optional:

- Family members
- Personal advisors

Counseling Guidelines

- The counseling must be specific to the loan program the Borrower applied for
- The originator is required to provide at least five area counselors and four national agencies for the Borrower to choose from

Counseling Certificate

- The certificate is good for 180 days from the date of counseling.
- The counseling Certificate is good for the duration of the transaction regardless of expiration IF the 1009 application and FHA case assignment are dated prior the expiration of the counseling certificate.
- The application must be taken while the certificate is valid; if the certificate has expired prior to the initial application completion, the Borrower must be re-counseled. No exceptions.
- Evidence/print out of counselor approval found in FHA Connection’s case assignment page must be provided.
- The FHA case number MUST be ordered while the counseling certificate is still valid.
- Copy of the HECM Referral screen (Full Eagle partners only)

Counseling Certificate Paid by the Borrower

- The Counseling Fee must be disclosed on the initial Good Faith Estimate.
- The Counseling Fee should be reasonable and customary for the service provided and not exceed the actual cost of the session.
- A copy of the invoice for Counseling Services will be required at or before the time of doc/closing request.

Case Transfer Counseling Requirement

For case transfers, Onity Mortgage will accept the following and all other counseling requirements still apply:

- Copy of a counseling certificate evidencing the counseling was completed prior to the case assignment (i.e. the date the counseling was completed with counselor should be prior to case assignment date).
- Letter of explanation stating counseling was completed in compliance and case assignment was transferred to Onity Mortgage.
- Borrower(s) to sign/date (using the current date) a copy of the original counseling certificate received by counseling agency.

HECM to HECM Refinance Counseling Requirement

HUD requires HECM Borrowers or identified parties to the transaction to receive counseling from a HUD approved independent third-party except for HECM-to-HECM refinance loans that meet HECM counseling waiver. To qualify for HECM counseling waiver and opt out of the HECM counseling requirement, **all three** of the following conditions must be met:

- The required HECM Anti-Churning Disclosure form must be executed by all Borrowers.
- The increase in the mortgagor’s principal limit exceeds the total cost of the HECM refinance by an amount equal to five (5) times the cost of the transaction.
- The time between the closing on the original HECM and the application for the HECM-to-HECM refinancing does not exceed five years.

- If the Borrower elects **NOT** to waive counseling on the Acknowledgement of HECM Counseling Waiver Disclosure, the HECM program requires that the borrower **MUST** be counseled prior to processing the loan or incurring any fees.

In compliance with state specific counseling regulations, Onity Mortgage prohibits the waiver of counseling in the following states and all required parties must be counseled in accordance with the timing requirements:

Property State	State Specific Counseling is required	Timing Requirement	Timing Requirement Specifics for Counseling
California (CA)	Yes	Application	Prior to accepting a final and complete application at File Intake and meeting the 7-day cooling off period
Delaware (DE)	Yes	Application	Prior to accepting a final and complete application at File Intake
Indiana (IN)	Yes	Closing	Prior to Closing
Massachusetts (MA)	Yes	Closing	7 days prior to closing counseling must be completed prior to executing Opt-In notice
Maryland (MD)	Yes	Application	Prior to accepting a final and complete application at File Intake
Minnesota (MN)	Yes	Application	Prior to accepting a final and complete application at File Intake
North Carolina (NC)	Yes	Closing	Within 10 business days after the application is made by the Borrower but not less than 20 business days before closing the loan
Pennsylvania (PA)	Yes	Application	Prior to accepting a final and complete application at File Intake
Rhode Island (RI)	Yes	Closing	Within 3 business days prior to closing the loan
Tennessee (TN)	Yes	Application	Prior to accepting a final and complete application at File Intake
Texas (TX)	Yes	Closing	Within 5 business days prior to closing the loan
Vermont (VT)	Yes	Application	Prior to accepting a final and complete application at File Intake

HECM to HECM Refinance Policy

- 1) HECM to HECM refinance transactions must meet the guidelines outlined in the “Anti-Churning Disclosure”.
- 2) Refinance Information Worksheet, Anti-Churning Disclosure, Current Mortgage Statement, Payoff Statement, and/or other documentation must be in the file.

Existing Loan Information

1. Closing Date
2. Original Appraised Value
3. Original Maximum Claim Amount
4. Current Principal Limit
5. Loan Type (fixed or adjustable)
6. Current Interest Rate
7. Monthly Mortgage Insurance Premium
8. Current Monthly Payment
9. Available Line of Credit
10. Monthly Servicing Fee
11. Estimated Payoff Amount

If the above information is not included in the loan file, it will be the Underwriter’s discretion whether additional documentation or information will be required, or if there is sufficient information to make a lending decision.

Features

- Applicable only for Borrowers who have an existing HECM loan.
- The Borrower may pay a lower MIP, discounted by the amount paid by the initial HECM loan.

Processing

- The Anti-Churning Disclosure is required to be disclosed in the initial application package.
- The FHA Case Number assignment must show the refinance information.
- A HECM-to-HECM refinance worksheet from the financial institution that holds the current reverse mortgage is required.
- HECM to HECM refinance worksheet must not reflect defaults for taxes, insurance, and/or repairs.

HECM Product Requirement

The single disbursement lump sum payment option will be limited to a single disbursement at loan closing which cannot exceed the greater of:

- 60% of the principal limit or
- the mandatory obligations plus 10% of the principal limit
- Disbursements cannot exceed the combined total of mandatory obligations plus 10% and cannot exceed the principal limit amount established at loan closing.

ADP Description	ADP Codes
HECM Fixed	961
HECM ARM	962
HECM Condominium/Fixed	967
HECM Condominium/ARM	968

LDP/SAM Participant List

HUD requires all loan participants be compared to the Limited Denial of Participation (LDP) List and The System for Award Management (SAM) list. Any participant matching to these lists is not eligible for FHA insuring.

Below is a list of participants that must be checked against these lists at a loan level as applicable. Please note, the list is not exhaustive, and any identified additional participants must be compared to the LDP/SAM lists.

List of Participants:

- Appraiser
- Appraisal Company

- Borrower(s)
- Borrower's Attorney
- Borrower's Attorney Company
- Builder
- Builder Company
- Buyer's Agent
- Buyer's Realtor Office
- Closing Agent/Escrow officer
- Closing Agency
- Dealer
- Escrow Company
- Homeowner's Insurance Agent
- Listing Agent
- Listing Real Estate Office
- Loan Closer*
- Loan Originator*
- Loan Processor*
- Loan Underwriter*
- MI Company
- Non-applicant Spouse signing the Mortgage and on title
- Non-borrowing Title holder signing the Mortgage
- Notary
- Power of Attorney
- Seller(s)
- Seller's Attorney
- Seller's Attorney Company
- Supervising Appraiser
- Title Company
- Vested Trust

*While HUD requires Loan Underwriters, Loan Processors, Loan Originators, and Loan Closers involved in the transaction as agents of the lender be compared to the list, only those participants not employed by Onity Mortgage must be scanned against the LDP/SAM. Due to the Onity Regulatory Employee Procedure, where Human Resources performs employee scans against the LDP/SAM lists upon employment and periodically thereafter, the loan level requirement to check is for Onity Mortgage employee involved in the transaction is not required.

FHA Case Number Assignment

FHA Case Number is assigned to all FHA insured loans. Case numbers can only be ordered after the loan application and counseling certificate has been fully executed (signed/dated by all parties to the loan transaction). If the FHA case assignment number has expired or cancelled, a new FHA case number will be required.

Full Eagle Partners:

- Log into the FHA Connection at: <https://hud.gov/clas/html/connection.cfm> with your username and password if you are a Full Eagle partner.
- Onity Mortgage FHA Lender ID is 3027510460.
- Print final screen that shows that the Case Number has been successfully assigned and file according to the Onity Mortgage stacking order.

TPO Partners:

- Log into Onity Mortgage's Broker Portal and complete the information.

Note: The principal limit lock is calculated from the date the FHA Case Assignment is assigned. If the lock period is within 120 days from closing date, the Borrowers will receive the expected rate of either the application 1009

signed date or the closing date, whichever benefits the Borrower. If the closing date has exceeded the 120 days lock period, the expected rate at time of closing will be used to calculate the principal limit.

FHA Case Number Expiration date due to Inactivity

FHA Connection will automatically cancel any uninsured case numbers where there has been no activity for 6 months since the last action.

FHA defines the last action as:

- Case number assigned.
- Appraisal logging
- Appraisal update (1004D)
- HECM insurance application received.
- Notice of Return

FHA does not consider the following as an activity:

- Updates to the Borrower names and/or property address
- Updated or edits to the appraisal logging.
- Obtaining a second appraisal

CAIVRS

The Credit Alert Interactive Voice Response System (CAIVRS) is a federal government database of delinquent federal debtors. If the Borrower, as revealed by public records, credit information, or HUD's Credit Alert Interactive Voice Response System (CAIVRS), is presently delinquent on any Federal debt (e.g., VA-guaranteed mortgage, Title I loan, Federal student loan, Small Business Administration loan, delinquent Federal taxes) or has a lien, including taxes, placed against his or her property for a debt owed to the U.S., the Borrower is not eligible until the delinquent account is brought current, paid, otherwise satisfied. CAIVRS is required to be pulled on all Borrowers.

Underwriting requirements:

- If CAIVRS default is required to be cleared prior to closing, Underwriting must have evidence that the CAIVRS default item is either brought current and a completely cleared CAIVRS obtained.
- If CAIVRS shows FHA foreclosure or HUD has paid a claim, the Borrower is ineligible for a period of 3 years from the date of the claim. (This applies to both HECM refinances & HECM purchase transactions.)
- If CAIVRS shows a default status, then the Underwriter must contact HUD & verify this information confirming that HUD has not paid claim. Once this is verified that HUD has not paid a claim, Underwriting must condition for a clear CAIVRS.

Flood Certificate

The Federal Emergency Management Agency (FEMA) oversees flood determination.

Identifying when a property is located in a Special Flood Hazard Area (SFHA) is based upon a Standard Flood Hazard Determination (SFHD), not the appraisal, survey, or letter from a city official. Flood zones that begin with an "A" or "V" are considered SFHAs and require flood insurance. Flood zones that begin with "B", "C", "D", or "X" are not considered SFHAs and federal law does not require flood insurance, however, flood insurance is available for all zones. If the SFHDF designates the zone as "None", flood insurance is not required. "None" means no maps have been done and therefore no official flood determination has been made either way.

Note: When there is a discrepancy between the appraisal and SFHD flood zone, further investigation is required to address the discrepancy.

A flood zone determination must be documented by a completed FEMA Standard Flood Hazard Determination Form (SFHDF), FEMA Form 086-0-032 in accordance with federal law. Any alternative electronic format must contain all mandatory fields indicated on the SFHDF.

- All Flood Certifications must be Life of Loan clearly stating the SFHDF flood zone determination service is for the life of the loan.
- All eligible subject properties located in a flood zone must have or obtain flood insurance prior to closing.
- The following are ineligible if
 - subject property is located in Flood zones A or V and:
 - New construction properties (under 1 year); or
 - Manufactured homes

Flood notice must be signed and dated by the Borrower a minimum of 10 days prior to closing and provide the Onity Mortgage loan number or FHA case number must be listed as the loan identifier on the flood certificate. The flood certificate fee will be charged to the borrower at time of closing. Flood certificates must list Onity Mortgage as the lender with the following:

Onity Mortgage Corporation Onity Mortgage 2000 Midlantic Drive Ste 410-A
Mount Laurel, NJ 08054

Evidence of Flood Insurance

- Onity Mortgage will require a copy of the Certificate of Insurance or Declaration Page. Insurance binders are not acceptable for existing flood insurance policies.
- Flood Insurance: Lesser of the following and not to exceed \$250,000(NFIP)
 - Appraised Value minus Land/Site Value
 - Max Claim Amount or Total Estimate of Cost New
- Pursuant to Financial Assessment Property Charge Guide section 3.95, Onity Mortgage will allow the cost of flood insurance to be paid through closing with an insurance application reflecting the coverage period, annual premium, and mortgagee clause if flood insurance coverage was not previously in place.
- Forced placed insurance coverage is not acceptable.
- Condo Flood Insurance:
 - Master Condo policy covering 100% if the insurable value (total replacement cost) of the building (including amounts to replace/repair the foundation and its supporting structures) and common areas.

OR

- Master policy covering the total number of units in the condominium multiplied by \$250,000.
- Condo projects must have a master flood policy. Individual unit or owner coverage is not acceptable.
- Loss Payee/Mortgagee Clause:
Onity Mortgage Corporation Its Successors and/or Assigns ATIMA

P.O. Box 5954

Springfield, OH 45501-5954

Pursuant to HUD's, and HUD Handbook 4000.1 regarding flood insurance requirements, the following are ineligible for FHA mortgage insurance:

- Properties where insurance under the National Flood Insurance Program (NFIP) is not available (if in a Special Flood Hazard Area (SFHA)).
- Properties located in a Coastal Barrier Resource System (CBRS) and Other Protected Area (OPA) (this includes any related structures/improvements in addition to the residential dwelling)

New construction located in a flood zone (A property is considered "new construction" if it was completed less than one year from the date of the Certificate of Occupancy (CO) or its equivalent.) Reference (HUD Handbook 4000.1) for further details. 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.

As a reminder, a property is not eligible for FHA insurance if:

- a residential building and related improvements to the Property are located within any SFHA Zone beginning with the letter A, a Special Flood Hazard Area, or any Zone beginning with the letter V, a

Coastal High Hazard Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or

- the improvements are, or are proposed to be, located within the Coastal Barrier Resources System (CBRS).

For Properties located within a SFHA, Flood Insurance must be maintained for the life of the Mortgage in an amount at least equal to the lowest of the following:

- 100% replacement cost of the insurable value of the improvements, which consists of the development or project cost less estimated land cost;
- the maximum amount of NFIP insurance available with respect to the particular type of Property

If the Borrower purchases a PFI policy in lieu of an NFIP policy, Onity Mortgage must ensure the PFI policy meets the following requirements:

- is issued by an insurance company that is 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; or, in the case of a policy of difference in conditions, multiple peril, all risk, or other blanket coverage insuring nonresidential commercial property, is recognized, or not disapproved, as a surplus lines insurer by the insurance regulator of the state or jurisdiction where the Property to be insured is located;
- provides Flood Insurance coverage that is at least as broad as the coverage provided under a standard Flood Insurance policy under the NFIP for the particular type of property, including when considering exclusions and conditions offered by the insurer.
- includes deductibles that are no higher than the specified maximum, and includes similar non-applicability provisions, as under a standard flood insurance policy under the NFIP.
- includes a requirement for the insurer to provide written notice 45 Days before cancellation or non-renewal of Flood Insurance coverage to the Borrower and the Mortgagee. In cases where the Mortgagee has assigned the loan to HUD, the insurer must provide notice to HUD and, where applicable, to the Borrower.
- includes information about the availability of Flood Insurance coverage under the NFIP.
- includes a mortgage interest clause similar to the clause contained in a standard Flood Insurance policy under the NFIP.
- 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 standard Flood Insurance policy under the NFIP.

Private Flood Insurance Compliance Aid

(A) Definition: The Private Flood Insurance (PFI) Policy Compliance Aid is the statement: “This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for FHA-insured mortgages.”

(B) Standard: 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-. The Mortgagee may rely on the PFI Policy Compliance Aid to determine whether a PFI policy meets the Flood Insurance requirements. A Mortgagee may not reject a policy solely because it is not accompanied by a PFI Policy Compliance Aid.

Evidence of Homeowner’s Insurance

- Onity Mortgage will require a copy of the Certificate of Insurance and/or Declaration Page. Insurance binders are not acceptable for existing homeowner’s insurance policies.

- If a new insurance policy is purchased prior to closing, then closing will require the full year's premium to be paid at closing and/or upfront with evidence of payment.
- Forced place insurance coverage is not acceptable.
- Hazard Insurance Coverage Amounts: Lesser of the following:
 - Appraised Value minus Land/Site Value
- OR**
- Cost new approach provided by the appraiser.
- Condominiums: Master hazard insurance policy required (HOA)
 - Liability coverage of 1 million
 - Walls in coverage is required.
 - If the walls in coverage is not included in the master policy, then a separate HO6 coverage is required (20% of unit value)
 - Condo project with more than 20 units, HOA is required to have fidelity bond coverage. (This is also known as "Employee Dishonesty" or "Crime Policy"). The coverage must be no less than a sum equal to three months aggregate assessments on all units unless the state law mandates a maximum dollar amount. The coverage must cover for all officers, directors, & employees of the association and persons handling or responsible for funds administered by the association.
 - Fidelity/Bond liability coverage with Full-ALS is acceptable, as it guarantees coverage regardless of the amount.
- The Certificate of Insurance and/or Declaration Page must show dwelling coverage and must be in effect.
- Coverage and mailing address must reflect subject property address.
- Hazard insurance premiums must be pre-paid for at least 60 days for existing policies and one year for new policies.
- Deductible amount cannot exceed 5% on hazard and flood insurance coverage amount (policy cannot exclude any perils or have any limited coverage for perils i.e. wind, hail, water etc.)
- Deductible amount cannot exceed \$25,000 on condo master policy.
- Loss Payee/Mortgagee Clause:

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Credit Report

A tri-merged credit report is required and must include a public record check for all Borrowers. The credit report expires after 120 days.

Fraud Alert

If there is a fraud alert reporting on the credit report, a lender certification will be required to be evidenced in the file confirming that the Borrower did apply for a reverse mortgage.

Multiple Social Security Numbers

If the credit report is showing multiple social security numbers, either the Borrower's written clarification or other documentation within the file can be used to address the multiple social security numbers when there are no other red flags.

Other addresses

Any recent addresses reporting on the credit report that is not the subject property will be addressed accordingly by the Underwriter. (See occupancy requirements)

Credit Report reflects deceased status for the Borrower.

If the credit report shows 1 credit bureau showing the Borrower's reported status as deceased, then the following will be required:

- The Underwriter will require a letter from the Borrower addressed to the credit bureau requesting the deceased status to be corrected by the credit bureau.

If the credit report shows all 3 credit bureaus reflecting the Borrower's status as deceased, then the following will be required:

- A new tri-merged credit report with the deceased status corrected must be provided for review.

Mortgages

All outstanding mortgages on the subject property must be paid off at closing. Mortgages on non-subject properties do not need to be paid off provided the Borrower has documentation that the mortgage is attached to the non-subject property. If Borrower owns multiple properties, Underwriting must obtain copies of the mortgage statement (see Occupancy/Seasoning requirements for additional information)

FHA Mortgage

Applicants cannot have more than 1 FHA mortgage at one time. If the applicant is a non-occupying/co-Borrower on a second FHA (forward mortgage), the file must be documented with the following information:

- Handwritten letter indicating the relationship of the applicant with the FHA lien holder and certification that the applicant is a non-occupant/co-Borrower on the existing FHA loan.
- Copy of the most recent mortgage statement which includes the collateral and mailing address.
- Copy of the deed of trust and note for the existing FHA mortgage.
- Copy of the 12 most recent consecutive cancelled checks evidencing payment of mortgage by the primary Borrower.
- There must be no delinquencies within the last 12-month period (0 x30 day lates)
- Onity Mortgage will pull an FHA case query verifying the information.

If the above items do not evidence the non-occupying/co-Borrower information, then the existing FHA loan will need to be paid and satisfied prior to approving the HECM. An applicant can have only 1 reverse mortgage that is their principal residence at one time.

Federal/State/Local Debt

- If the federal debt has already been satisfied, the Borrower will need to furnish paperwork supporting the satisfaction of the debt.
- All federal tax liens will need to be satisfied and released or paid off at closing. If not being paid at closing, then will need evidence of the repayment agreement with the IRS and evidence of documented 3 months timely payment history. (The applicant cannot prepay the three months in advance to meet the requirement.)
- State and local liens are not required to be paid if only listed on the credit report.
- Any defaulted taxes on existing government insured loans must be paid current and out of default status prior to closing the HECM Reverse loan.
- All federal student loans on the credit report must be current. Any delinquent federal student loans showing the credit report must be cured prior and the account must be brought current, paid, or otherwise satisfied.
- If the federal student loan reflects delinquency, then evidence of paperwork supporting the status of the student loan must be provided.

Chapter 7 Bankruptcy

- Chapter 7 bankruptcies must be discharged or dismissed to proceed with the reverse mortgage.
- If the discharge/dismissal was less than one year ago or if the credit report does not show the bankruptcy, the court order dismissing the bankruptcy will need to be included in the file.

Chapter 13 Bankruptcy

If the Chapter 13 bankruptcy has been discharged, it will not affect the reverse mortgage process. If the Chapter 13 has *not* been discharged, the Borrower has two options:

Option 1 – Court Approval: The Borrower may continue with the bankruptcy without using the reverse mortgage to pay it off:

- The Borrower must obtain written permission from the court, signed by a judge before the file will be approved by Underwriting. The court approval must meet the following guidelines:
 - The approval must state that the lender may continue with the reverse mortgage process without using reverse mortgage proceeds to pay off any debts encompassed by the bankruptcy.
 - The approval must state that the loan is a negative amortization loan.
 - The approval must not state a specific interest rate or loan amount.
- Note: The Borrower will still need to pay off any property liens and any federal debt through escrow with reverse mortgage proceeds.

Option 2 – Bankruptcy Payoff: The Borrower may pay the bankruptcy off with the reverse mortgage. In order to do so, a payoff letter must be obtained from the trustee. All bankruptcy documentation must in the file before loan approval is granted.

Foreclosures

A property is assigned foreclosure status when three consecutive months have passed without receipt of mortgage payment to the lender. Although the foreclosure status does not affect loan processing or loan approval, the mortgage must be paid off within a short time frame (determined by current lender).

- Determine the deadline for lien payoff in order to stop the foreclosure process.
- Foreclosure payoffs will include additional fees and charges for processing, attorney fees, and other fees. These fees must be accounted for when estimating the payoff amount.
- Before submitting the file to Underwriting, note on the submission checklist that the file is in foreclosure.
- Refer to HECM for Purchase requirements for foreclosure restrictions and ineligibility.
- If a property was recently acquired via a deed by a family member or any third party and the existing mortgage was in foreclosure status, this would be ineligible as it would be considered a bail out transaction.

Judgments

- If the judgment is not attached to the property, payoff will not be required through escrow.
- If the judgment is reflected on the credit report (not on title), then evidence of a minimum of 3 months timely payment history along with a copy of the agreement OR evidence of payment in full prior to closing the loan. (The applicant cannot prepay the three months in advance to meet the requirement.)
- If the judgment is attached to the subject property, payoff will be required through escrow.

OFAC Clearance

OFAC clearance is required to ensure that the Borrower is not prohibited by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury from engaging in financial transactions.

- OFAC clearance must be run on all eligible Borrowers, Non-Borrowing Spouse, Attorney-in-Fact, Non-Borrowing Mortgagors, and/or Legal Conservators/Guardians if applicable.

OFAC can be verified with the credit report provider as an extra service on the credit report or you may choose to use a different provider. If your credit report provider does not provide this service, you can utilize the OFAC website <http://www.instantofac.com/search.php>

Preliminary Title Report

The report should be an ALTA (extended loan policy) which includes the following: Effective date of the prelim, property address, current vesting, county tax information, status of real property taxes, lien information, judgments, mortgages, legal description, assessor's parcel number, 24-month chain of title, and any additional relevant information on the property. The subject's property address and legal description is correct and must match throughout the loan file. The report should also include the proposed insured as Onity Mortgage and include the maximum claim amount.

Vesting

For a reverse mortgage, all Borrowers must be vested owners. Below are the most common ways to add or remove Borrowers from a vesting. At least one of the Borrower(s) must be the owner of record at the time of application.

Warranty/Grant Deed

A grant deed (known in some states as a warranty deed) is used to remove living, non-eligible Borrowers from title or to add eligible Borrowers to title. They are created by the settlement agent and must be approved by the title officer. The draft of the grant deed must be submitted with the file for loan approval.

Affidavit of Death/State required equivalent.

An affidavit of death is used to remove deceased owners from title.

- Title will require a certified or original copy of the death certificate in order to issue the affidavit of death.
- A copy of the death certificate must be included in the file.
- The final vesting must be listed on the affidavit, or it must be provided by the title company in writing.
- The new vesting needs to be approved by title.

If the property is not vested in the name of at least one of the Borrowers, a new vesting will need to be recorded & updated title report is required before the loan process begins.

Property held in a Trust

Vesting must match the trust documentation (Trustee(s) name(s), name of the trust, and execution date of the trust.)

- The complete copy of the trust must be provided and reviewed by the Underwriter to ensure the trust meets requirements for Securitization of the loan.
- An attorney opinion letter is required only if the Borrower does not sign as trustee in their own capacity for revocable living trusts. (Effective 11.5.2015)
- An attorney opinion letter is still required on all irrevocable trusts. (Effective 11.5.2015)
- The trustee(s) must join in signing the closing documents: the security instrument, TIL, NORTC, and any applicable riders.
- Follow all other [Trust](#) guidance.

Note: A power of attorney cannot be used to sign on behalf of a trustee unless the power of attorney is named as the successor trustee.

Property held in a Life Estate

- The Borrower(s) must be the life tenant.
- All Borrower(s), remainderman(s) and/or revisionary must join in signing the applicable closing documents: Counseling Certificate, Security Instruments, Notice of Right to Cancel, the Truth In Lending Disclosure, and any applicable riders
- All remainderman(s) must sign the HECM Non-Borrowing Owner Certification
- Life Estates in Texas only: remainder man must be 62 years of age (ID verification of remainderman is required)
- The vesting on title must clearly identify the life tenant(s) and all remainderman(s)
- Copy of the document granting the Borrower a life estate is required.

- When title lists the beneficiary as a “remainderman” or is not explicit the deed is testamentary (aka Lady Bird Deed), the beneficiary/remainderman must be counseled.

When title lists the beneficiary as a “remainderman” or is not explicit the deed is testamentary (aka Lady Bird Deed), the beneficiary/remainderman must be counseled.

Seasoning Requirements for non-HECM liens

In accordance with the HECM CFR changes, effective for all case assignments issued on or after September 19, 2017, Onity Mortgage will require lien seasoning on any non-HECM liens. Onity Mortgage will only allow the payoff of an existing non-HECM lien, if the lien has been in place for more than 12 months from the date of HECM closing or if the lien resulted in less than \$500 cash to the Borrower.

- If the lien is in place less than 12 months, Onity Mortgage will require the following:
 - HUD-1 from the transaction that resulted in the lien
 - Payoff Statement
- Home Equity Line of Credit (HELOC) loans that does not meet the seasoning requirements can be paid from HECM proceeds as long as the borrower’s advance is at or under 60 percent of the Principal Limit.
 - Any balance over the 60 percent would need to come from borrower funds.

Judgments

- All judgments shown on the preliminary title report must be paid off at closing, regardless of the nature of the judgment (personal judgment, credit card judgment, etc. all must be paid off at closing. Exception: child support liens may be partially satisfied by providing proof of current payment.)
- If the judgment has already been paid, the Satisfaction of Judgment must be recorded at closing.

Tax Liens on Preliminary Title Report

- All federal tax liens must be paid at or prior to closing.

Note: Land contracts are ineligible

Subordination

- Subordinations are allowed only on existing liens that are state, local, or federal liens on the subject property. The existing liens must be in the reverse mortgage clients name only.
- Subordinations are not permitted for private liens/mortgages.
- All HECM loans take first and second position. A subordinated loan would be in third position.
- Third position liens are allowed for existing loans whose lenders will execute a subordination agreement. Typical third position loans are low- or no-cost community assistance loans.
- HUD will not permit a Borrower to obtain an additional loan to qualify for a reverse mortgage.
- Partial loan subordinations are not allowed. Full amount must be subordinated.
- Written approval from the title company stating that the terms of the subordination agreement will insure the first (Onity Mortgage) and second (HUD) lien position of the reverse mortgage.
- Subordinating lender must submit 2 subordination agreements, one addressed to Onity Mortgage and the second addressed to HUD. (Adjustable Loans) (Fixed loans require 1 subordination agreement to Onity Mortgage)

The letters should include:

- The amount shown must be no less than 150 percent of the loan amount (Max Claim Amount)
- Subordinating lender’s acknowledgement of third lien position on title behind Onity Mortgage and Secretary of Housing and Urban Development
- Subordination agreement must not place any restrictions on the Reverse Mortgage lender, investor, HUD or the terms of the reverse mortgage.
- The subordination agreements must be fully completed and executed by all parties prior to the loan closing.

- No new liens/mortgages can be initiated or subordinated with the reverse mortgage.

Leasehold

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

- A copy of the recorded leasehold agreement is required to be included in the loan file.
- Renewable lease for not less than 99 years, or a lease with a term not less the actuarial life expectancy of the Mortgagor.
- Sub-Leasehold Estates are not eligible for HECM reverse mortgage program.
- Title to approve leasehold insuring 1st and 2nd lien position and issue applicable endorsement.
- Attorney opinion letter confirming the lease agreement meets the requirements in FHA Handbook 4000.1.
- The valuation of Leasehold Interest must meet the requirements in FHA Handbook 4000.1.

For Condo properties, Onity Mortgage must determine if the Condominium Project or Common Elements owned under a Leasehold Interest are eligible and meet the following requirements:

- The Condominium Association must be the Lessee under the lease.
- The lease of the Common Elements provides that a default of the Condominium Association does not result in a disturbance of any rights of the Unit owners.
- The lease provides that the Mortgagee receives notice of any monetary or Non-Monetary Default by the Condominium Association and is given the right to cure any defaults on behalf of the Condominium Association.
- The lease provides for the payment of taxes and insurance related to the land, in addition to those being paid for the improvements.
- The Condominium Association must not be in default under any provisions of the lease.
- The lease does not include any default provisions that could result in forfeiture or termination of the lease except for nonpayment of lease rents.
- The Condominium Project must comply with FHA's Home Equity Conversion Mortgage (HECM) Leasehold guidance as applicable.

Solar Leases

- A copy of the recorded lease will need to be reviewed to ensure the lease meets the outlined criteria in HUD Handbook 4000.1 and 24 CFR 203.41
- UCC filing on the title report must either be removed or subordinated to our first and second liens.
- Title will need to provide the solar lease endorsement which insures against the invalidity, unenforceability, or lack of priority of the insured lien(s)
- The lease agreement must be reviewed to ensure it does not include any legal restrictions on conveyances which includes but is not limited to the following:
 - The lease agreement cannot include any provisions that make the agreement be void by the Borrower or voidable by a third party.
 - The lease agreement cannot be the basis of contractual liability of the Borrower (including rights of first refusal, pre-emptive rights, or options related to a Borrower's efforts to convey)
 - The lease agreement cannot include any provisions to terminate or be subject to termination by all or part of the interest held by the Borrower.
 - The lease agreement cannot be subject to the consent of a third party.
 - The lease agreement cannot be subject to limits on the amount of sales proceeds a Borrower can retain (i.e. due to a lien, due on sale clause, etc.)
 - The lease agreement cannot include grounds for accelerating the insured mortgage.
 - The lease agreement cannot include grounds for increasing the interest rate of the insured mortgage.
 - The lease agreement cannot include any provisions for encumbering the property or the transfer of the property.

- The lease agreement cannot include any provisions that require the consent of a third party (i.e. energy provider, system owner, etc.)
 - The lease agreement cannot include any provisions that require credit approval of a new purchaser before the seller can convey the property (unless such provisions may be terminated at the option of and with no cost to the owner.)
 - The lease agreement must be freely transferrable without restrictions/stipulations.
- If the lease agreement causes restriction upon the transfer of the home or contains legal restrictions on conveyances of the property, it is ineligible for FHA.

PACE (Property Assessed Clean Energy) program obligations

- Effective with FHA case number assigned on or after January 6, 2018, HECM loans with PACE obligation (i.e. HERO obligations in CA) can be paid at closing with HECM proceeds.
- Subordinations are not permitted.

Trusts

Basic Trust Guidelines

HUD will insure HECM loans on property held in an inter-vivos trust, also known as a living trust. Properties held in a land trust are also eligible for a HECM if the requirements for a living trust are met.

The living trust (Revocable) document must meet the following requirements:

- A complete copy of the trust must be included in the file.
- All current beneficiaries of the trust must be Borrowers and must be receiving the net income of the trust.
- All current beneficiaries must meet age requirements. Contingent beneficiaries who receive future benefit from the trust does not need to meet the minimum age requirements.
- Amendments adding new Beneficiaries are not allowed.
- The portion of the trust which holds the property must be revocable.
- All Trustors/primary beneficiaries must be the Borrowers.
- All Borrowers must be the Trustors/primary beneficiaries.
- Trustees must have the right to borrow and encumber the subject property.
- All beneficiaries must meet minimum age requirements. (Contingent beneficiaries who received no benefit from the trust until the death of the creator of the trust, does not meet eligibility.)
- The trust must be established by a natural person.
- The trust must be established during the lifetime of the creator of the trust and effective during their lifetime.
- The trust must be one in which the creator of the trust has the power to revoke and amend the trust during his or her lifetime.
- Underwriting review and approval of the trust is required.
- An attorney opinion letter is required only if the Borrower does not sign as trustee in their own capacity for revocable living trusts. (Effective 11.5.2015)

The living trust (Irrevocable) must meet the following requirements:

- A complete copy of the trust must be included in the file.
- All current beneficiaries of the trust must be Borrowers and must be receiving the net income of the trust.
- All Trustors/primary beneficiaries must be the Borrowers.
- All Borrowers must be the Trustors/primary beneficiaries.
- Amendments adding new Beneficiaries are not allowed.
- Trustees must have the right to borrow and encumber the subject property.
- All beneficiaries must meet minimum age requirements. (Contingent beneficiaries who received no benefit from the trust until the death of the creator of the trust, does not meet eligibility.)
- The trust must be established by a natural person.

- The trust must be established during the lifetime of the creator of the trust and effective during their lifetime.
- Underwriting review and approval of the trust is required.
- An attorney opinion letter is required on all loans vested in a trust or closing in a trust and will be conditioned for on the conditional approval.
- The attorney opinion letter must certify the outlined requirements listed on the attached attorney opinion letter exhibit A.
- Testamentary trusts are ineligible. (Trusts are created by a person or by third party will or after death.)
- A/B trusts remain the same as to requirements outlined for revocable living trusts.

Transfer of the Property in To or From a Trust after Closing

- A Borrower under an insured HECM may transfer the property to a living trust without causing the mortgage to become due and payable if the lender finds that the trust meets all requirements that would have applied if the trust owned the property at closing. The lender may require the trust to formally assume the Borrower's obligation to repay the debt as stated in the Note if considered advisable to avoid difficulty in enforcement of the Note and mortgage.
- If an existing trust is terminated, or the property is otherwise transferred from an eligible trust holding the property, the mortgage will not become due and payable, provided that one or more of the original Borrowers who signed the Note and Loan Agreement continue to occupy the property as a principal residence and continue to retain title to the property in fee simple or on a leasehold interest as set forth in 24 CFR Section 206.45(a).

Power of Attorney

The following general requirements apply to all Power of Attorney (POA) transactions. The sections that follow provide additional requirements based on the reason for POA use. All POAs must satisfy the general requirements as well as the appropriate set of specific requirements.

General Requirements

- The POA must be Durable Power of Attorney specifically designed to survive incapacity.
- The POA must give the right to encumber property.
- The POA must be executed by the Borrower prior to the date of the application.
- The POA must have been executed when the Borrower was competent.
- The attorney-in-fact's government-issued photo ID and Social Security verification must be included in the file for identity verification.
- SAMS and OFAC clearance on the attorney-in-fact's name must be provided in the file.
- The attorney-in-fact must sign, "[Borrower's full name] by [Attorney-in-Fact's full name] as Attorney-in-Fact.
- Approval of the durable power of attorney from the title company is required.
- POA is not allowed in the state of Texas.
- POA is not allowed in the state of New Hampshire. (January 1, 2018)
- POA is not allowed in the state of North Carolina. (January 1, 2018)
- See POA requirements and limitations on a HECM purchase transaction.

Specific Requirements:

The Borrower Is Mentally Incompetent to Manage their Own Affairs

- Any borrower, NBS, or Non-Borrowing Owner lacking legal competency, HECM counseling must be completed by the agent or attorney-in-fact; counseling certificate must read "Borrower's name by POA's name as attorney-in-fact."
- An original notarized copy of the durable POA must be provided to title during processing for approval.
- At least one doctor's letter must be provided certifying the incompetency and the date of incompetency. Additional requirements may apply (such as an additional doctor's letter) if the POA is used in conjunction with a trust.

- The doctor's letter must include the following information:
 - Doctor's full name and license number (Underwriter must verify the license information and include the documentation in the loan file.)
 - Doctor's contact information (address and phone number)
 - Date letter was written/executed by the doctor
 - Date (month and year) Borrower was unable to handle their financial affairs
 - Certify that the Borrower was able to handle their financial affairs at the time the POA was executed but is now unable to handle his or her financial affairs
 - Letter must be signed by the doctor and on letterhead

The Borrower Is Physically Incapable of Signing Documents

- The Borrower and Attorney-in-Fact must be counseled, and counseling certificate must show Borrower(s) and Attorney-in-Fact's name The attorney-in-fact must execute the counseling certificate on the Borrower's behalf using the format "Borrower's name by POA's name as attorney-in-fact."
- An original notarized copy of the durable POA must be provided to title during processing for approval.
- One doctor's letter must be provided stating the Borrower is physically unable to sign documents but is mentally competent to handle financial affairs/decisions. Additional requirements may apply (such as an additional doctor's letter) if the POA is used in conjunction with a trust.
- At least one doctor's letter is required (letter must include the following information):
 - Doctor's full name and license number (Underwriter must verify the license and include the documentation in the loan file.)
 - Doctor's contact information (address and phone number)
 - Date letter was written/executed by the doctor.
 - Specific statement to the competency of the Borrower (patient is competent and able to handle his or her financial affairs but cannot physically sign)
 - Letter must be signed by the doctor and on letterhead.

The Borrower Is Mentally and Physically Competent but Chooses Not to Sign

- The Agent or The Attorney-in-Fact must complete HECM Counseling if the POA is Durable and they execute either the RLARM or closing documents on behalf of a legally competent Borrower or Eligible NBS.
- The Borrower must execute the 1009 Application, HUD Addendum 92900-A, & Counseling Certificate.
- The Borrower must provide a letter acknowledging he/she is aware that his/her attorney-in-fact is in the process of obtaining a reverse mortgage on his/her behalf.
- An original notarized copy of the durable POA must be provided to title during processing for approval.
- The Borrower must be counseled, and the counseling certificate must show the Borrower's name. The attorney-in-fact can be named in addition to the Borrower; however, the Borrower must sign the counseling certificate.

Signing with an "X"

There are times when a Borrower will sign with an X. Most commonly this is due to the Borrower self-selecting the X as their signature or it is due to limited physical capacity which makes signing their original signature difficult. Signing with an X brings forth additional requirements.

In order to comply with HUD's recommendations; Two witnesses are required with each signature with an X. According to HUD this would satisfy their requirements so as to constitute a valid and enforceable contract/lien.

The following will be required to comply with witness requirements:

- Affiant to attest they understand what they are signing and how they understand it (reading it themselves or someone reading the docs to them)
- Documented approval from title permitting the Borrower to sign with an X (email or standard form is acceptable)

- Doctor's letter must be provided to verify they are mentally competent but not physically capable of signing.
AND
- State approved General Affidavit complete with reason why they are signing with an X. An affidavit can be used in lieu of two witness signatures for every signature with an X. This is true and acceptable for both application and final closing documents.
OR
- Two witnesses are required with each signature with an X.

A notary CAN be one of the witnesses, but the Jurat of acknowledgement would NOT substitute for that individual's (notary public's) signatures as a witness to the signing. A notary need not, under the laws governing notaries public, actually witness a signature/mark in order to notarize a signature. As such, the Jurat and/or acknowledgement of the signature would not suffice.

Guardian or Conservator

- If there is a guardian or conservator being used, a copy of the court order appointing the permanent guardian/conservator for the person and estate must be in the file.
- The Guardian or Conservator must execute all application and closing documents. The signature must be in the form: "Borrower's name by Guardian or Conservator's name for the person and estate".
- The conservator/guardian must be counseled on behalf of the Borrower and the counseling certificate must show the Borrowers name by conservator/guardian.
- The Guardian or Conservator must sign and date the counseling certificate in the form: "Borrower's name by Guardian or Conservator's name for the person and estate".
- There also must be a court order in the file allowing the loan transaction meeting the following requirements:
 - It must contain the words, "Reverse mortgage" and/or "adjustable rate, negative amortized loan" if the product is a adjustable loan. It must be signed by a judge.
 - It must not include an interest rate.
 - We do not require a loan amount on the court approval but if the approval shows a loan amount, the loan amount must be no less than 150 percent of the Max Claim amount (amount shown on the security instrument).
- If the property is in a trust, the court order must also authorize the trustee to act on behalf of the trust and obtain a reverse mortgage.
- The conservator's government-issued photo ID and Social Security verification must be included in the file for identity verification.
- SAMS and OFAC clearance will need to be run for the guardian or conservator.
- The title company will also need to approve the Guardianship or Conservatorship and an original copy of the documentation will need to be provided to title if the conservator documents have not already been recorded.

Appraisal

An appraisal is required on all loans. Appraisals must be ordered through an appraisal management company (AMC) and/or appraisal independence must be adhered. All appraisals are reviewed by the appraisal review department.

For all HECM loans, the appraiser must be FHA-approved and must be state certified residential or certified general appraisers. HUD approval can be verified at the following website: <https://entp.hud.gov/idapp/html/apprlook.cfm>.

The appraiser must be a state certified residential or certified general appraiser. (Supervisory appraisers are not allowed.) A new appraisal may be required to be completed if the appraisal was not completed by a state certified or certified general appraiser in good standing with FHA Appraiser Roster. (Reference HUD Handbook 4000.1)

- Different property types require different appraisal forms.
 - **Single Family Residences** – SFR appraisals must be on the 1004 URAR (Uniform Residential Appraisal Report.)(The Uniform Appraisal Dataset (UAD) is required for all case assignments on or after January 1, 2012.
 - **2-4 Unit Properties** – 2-4 unit property appraisals must be on appraisal form 1025. (UAD – Uniform Appraisal Dataset is not applicable on multi-unit properties.)
 - **Condominiums** – Condominium unit appraisals must be on form 1073. (This includes site condominiums (Uniform Residential Appraisal Report.)The Uniform Appraisal Dataset (UAD) is required for all case assignments on or after January 1, 2012.
[The Uniform Appraisal Dataset \(UAD\) and appraisal reporting forms](#)
Site Condominiums must be on form 1073.
 - **Manufactured Homes** - Manufactured home appraisals must be on the 1004c form. (The Uniform Appraisal Dataset (UAD) is required for all case assignments on or after January 1, 2012.
- The correct FHA case number must be on every page of the appraisal. If the appraiser includes the correct case number on the first page of the appraisal report, the case number on subsequent pages may be handwritten.
- The appraisal expires 180 days from the effective date of the appraisal (the date of inspection).
- The appraisal must be ordered after the counseling certificate is signed and dated by the Borrower and after the FHA case number is assigned (in this order) to remain compliant (see Compliance Penalties for additional information)
- All point of the URAR will be reviewed for accuracy and completeness.
- All appraisals must meet the following requirements as described in:

Appraisal Validity

Effective with Case Assignments on or after 6/1/22, an FHA appraisal is valid for 180 days from the effective date on the appraisal report. The optional 30-day extension is no longer available.

Appraisal Update (Fannie Form 1004D)

An appraisal update allows for the extension of the validity period of the original appraisal. An appraisal update may be ordered if the Lender is listed as an Intended User of the original appraisal or Lender has received permission from the Original Client and the Appraiser.

If an appraisal update is provided, the Underwriter must successfully enter the appraisal update into FHA Connection Appraisal Logging, document the 92800.5B and systems with the 180-day appraisal extension. The loan approval document will continue to use the lesser of the expiration dates for items within the loan file.

The appraisal update may be used only if:

- The appraisal update is performed by the original appraiser, in good standing on FHA Appraiser Roster.
 - If a substitute Appraiser is required due to the lack of the original Appraiser availability, the substitute Appraiser must state they concur with the analysis and conclusions in the original appraisal report. The loan file will need to be documented with the reason(s) why the original Appraiser was not used.
- The appraisal update was ordered and completed by the Appraiser within one year from the effective date of the initial appraisal being updated; and
- The appraisal update is performed before the Disbursement Date
- The market value of the subject property has not declined in value since the effective date of the original appraisal.
- Building improvements contributing value to the subject property can be observed from the street or public way
- Exterior inspection of the subject property reveals no deficiencies or other significant changes

- The appraisal update must be provided to Onity Mortgage and the Underwriter must enter the information successfully into FHA Connection Appraisal Logging.

The Appraisal Update must meet all the outlined requirements

- The summary Appraisal Update Report box must be check marked.
- The summary Appraisal update must be completed by the FHA appraiser who performed the original appraisal and is currently in good standing on the FHA appraisal Roster.
- Supervisory appraiser signatures are not allowed. Only the original FHA roster appraiser may sign the form.
- The building improvements that contribute value to the property must be observed from the street or public way.
- The appraiser has adhered to the scope of work and appraiser's certification listed on the form, which includes an exterior inspection of the subject property from, at least, the street.
- The appraiser must provide a photo of the street scene and photos from as many angles of the home that are visible from a public street.
- Appraiser has researched, verified, and analyzed current market data in order to determine if the property has declined in value since the effective date of the original appraisal.

Second Appraisal

Effective with FHA case numbers assigned on or after October 1, 2018, FHA may require a second appraisal prior to closing based on the outcome of FHA's review of the appraisal. Onity Mortgage will follow the requirements outlined in . the 4000.1 Handbook.

- If a second appraisal is required by FHA, the lower of the two values must be used.
- The cost of the second appraisal can be financed as part of the closing costs.

FEMA Disaster Declaration

Operations receives written notification when a FEMA declared disaster has occurred. Any property located within a FEMA declared disaster area will require a 1004D (Part B):

- For loans that have not closed: An on-site inspection with interior/exterior photos to confirm the property has not been impacted by the disaster.
- For loans that have closed but not insured: An on-site drive by inspection with exterior photos. (Refer to (HUD Handbook 4000.1)

Other Inspections

Termite Inspection

A termite inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value. All termite inspections must list the property address and date performed. The termite inspection expires at 120 days.

- Most findings can be included in a repair rider unless the repair is a health and safety issue. Health and safety repairs must be completed before closing but can be paid through escrow.
- Please review state law for specific requirements.

Septic System Inspection

A septic system inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value.

- The appraiser must state if the subject has a septic system and if so, whether a hook-up to a public system is feasible. (Feasible is defined as the cost of hook-up being 3% or less of the appraised value of the home.) If hook-up is feasible, it must be done.
- If a problem is detected a pumping and inspection of the system is required.

Well Test

(Effective with case assignments on or after September 9, 2019)

A well test is required by the Underwriter or called for by the appraiser as a condition of appraised value.

- Newly constructed
- The appraiser has reported deficiencies with a well or the well water
- Where water is reported to be unsafe or known to be unsafe
- Located in close proximity to dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous water
- The well test must be collected and tested by the local health authority, commercial laboratory, or other disinterested third party acceptable to the local health authority.
- A water test must meet EPA standards and measure: e-coli, total coli forms, nitrates, nitrites, lead and total nitrate/nitrite.
- The results must show the subject property's address and date of testing.
- Well tests cannot be more than 180 days old from the disbursement date.

Roof Inspection

A roof inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value.

- A roof inspection report must include the opinion (not a certification or warranty) of a licensed roofer as to whether or not the roof has a remaining life of at least two years.
 - If the roof has a life span of two years or more, the inspection report is sufficient for loan approval.
 - If the roof does not have a life span of two years or more, the roofer must detail the repairs needed in order to meet the two-year requirement. If the repairs are not completed before loan approval, the roofer must estimate the repair costs so they may be included in a repair set aside.
- The roof inspection report must be submitted on letterhead from the licensed roofer.

Electrical Inspection

An electrical inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value.

- The inspector will need to inspect the electrical system in question and give an opinion on the safety of the system.
- If the system is unsafe, repairs will need to be done before the loan closes.

Note: Many states require electrical contractors to be licensed. Please refer to local jurisdiction requirements in the area the property is located.

Plumbing Inspection

A plumbing inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value

- The inspector will need to inspect the plumbing system in question and give an opinion on the integrity of the system.
- If the repairs are not completed before loan approval, the licensed plumber must estimate the repairs and costs so they may be included in the repair rider.

Foundation Inspection

A foundation inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value

- A foundation inspection must be performed by a foundation engineer who needs to give an opinion on the structural integrity of the foundation.
- If the repairs are required but are not completed before loan approval, a licensed contractor must estimate the repairs and costs so they may be included in the repair rider.
- If there is no foundation, one will need to be installed before the loan closes.
- All manufactured homes must have a foundation inspection from a licensed engineer.

Furnace/Woodstove Inspection

A furnace/woodstove inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value.

- A licensed HVAC technician will need to perform this inspection and issue a certification that the heating system is installed to code and is operating correctly.
- If the system is unsafe, repairs will need to be done before the loan closes.
- Note: In many areas the local gas or electrical company will inspect heat systems at no charge or for a low cost.
- Wood Stoves and Solar Systems: Dwellings with wood burning stoves or solar systems as a primary heat source must have permanently installed conventional heating systems that can maintain at least 50 degrees Fahrenheit in all living areas and those containing plumbing systems. These systems must be installed in accordance with the manufacturer's recommendations.

Full Home Inspection

A full Home Inspection is not needed unless required by the Underwriter or called for by the appraiser as a condition of appraised value

- In most cases a home inspection is only called for when the repairs needed are too extensive to itemize on the appraisal report or if the Underwriter determines a professional inspection is necessary.
- The Underwriter will need to review the inspection report to determine required repairs; all structural repairs will be required.
- This inspection must be performed by a professional Home Inspector.

Repairs

Required repairs will be determined by the Underwriter based on the appraisal and any additional inspections required. Repair estimates must be provided by an appropriately licensed professional or a 1004D (Part B) must be completed by the appraiser.

Part B/Completion Report: is used to report the completion of a repair and/or the satisfaction of requirements and conditions noted in the original appraisal report referenced in the header of the summary appraisal update and/or completion report.

The Part B/Completion Report can be completed by the following:

1. The FHA appraiser who performed the original appraisal that is currently in good standing on the FHA Appraiser Roster.
2. Any other FHA Appraiser currently in good standing on the FHA Appraiser Roster

Appraisal Update **may NOT** be used under the following circumstances below:

1. The original appraisal has expired.
2. The property has declined in value or located in a declining market.
3. The building improvements that contribute value to the property cannot be observed from the street or public way.

4. The building improvements that contribute value to the property cannot be observed from the street or public way.
5. The exterior inspection of the property reveals deficiencies or other significant changes that did not exist as of the effective date of the original appraisal report.

Repair Estimates

Use the following guidelines for repair estimates:

- Follow all state and local guidelines on what type of contractor to use for the bid.
- Only include one bid for each repair item.
- The bid must be very clear as to what repair items are being estimated for.
- Bids are to be on company letterhead that provides the company name, address, phone number, license number and subject property address.
- The bid is to be signed and dated by a company representative.

Repair Set-Aside / Repair Rider

Most repairs can be completed after the loan closes. This process is called a repair set aside. The funds for the repairs are set aside from the proceeds of the reverse mortgage and a repair rider is added to the loan agreement. In order to fulfill the requirements of a repair rider:

- An appropriately licensed professional must provide a written estimate for all required repairs.
- The total repair set aside amount cannot exceed 15% of the maximum claim amount. The total repair set aside amount is determined by (repair base + 150% repair set aside amount + repair admin fee (the repair admin fee is calculated at \$50 or 1.5% of the total bid amount whichever is higher)).
- Example: home value is \$100,000 (appraisal value x 15%=\$15,000 maximum allowable)
Repair bid for \$15,000 x 150%=\$22,500 +\$225 repair admin fee=\$22,725. Based on this example, this exceeds the maximum allowable which would not be acceptable.
- Example: home value is \$100,000 (appraisal value x 15%=\$15,000 maximum allowable)
(Repair bid for \$3,000 x 150%=\$4500 +50 repair admin fee=\$4550)
- The minimum repair set aside amount is \$500. It is highly recommended if the estimates are below \$500 they are completed prior to closing to avoid the set aside and repair admin fee.
- The Repair Admin fee is \$50 or 1.5% of the total bid amount whichever is higher.
- The amount must be calculated as 150% of all contractor estimates and appraiser estimates. Appraiser estimates will only be accepted if the repair is considered minor. The total repair set-aside amount is over-estimated to cover any unforeseen damage and expense. If the repairs are completed with leftover funds the remainder will be transferred to the Borrower's line of credit. If the amount needed to complete the repairs exceeds the amount set-aside, the required repairs must still be completed.

Repair Administration and Re-inspection

All repair administration and re-inspection of repairs post-closing will be handled by the servicer.

Property Types

Modular Homes

Modular homes are houses that are manufactured in a remote facility and then delivered to their intended site for assembly. Modular homes are evaluated the same as traditionally built dwellings of similar quality. No additional processing steps are required.

Manufactured Homes

Manufactured homes must meet all of the following FHA guidelines:

- Built after June 15, 1976 and newer** – The manufacture date is confirmed by the HUD tags affixed to the subject home. No exceptions.
- Minimum home size of 400 sq. feet**
- Affixed HUD Tags** – The manufactured home must have the HUD tags affixed to the outside of the home. If the home is a multi-wide unit, each section must be labeled. The appraiser is required to list the label number(s) on the appraisal report in one of the comment sections.
- Permanent Foundation** – The home must be affixed to an FHA-approved permanent foundation.
 - A certification attesting to compliance with the following handbook must be obtained from a licensed professional engineer. (Permanent Foundations Guide for Manufactured Housing, [HUD-7584], dated September 1996.) All foundation systems, new and existing, must meet the guidelines in this handbook.
 - Modifications or alterations to the original structure must be inspected by the licensed professional engineer and confirm it does not affect the structural integrity of the subject property.
 - All towing axes and hitches must be removed, and the home must be connected to permanent utilities.
- Original Site Occupation** – The home must never have been moved from its original site. If the home has been moved more than once from the manufacturers or dealer’s lot, the home is not eligible for a reverse mortgage.
- Taxed as Real Property** – The manufactured home need not be taxed as real property.
- Classified as Real Property** – The manufactured home must meet the state requirements to accordance with state law.
- Flood Zone** – The manufactured home cannot be located partially or fully in a flood zone
- Condominium Project** – The manufactured home condo projects must be FHA approved (HRAP) and meet all manufactured home and condominium guidelines.
- Leasehold** – .Must meet all Leasehold requirements.
- Manufactured home with a single-family residence on the same property is not eligible.
- Manufactured home with mixed use is not eligible.
- Manufactured home must be existing on site for more than 12 months prior to case number assignment .
- Manufactured homes in a condo park are not acceptable and excluded from the reverse mortgage program.
- Appraisal must be done on Fannie Mae form 1004C.
- Appraisal must be “subject to” a compliant foundation inspection.

Condominiums

FHA Approval

Condo projects must be approved and on the FHA approval list or the property meets single unit condo approval. (Refer to Handbook 4000.1)

Approved Status

If the project is approved by FHA and is on the approved condo list, the approval process is complete.

Use the following website to search for an FHA-approved condo project:

<https://entp.hud.gov/idapp/html/condlook.cfm>.

- When checking FHA connection for approved condos, the status must be changed from “approved” to “all.”
- All conditions from FHA must be met (most commonly, greater than 35% owner occupancy).
- The Underwriter is required to review FHA connection and verify the FHA loan concentration does not exceed 50%.
- The condo approval print out from FHA Connection must be in the file for loan approval. The FHA condo approval must match the condominium project’s name on the appraisal and the title commitment.
- The FHA connection print out must reflect the correct condominium ADP codes.

All Condominiums must meet the following requirements:

Information reviewed for the following:

- All units, common areas and facilities have been completed.
- The unit owners have been in control of the HOA for at least one year.
- The unit owners have an undivided interest in the common areas and the right to use all common elements and facilities.
- No single entity owns more than 10 percent of the total units in the project.(Projects with 20 units or more)
- No single entity owns not more than one unit. (Projects with 20 units or less)
- All units, common elements and facilities within the project, including those that are owned by any master association, are completed and the project is not subject to any additional phasing or annexation.
- There are no special assessments pending against the condominium association or its directors.
- All common areas are under control of the homeowners association.
- At least 90% of the units have been sold.
- At least 35% of the units are owner occupied.
- There are no adverse environmental factors affecting the project as a whole or individual unit.
- The units in the project are owned in a fee simple or the units are held under acceptable leasehold.
- Condo project cannot have special assessments or pending litigation.

Site Condominium requirements:

- Site condominiums will need to be completed on Fannie Mae Form 1073.
- Site Condominiums are defined as: single family totally detached dwellings (no shared garages or any other attached buildings or e.g. archways, breezeways, etc.). In addition to this definition, all of the following requirements below must be met, otherwise the condo will require full FHA condo project approval.
Confirmed site condos do not require FHA condo approval.
- Must be encumbered by a declaration of condominium covenants or condominium form of ownership, and
- The condominium unit consists of the entire structure as well as the site and air space and are not considered to be common areas or limited common areas (the unit owner must own both the land and the land contained within the unit & have private ownership of both the land and the improvements (similar to a PUD) and,
- Insurance and maintenance costs are totally the responsibility of the unit owner and,
- Any common assessments collected will be for amenities outside of the foot print of the individual site.
- There can be no undivided interest in the land. This information can be obtained by reviewing the legal description of the title commitment.
- In order to proceed with the property as a site condo, the Underwriter will need to obtain all the condominium documentation (including the declaration of condo ownership & CCR's) and master deed to review and verify the unit owner has private ownership of both the land and the improvements.
- If all of the above outlined criteria for the site condominium is not evidenced, then the condo project must be approved by FHA as a standard condominium.
- The condo rider is still applicable for site condominiums.

Condominium Documentation Collected:

- If the subject is in a flood zone, the master policy will need to carry flood insurance for all common areas and structures.
- All condominium projects in all states must include the HO-6 insurance policy coverage (walls in policy) which includes interior unit coverage, including replacement of interior improvements, and betterment coverage to insure all improvements made to the unit. If the condominium's master policy does not include interior unit coverage (HO-6 policy), then the Borrower(s) must obtain a "walls-in" coverage policy (HO-6 policy). The HO-6 coverage amount can be no less than 20% of the condo unit's appraised value in conjunction with the HOA's master policy.
- Condo project with more than 20 units, HOA is required to have fidelity bond coverage .(This is also known as "Employee Dishonesty" or "Crime Policy" The coverage must be no less than a sum equal to three months aggregate assessments on all units unless the state law mandates a maximum dollar amount.

The coverage must cover for all officers, directors, & employees of the association and persons handling or responsible for funds administered by the association.

- FHA Condominium Loan Level Questionnaire must be completed and signed/dated by the HOA/Management company.
- FHA loan concentration (Cannot exceed 50%) (Underwriter must verify the information in FHA connection.)
- Percentage of owners in arrears for condominium association fees (No more than 15% of the total units in the project are 60 days or more past due on their condominium/associating fee payments)
- Condo must meet 35% owner occupancy
- Condo cannot have special assessments
- Condo cannot have pending litigations

2-4 Units

- As long as the Borrower resides in one of the units, multi-unit properties (up to four units) are eligible for HECM loans.
- The Uniform Appraisal Dataset (UAD) is not applicable on multifamily units.

New Construction

(Less than 1 year) Home Equity Conversion Mortgage Program Existing Property Eligibility Requirements

For properties that have been recently constructed, we must ensure that construction is complete, and the property is habitable by reviewing the Certificate of Occupancy, or its equivalent, that has been issued by the local jurisdiction.

The property must meet the following existing property requirements:

- Serves as the principal residence of the Borrower.
- Construction is complete and the property is habitable and;
- Any loan that financed the construction and/or purchase of the home is satisfied and the HECM assumes the first lien position.
- Appraisal must include the year built (month and year)
- HUD form 92541. The form must be provided to the appraiser, signed and dated no more than 30 days prior to the date the appraisal is ordered.
- HUD form 92544
- Certificate of Occupancy must be provided prior to closing. (Effective with FHA case assignments on or after September 19, 2017)

Log and Berm Homes

- Log and Berm Homes are eligible (value and marketability must be established)

Unique Property Requirements

Commercial Property/Agricultural Land

- The subject property cannot have more than 49% total gross building area for non-residential use of the property (HUD Handbook 4000.1)
- Any non-residential use of the property must be subordinate to its residential use, character, and appearance.
- The non-residential use of the property 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 the current zoning requirements.
- If the subject is zoned commercial and used as residential property (legal non-conforming) the property will need to meet legal non-conforming requirements.
- The property must represent a highest/best use as residential.

- If the property is zoned agricultural and used for commercial crop cultivation, the property is not eligible for a HECM.

Legal Non-Conforming Status

- The appraiser will need to comment that the property can be rebuilt 100% to its current use and existing structure if partially or completely destroyed and that the status does not affect the marketability of the property.
- If the appraiser cannot comment on the home being re-built, then will need to obtain a letter stating so from the local zoning authority.

Excess Land

- Excess land will not be considered for value on a HECM.
- If the appraiser can find comparable properties with similar amounts of land, the full amount of land will be considered for value.
- If the appraiser cannot find comparable sales with similar land size, only the first five acres will be considered for value; however, all of the land will be encumbered.
- Land cannot be subdivided after a HECM is in place.

Private Roadways

- All properties must have year-round vehicular access by public or private road.
- If a privately maintained road, the right of ingress/egress must be protected by a recorded easement or ingress/egress must be shown on the deed of the title commitment.

Private Water System

The appraiser must state if the subject has a private water system, and if so, whether a hook-up to a public system is feasible. (The cost of hook-up is 3% or less of the appraised value of the home.) If hook-up is feasible, it must be done.

Private Well

- The appraiser must state if the distances between the well and septic system/leach lines satisfy HUD requirements. If not the property may disqualify.
- All other HUD-required distances must be met (e.g., poised soil, dry well, etc.).

Well Distance From Source of Pollution	Minimum Horizontal Distance (Feet)
Property Line	10
Septic Tank	50
Absorption Field	100

For Existing Properties (defined as 1 year & older) only.

Domestic Well from Septic Tank Drain Field: FHA will recognize state/local distance requirements *provided* they do not allow for less than 75 feet of separation and there is evidence/documentation from the local jurisdiction that this distance is in compliance with the applicable local or state distance requirements and all other distances meet HUD’s guidelines.

For all properties where the distance between the well and septic system is less than 100 feet, than a well test is required. (Refer to well test requirements)

Wells located in the state of Michigan only:

The Circular Letter PH 00-02 applies only to the state of Michigan for existing properties only. The general waiver does not apply to new construction properties. The general waiver allows for an exception ONLY to the well and septic drain field to be 50 feet (instead of the required 100 feet) if there are no other issues. All other distances that FHA requires above must be met and clearly documented in the loan file with the waiver letter included for insuring.

Shared Wells:

- Shared wells must have a valve on each property service line as it leaves the well.
- There must be a recorded well agreement that is binding upon all parties and their successors.
- No more than four properties can be serviced by the well.
- Refer to the 21 point Shared Well Requirements in FHA for additional requirements.

Community Water:

- The operating entity must be licensed by the state and a copy of the permit must be in the file. (The name of the community water must match the name provided on the appraisal.)

Accessory Dwelling Units

An accessory dwelling unit (ADU) refers to a habitable living unit added to, created within, or detached from a single-family dwelling which together constitute a single interest in real estate. It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities. An ADU is usually subordinate in size, location, and appearance to the primary unit and may or may not have separate means of ingress or egress.

A Single Family Residential (SFR) property with an ADU remains a one-unit Property. For any Property with two or more units, a separate additional Dwelling Unit must be considered as an additional unit. A 2-4 unit dwelling with an accessory dwelling unit is ineligible for FHA Financing.

Attached units, contained within a single-family home, known variously as "mother-in-law apartments," are the most common type of accessory dwelling unit. Accessory dwelling units usually involve the renovation of a garage, basement, or small addition to a single-family home.

Information in determining an accessory unit is based on the information provided within the appraisal and the property's local jurisdiction (zoning/bldg. planning) which determines the legal use of the property. The Appraiser must make the determination based on the highest and best use along with FHA requirements. The Appraiser must not add the ADU or secondary living area to GLA.

Funds to Close

Occasionally the funds from a reverse mortgage are not sufficient to cover all existing liens against the property. In these cases, you have the option of bringing in money to close the loan. However, to ensure that the loan is not creating additional debt in connection to the transaction the lender requires a verification of deposit form, or a VOD. The VOD provides proof that the money being brought in to close the loan has been in your possession for a certain length of time, thereby proving it was not recently borrowed as a result of the reverse mortgage loan.

Gift Funds

Gift funds can be donated by a relative or close friend and must be verified along with a gift letter signed by both the donor and the recipient.

Evidence of receipt of gift funds in the Borrower's account or in escrow is required.

If the gift funds are in the Borrower's account:

- A copy of the withdrawal document showing that the withdrawal was from the donor's account AND
- The Borrower's deposit slip and bank statement showing the deposit

If the gift funds are in the donor's account:

- A copy of the donor bank statement showing availability of funds AND
- Evidence of funds have been deposited into the Borrower's account

A Gift Letter/Affidavit from donor containing the following information:

- The dollar amount of the gift
- The name of the donor
- The donor's signature.
- The donor's address.
- The donor's telephone number
- The donor's relationship to the Borrower
- The name of the Borrower
- The Borrower's signature(s)
- The letter must state that no repayment is required.
- The letter must include language asserting that the funds were not made available to the donor from any person or entity with an interest in the sale of the property.
- Statement from the donor that funds was gifted to our Borrower to go towards the Reverse Mortgage transaction.
- The gift fund cannot be from a person or entity with an interest in the sale of the property, i.e. Seller, real estate agent or broker, builder, or anyone associated entity.
- Gift funds cannot come from "cash on hand" or "cash saved at home."
- Gift funds cannot come from down payment assistance programs or charitable organizations.
- Gift Equity is not permitted.

Allowable Source of Funds

The monetary investment requirement can be met using one of the below approved funding sources (as defined in HUD Handbook 4000.1) with certain exceptions noted in the Unallowable Funding Sources section:

Savings and Checking Accounts

If there is a large increase in an account, or the account was opened recently, a credible explanation and sourcing of the funds is required. Bank statements greater than 120 days of the disbursement date are unacceptable. The most recent bank statement must cover a 60-day balance and must be 30 days from the closing date.

- A verification of deposit (VOD), along with the most recent bank statement, may be used to verify savings and checking accounts.
OR
- Two most recent, consecutive original bank statement(s), belonging to the Borrower, which covers the previous month's balance.

Sales Proceeds

The net proceeds from an arm's-length sale of a currently owned property may be used for the cash investment on a new house. A fully executed [HUD-1](#) Settlement Statement must be provided as satisfactory evidence of the cash sales proceeds accruing to the Borrower. If the property has not sold by the time of Underwriting, loan approval must be conditioned upon verifying the actual proceeds received by the

Borrower. We must document both the actual sale and the sufficiency of the net proceeds required for settlement.

Earnest Money Deposit

If the amount of the earnest money deposit exceeds 1 percent of the sales price sourcing of funds will be required including documentation of the deposit amount. Documentation for the sourcing of funds can include the following:

- Copy of cancelled check
- A certification from the deposit-holder acknowledging receipt of funds.
- Verification of Deposit (VOD) signed/dated by the Bank Representative with bank statement evidencing the deposit made and the average account balance was sufficient to cover the amount of the earnest money deposit.
-

Government Issued Bonds

- Actual receipt of funds must be provided, and evidence of redemption will be required.

Stocks and Bonds

- Monthly or quarterly statements provided by the stockbroker or financial institutions managing the portfolio.
- Actual receipt of funds must be provided, and evidence of redemption included.
- All pages of the statements must be provided and must clearly identify the Borrower as the account holder.

Savings Bonds

- Actual receipt of funds must be provided, and evidence of redemption will be required.

IRA's, Thrift Savings Plans, 401k's

- Verification of deposit (VOD) signed/dated by the bank representative in conjunction with 2 consecutive months statements.
- Actual receipt of funds must be provided, and evidence of redemption will be required.
- All pages of the statements must be provided and must clearly identify the Borrower as the account holder.
- Account statements must identify the Borrower's vested amount and the terms and conditions for funds withdrawals.

Certificate of Deposit

- Verification of deposit (VOD) signed/dated by the bank representative in conjunction with 2 consecutive months statements
- Actual receipt of funds must be provided and evidence of redemption will be required.
- All pages of the statements must be provided and must clearly identify the Borrower as the account holder.

(Note: Refer to HUD Handbook 4000.1 for additional source of funds)

Unallowable Funding Sources & Gap Financing:

The Borrower(s) is not permitted to obtain a secured or non-secured loan from another asset (i.e., car, HELOC, investment property or second home, or any type of bridge loan or interim financing) to satisfy the monetary investment or closing costs unless those liens will be paid at or before closing. A Borrower may also not use the following sources toward the monetary investment or closing costs:

- Credit Card advances
- Sweat Equity
- Trade Equity

- Rent Credit
- 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, or
 - Any third party or entity that is reimbursed, directly or indirectly, by any of the parties described in the previous bullet.
 - This includes the customary practice of the seller paying for the owner's portion of the title insurance policy premium.

Ineligible Assets for Verification of Funds

- Gift Equity
- Gap financing
- Bridge loans
- Charitable funds
- Subordinate liens
- Personal loans
- Cash withdrawals from credit cards or seller financing.
- Loans against the Borrower's assets (401k or life insurance)
- Down payment assistance programs
- Trade equity
- Employer assistance
- Cash saved at home
- Rent credit
- Sweat equity
- Collateralized loans
- Employer's Guarantee Plans
- Employer Assistance Plans
- Disaster Relief Grants and Loans
- Cash Accumulated with Private Savings Clubs
- Business checking or saving accounts
- Third party closing cost assistance

Allowable Sources of Income (Reference FA guidelines)

Civil Unions

Civil Unions recognized in the United States provide the same property rights as a Husband and Wife. Therefore, it is necessary to inquire if the applicant(s) is party to a Civil Union.

HECM Purchase Underwriting Requirements

The Housing and Economic Recovery Act of 2008 (HERA) provides HECM Borrowers with the opportunity to purchase a new principal residence with HECM loan proceeds.

Owner Occupancy Requirement:

The Borrower must occupy the property within 60 days of closing. An Occupancy Affidavit has been added to the closing package for the Borrower(s) to acknowledge they will occupy the property within the required time frame.

Principal Residence:

In accordance with HUD's regulatory requirements (24CFR206.3) guidelines HECM Borrower(s) can have only ONE PRINCIPAL residence at any one time.

Affiliated Relationships:

No affiliated relationships on the loan transaction allowed on purchase transactions.

Ineligible Transactions:

No investment sale transactions (Non-owner occupied properties)

Properties previously acquired through contract of deed, land contract, or other similar arrangement are not permitted.

Borrower Eligibility:

An applicant who has had a foreclosure in the last 3 years (The 3 year period begins on the date of transfer of title), FHA or Conventional, is not eligible for HECM purchase. This includes the following:

- A deed in lieu of foreclosure
- Short Sales (A short sale payoff or a settled mortgage account is considered a foreclosure event)

Draft of deed required:

- Draft of deed that will be recorded to reflect vesting in the Borrower's name is required prior to docs.
- only owners of record can sell the property. Properties in probate and held by the executor of the estate is not allowed. Probate must be resolved and the owner of record vested on the property.

Ineligible Title Vesting's:

- Any other type of entity such as a limited partnership, real estate syndication, or corporation is not eligible.
- Property vesting subject to probate is not eligible. Probate must be resolved and completed and the owner of record identified in the vesting.

FHA Case Assignment:

- FHA case assignment to reflect HECM purchase.
- FHA appraisal log to include the following: contract price, date of contract, was prior sale/transfer of this property within the past 3 years, date of prior sale/transfer, price of prior sale/transfer, and all other appraisal log information.

HECM Application Disclosures:

- The following application disclosures are required to be included in the loan file prior to docs:
 - H4P-FHA Amendatory Clause to be signed/dated by all parties.
 - H4P-Real Estate Certification to be signed/dated by all parties.
 - H4P-For Your Protection, Get a Home Inspection to be provided to applicants and included in the loan file.
 - Important Terms (HECM purchase) required.

HECM Closing Disclosures:

- Occupancy Affidavit form to be signed/dated at closing. (Intent to owner occupy property within 60 days.)

HECM Closing Requirement:

- One year hazard insurance premium to be paid at closing.
- One year flood insurance premium (if applicable) to be paid at closing.

HECM Purchase conditions at closing in conjunction with all other standard HECM conditions that apply to the loan:

- Title must verify all taxes are paid current at closing.
- Closer to certify funds to close are adequate and DOES NOT EXCEED the amount verified by Underwriting (\$).

- NOTE:** There is no rescission on HECM purchases-the loan funds the same day as closing.

RED FLAGS:

- Source of funds-additional verbal verification of source of funds and that the account holder's is the HECM prospective Borrower.
- Review for any alterations to any documentation:
 - White out on the documents
 - Folds and creases to the documents
 - Cross outs or any other hand alterations
 - Differences in the fonts on the documents
 - Document is altered or gives the appearance of having been destroyed and reassembled.
- Account statements show charges, deposits, & card debt payments that are not reported on the Borrower's credit report.
- A credit report indicates a pattern of activity that is inconsistent with the history.
- Borrower has no credit history or limited source of income but has a recent or large source of funds. Recent or large source of funds must have a credible explanation and funds sourced to the original depositor.
- Other information is not consistent with information in the loan file such as signature discrepancies.
- Account includes names of persons that are not a party to the transaction.
- Illegible signatures or signatures that are not consistent throughout the file.
- POA is being used for the loan transaction.
- Refer to red flag reference sheet.

Eligible Property Types:

Only existing single family properties (including Condo's and PUD's) where construction has been completed and the property is habitable are eligible for the HECM for Purchase product. Condos are still required to meet all FHA requirements. (Refer to eligible property types.)

New Construction

For properties that have been recently constructed, we must ensure that construction is complete and the property is habitable by reviewing the Certificate of Occupancy, or its equivalent, that has been issued by the local jurisdiction.

The property must meet the following existing property requirements:

- Serves as the principal residence of the Borrower;
- Construction is complete and the property is habitable and;
- Any loan that financed the construction and/or purchase of the home is satisfied and the HECM assumes the first lien position.
- Effective with FHA case assignments on or after September 9, 2019, a well test is required for new construction properties.

Effective with FHA case assignments issued on or after September 19, 2017, an application can be taken prior to the issuance of a Certificate of Occupancy. The Certificate of Occupancy will be required prior to closing.

Additionally, if the mortgage will be used as collateral for the HECM for Purchase, title must be held fee simple, or on a leasehold under a lease for not less than 99 years which is renewable, or a lease with the actuarial life expectancy of the Mortgagor. (Refer to [Leasehold](#) guidelines.)

There are no special requirements when a Borrower purchases a foreclosed home. FHA has existing and sufficient valuation guidelines related to comparable sales and declining markets to address the resale of foreclosed properties.

Valuation

Lesser of the purchase price or appraisal value, max claim amount (Not to exceed the max claim amount)

Property Flipping

Reference HUD Handbook 4000.1 for further details. Property Flipping Prohibition Amendment

- Property cannot have been flipped (Resale date within 90 days).
- To be eligible for a FHA insured mortgage, the property must be purchased from the owner of record and the transaction may not involve any sale or assignment of the sales contract. (This requirement applies to all FHA purchase money mortgages regardless of the time between resale) Documentation verifying that the seller is the owner of record is required to be submitted as part of the insurance binder. This documentation may include, but is not limited to the following:
 - Copy of the rental agreement.
 - Property sales history report
 - Copy of the recorded deed from the seller
 - Property tax bill
 - Title commitment or binder demonstrating seller's ownership of the property and the date it was acquired.
 - Property cannot have been flipped (Resale date within 90 days).
- HECM financing for purchase transactions must comply with FHA regulations at 24 CFR 203.37a and guidance provided in HUD Handbook 4000.1.
- Any resale of a property that occurs between 91 & 180 days AND whereby the new sales price exceeds the previous sale price by 100% or more, will require a second appraisal ordered by the lender. (The lesser of the two values will be used to determine the lending value.) (The cost of the second appraisal cannot be charged to the Borrower.)
- If the second appraisal supports a value of the property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used as the property value.

The only categories of properties exempted from the time restrictions include sales of properties by: Refer to HUD Handbook 4000.1 for further details.

The additional categories of properties exempted from the time restrictions include sales of properties by:

- State and Federally chartered financial Institutions and government-sponsored enterprises (GSEs) (e.g., Fannie Mae and Freddie Mac)
- Local and State government agencies
- Nonprofits approved to purchase HUD REO properties at a discount
http://www.hud.gov/offices/hsg/sfh/np/np_hoc.cfm
- Sales of properties within Presidentially declared Major Disaster Areas (PDMDA), only upon issuance of a notice of an exception from HUD.(upon FHA's announcement of eligibility in a specific to said disaster)

Documentation evidencing the categories exempted from the above list must be provided.

Purchase Contract

A purchase contract is required to be included in the loan file and initialed/signed by all parties to the transaction. Changes to the purchase contract or addendums must be initialed by all parties of the contract and any changes or addendums must be reviewed and approved by an Underwriter prior to closing.

- Copy of the fully executed purchase agreement which includes the real estate certification. This certification indicates that the Borrower, seller, and the selling real estate agent or broker involved in the sales transaction must certify that the terms and conditions of the sales contract are true to the best of their knowledge and belief and that any other agreement entered into by any of the parties in connection with the real estate transaction is part of, or attached to, the sales agreement. The real estate certification will not be required if the sales contract contains a provision that there are no other agreements between the parties, the certification is not needed if all parties are signatories to the sales contract submitted at the time of Underwriting.

- Any changes to the purchase agreement (including all addendums) must be initialed by all parties.
- Acceptable Interested Parties may contribute up to a combined 6 percent of the sales price toward the borrower origination fees, other closing costs, prepaids and discount points.
- Interested Party Contributions that exceed actual origination fees, other closing costs, prepaid items, and discount points; and Interested Party Contributions exceeding six percent are considered inducements to purchase and result in a dollar-for-dollar reduction to the purchase price when computing the Adjusted Value of the property before applying the appropriate loan-to-value (LTV) percentage. Interested party contributions may not be used for the Borrower's minimum required investment (MRI).
- The following personal property items are not considered an inducement to purchase and may be included in the purchase contract if it is documented that the item is customary to the area (HUD Handbook 4000.1).
 - Refrigerator
 - Dishwasher
 - Washer
 - Dryer
- No cash allowances given to the Borrower are allowed.
- Rent back/leaseback agreement with the seller not allowed.
- The purchase contract must be executed and agreed to by all parties.
- The purchase contract cannot be subject to any contingencies.
- All counter offers (if any) must meet the same requirements indicated above.
- All pages of the purchase contract must be provided.
- All counteroffers must also be included.
- HUD does not permit a resale date within 90 days on a HECM purchase transaction.
- All loan origination processes must occur post 91 days. (This includes but is not limited to application, sales contract, FHA case, appraisal etc.)
- The purchase contract can reflect the seller paying for the title owner's policy if confirmed to be customary and typical to the locality. (Effective with FHA case assignments on or after September 19, 2017.)

Verification of Funds

- Verification of funds required. (Sales price, appraisal value, max claim amount- whichever is less) – HECM proceeds (after all loan fees have been deducted) = Amount of funds needed by Borrower (Refer to the acceptable verification of funds section.)
- For recently opened accounts or large deposits exceeding 1% or more of the max claim amount, then sourcing of funds documentation is required with a credible explanation of the large deposit.
- If the Earnest Money Deposit (EMD) exceeds 1% of max claim amount, then sourcing of funds is required. Acceptable documentation includes:
 - Copies of cancelled checks
 - Certification from the deposit holder acknowledging receipt of funds with 2 months most recent bank statements at the time of deposit
 - Verification of Deposit signed by Bank Representative
- If there is a third party listed on the verification of funds (all funds must be sourced to the original depositor.)
- Additional verbal verification of source of funds must be completed by the Underwriter to verify that the account holder is the HECM prospective Borrower's account.
- Onity Mortgage to obtain VOD in applicable cases.
- Also refer to the eligible and ineligible verification of funds list.

Note: All pages of the bank statements must be provided. Any large deposits must be seasoned and sourced with proper paper trail.

Subordinations

- Subordinations are **NOT** allowed. HECM 1st and 2nd liens are the only liens allowed.

- All liens must be paid off and satisfied at closing.

Repair Requirements

Repair Set-Asides are not permitted with the HECM for Purchase product. Properties being purchased using the HECM for Purchase program must meet FHA’s minimum property requirements. For purchase transactions where major property deficiencies threaten the health and safety of the homeowner and/or jeopardize the soundness and security of the property, all repairs must be completed by the seller prior to closing. Appraisers must complete the appraisal report as “**Subject To**” the completion of these repairs.

Major property deficiency may include the following examples but are not limited to list below:

- No running water
- Leaking roof
- No primary heating source
- Inadequate electrical systems (including lighting)
- Inoperable doors and windows (inhibited ingress and egress)

Closing Costs

The Borrower must pay for all costs normally associated with purchasing a property and obtaining a loan. The seller must pay for all costs normally associated with selling a property including fees such as real estate commissions, documentary transfer tax, document preparation fee for deed, termite inspection/work, etc. Some additional fees that may show on the HUD-1 that are unique to purchase transactions are as follows:

Fee Description	HUD Line Item
Adjustments for property taxes and assessments	106 – 108 (for amounts buyer must reimburse seller for taxes/assessments already paid by seller) and 406-408 (for adjustments already paid by seller and to be reimbursed by buyer)
Adjustments for property taxes and assessments	210-212 (for amounts buyer is credited from seller for unpaid taxes/assessments) and 510-512 (for amounts credited to buyer from seller)
Real Estate Commissions	703 (701 & 702 are to be used to state the split of the commission where the settlement agent disburses portions of the commission to two or more sales agents)
One year hazard insurance premium	903
One year flood insurance premium (if applicable)	904

Mortgage Insurance Premium

The MIP is 2% of the maximum claim amount. Borrowers who participate in the HECM for Purchase transaction are ineligible for a reduction of the upfront MIP since the reduction only applies when the property that serves as collateral for FHA insurance remains the same.

SAM.gov/EPLS/GSA Verification

Onity Mortgage must examine SAMS.gov to determine if the name of any party to the transaction including, but not limited to, the buyer, the seller, real estate agent, or builder, appears on either list. The reverse mortgage will not be eligible for mortgage insurance if the name of any party to the transaction appears on either list.

FHA Connection Data Entry

Several changes have been made to FHA Connection to accommodate HECM for Purchase mortgages. To ensure a HECM purchase transaction is successfully entered into FHA Connection, we must follow the instructions below.

Case Number Assignment Screen

System Field

Entry

- Type of Case Select "HECM Purchase" from the drop-down list

Appraisal Logging Screen

System Field

Entry

- Contract Price Enter numeric value from sales contract
- Date of Contract Enter date of sale from sales contract
- Was prior sale/transfer of this property within the past 3 years? Select correct choice from drop-down list
- Date of Prior Sale/Transfer If within 3 years, enter date of prior sale
- Price of Prior Sale/Transfer If within 3 years, enter price of prior sale

HECM Insurance Application Screen

System Field

Lender Entry

- Borrower Investment Enter numeric value

The completion of these data fields, in addition to the normal entries, is required for endorsement of the mortgage.

Property Insurance Requirements:

- One year Hazard Insurance premium, typically paid at closing
- One year Flood Insurance premium (if required), typically paid at closing

Maximum Age of Mortgage Documents

Conditional Approvals will note an Approval Expiration date in the header of the form. This expiration date may be triggered by expiration of specific file documents.

Below is a summary of those expiration dates which could result in an expired Underwriting approval:

Documents	Expiration Date
Credit Report	120 days from the disbursement date
Preliminary Title Report	120 days from the effective date of the title report (If the title report has a specific expiration date, then that date will be used)
Appraisal	180 days from the effective date of the appraisal
Termite inspection (if required)	120 days from the date of the SAMS generated date
CAIVRS	120 days from the date of CAIVRS generated date

Financial Assessment Property Charge Guidelines

Please reference the below link to locate the most recent version of the HUD 4000.1 Handbook for financial assessment and property charge guidelines.

[SFH Handbook 4000.1 | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

Appendix A – Sample Letter

Sample Attorney Opinion Letter

Sample Attorney Opinion Letter for Properties Held in Trust

(To be printed on attorney's letterhead)

Date

[Borrower Name]

[Borrower Address]

[Borrower City/State/Zip]

RE: Name of Trust

Dear [Borrower Name]:

The purpose of this letter is to acknowledge the following:

1. I am an attorney duly licensed to practice law in the state of _____.
2. I [prepared/reviewed] the [name of trust], dated _____.
3. The trust is in full force and effect under the laws of the state of _____.
4. The current beneficiaries of the trust are _____.
5. The current trustees of the trust are _____.
6. The trustee(s) who is/are currently authorized to sign on behalf of the trust in order to legally encumber the property is/are: _____.
7. The trustees under the trust have the power to encumber the real property of the trust for a reverse mortgage.
8. If a HECM: The provisions of the trust satisfy HUD's requirements for Home Equity Conversion Mortgages, as outlined in HUD Handbook 4000.1.
9. Holding this property in the trust does not in any way diminish the lender's (and/or their successors or assigns) rights as a creditor.

Sincerely,

Borrower's Counsel

Attachment