

Hardest Hit Fund Discussion Item
Reverse Mortgage Program

Overview

The HHF Reverse Mortgage Program will be designed to assist senior homeowners in Florida who are facing foreclosure due to the inability to pay their taxes, insurance and/or association dues (“TIA”) now that their Reverse Mortgages are complete and the senior homeowners have been paid all the equity that they were due.

Background

Home Equity Conversion Mortgages (“HECM”) or “Reverse Mortgages” are HUD-backed loan products that allow seniors aged 62 or older to utilize the equity in their homes to meet living, medical or other expenses. Depending on the terms of the HECM, payments to the homeowner are normally spread out over a number of years, but may also be set up like a home equity line of credit or taken in one lump sum.

There are many senior homeowners throughout Florida who have taken out Reverse Mortgages and have now outlived the payments they were receiving or otherwise fully utilized all of the equity they were due under the terms of their Reverse Mortgage. Furthermore, these senior homeowners have fallen behind on paying their TIA expenses. These expenses have therefore been advanced on their behalf by their loan servicer, putting them in default under their Reverse Mortgage. If they do not repay these advanced amounts then the servicer will foreclose.

Program Concept

Florida Housing will work with servicers of Reverse Mortgages (there are 10-12 in Florida), the Department of Elder Affairs, Area Agencies on Aging, AARP and other stakeholders, to provide Hardest Hit Funds on behalf of senior homeowners in order to prevent foreclosure.

For those senior homeowners who show an ability to afford their TIA expenses, HHF funds may be used to repay the servicer for amounts that have been advanced, thus reinstating the arrearage on their Reverse Mortgage. An example of an eligible senior homeowner who could benefit from this assistance is attached in Scenario 1.

For those senior homeowners who are unable to afford their TIA expenses on a going-forward basis, HHF funds may be used to assist with the transition to appropriate, sustainable and more affordable housing for the senior homeowner. An example of an eligible senior homeowner who could benefit from this assistance is attached in Scenario 2.

Amount of HHF funds for the Reverse Mortgage Program

It is estimated that the Reverse Mortgage Program will expend approximately \$50 million and assist approximately 5,000 senior homeowners.

Next Steps

If the Board directs staff to proceed with the development of this proposal, then we will begin our formal work with other partners to develop draft term sheets that will contain all of the eligibility criteria. We will endeavor to bring them back to the Board for its further consideration and vote at a meeting in early 2013.